

# TORONTO COACH TERMINAL INC. REPORT NO.

**MEETING DATE:** December 12, 2011

**SUBJECT:** 2012 OPERATING AND CAPITAL BUDGETS

## **ACTION ITEM**

---

### **RECOMMENDATION**

It is recommended that the Board approve the 2012 Operating Budget and the 2012 Workforce, noting that the Operating Budget reflects the continuation of the status quo operation of the Terminal and there are no Capital requests for 2012.

### **DISCUSSION**

#### **PART I: PROPOSED 2012 OPERATING BUDGET**

The 2012 Operating Budget for the Toronto Coach Terminal Inc. (TCTI) is detailed in the attached Budget Report and highlighted below:

#### **Budget Highlights:**

- (1) The planned TCTI workforce strength as at December 31, 2012 remains unchanged from the 2011 budgeted level of 24 positions.
- (2) For this budget, no provision has been made for the financial impact of the pending Collective Bargaining Agreement which, once finalized, will become effective April 1, 2011. Each 1% increase in wages/benefits equates to increased expenses of approximately \$25K annually in the TCTI Operating Budget.
- (3) As noted in the following table, a net profit of \$621K is projected for 2012 (an increase of \$437K from the 2011 budget), largely due to:
  - (a) Higher revenues resulting from an increase in commissions earned as a result of higher sales by the carriers in 2011 which is expected to continue into 2012. There was also an increase in platform rental fees mostly due to the establishment by Megabus of a new service route to Pittsburgh. Also, the 2012 budget is based on a full year of the \$2.50 facility fee which was increased from \$2.00 in July 2011;

- (b) The reduction of one janitorial position from the TTC Plant Maintenance department;
- (c) Lower property taxes as a result of a lower than anticipated tax rate for 2011 and a net reduction in the property assessments of the two terminals; and
- (d) A lower interest expense on the outstanding loan based on the expectation that the prime interest rate will remain at its current level of 3% for all of 2012.

### **Budget Summary**

<b>\$000s</b>	<b>2012 BUDGET</b>	<b>2011 BUDGET</b>	<b>CHANGE</b>
<b>REVENUES</b>	5,718	5,418	300
<b>EXPENSES</b>	4,121	4,214	(93)
<b>CASH FLOW FROM OPERATIONS</b>	<b>1,597</b>	<b>1,204</b>	<b>393</b>
<b>DEPRECIATION</b>	560	574	(14)
<b>OPERATING PROFIT</b>	1,037	630	407
<b>INTEREST EXPENSE (NET)</b>	416	446	(30)
<b>NET PROFIT</b>	<b>621</b>	<b>184</b>	<b>437</b>

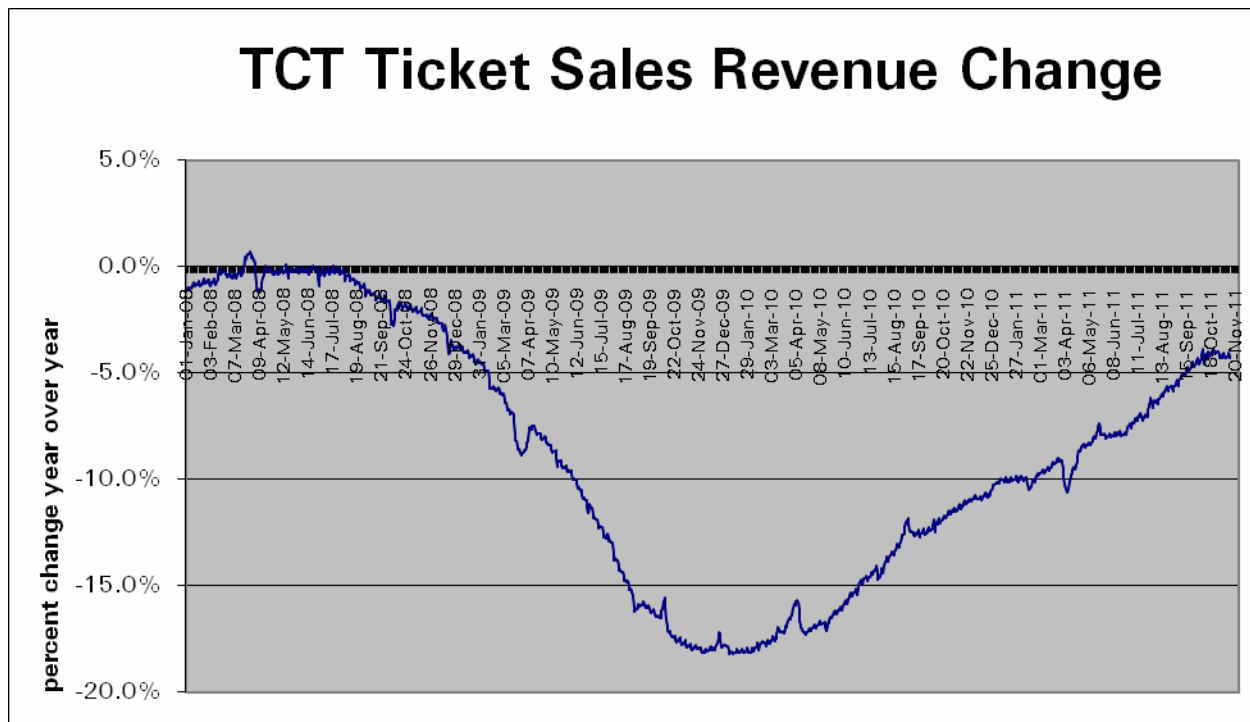
While a net profit of \$621K is projected for 2012 (reflecting both cost-cutting measures and revenue-generating initiatives undertaken to date, and planned for the future), the most salient financial indicator in the table above is the cash flow from operations. As long as the cash flow figure is positive (i.e. cash collected exceeds cash paid out), the financial viability of the corporation is not in question. For 2012, the cash flow is projected to increase by about one-third to \$1.6 million.

Further budget details are contained in the attached Budget Report.

### **PART II: TERMINAL OPERATIONS**

2011 showed continued improvement in financial performance over 2010 with a reduction in the rate of decline in ticket sales clearly indicated. While ticket sales for the intercity carriers continue to decline on an absolute basis, new revenues collected directly from passengers through the Facility Fee and property income have replaced the lost commissions on ticket sales and restored profitability to core operations.

Ticket sales revenues have improved continuously throughout 2011 and are favourable to the budget assumption. While the year started with sales down 10%, at the time of writing the rate improved to a 4% drop and is expected to continue to recover through the Christmas holiday season.



Passenger traffic in the terminal is steady. While off peak activity at the ticket counter is limited, peak holiday weekends are seeing the return of line-ups at the ticket counter and on the bus platforms. The intercity carriers have not announced any new service cuts recently and Coach Canada has introduced some new Megabus services to the United States that appear to be successful.

TCTI management's Business Plan initiatives to increase revenues and reduce costs have been effective in restoring profitability. The revenue base has been expanded, as planned, and appears to be stabilizing with additional growth slowing down.

The Facility Fee, introduced midway through 2009, was increased to \$2.50 per customer transaction in 2011 and is expected to generate more than \$1,000,000 by year end, better than budget of \$950,000. While no further increase to the Facility Fee is included in the 2012 budget, the full year impact of the higher rate is expected to increase the net fee income.

The TCT commercial parking lot has generated its highest ever revenue over the last 12 months including the three highest months since the lot opened. Net parking revenue of approximately \$200,000 is expected in 2011 as additional parking spaces were added midyear.

Plant maintenance costs were reduced in 2011 and a further reduction of one janitorial position will be sought in 2012.

### **PART III: STATUS OF THE TENANT CARRIER AGREEMENTS**

There was no effective change in the status of the carrier agreements – both Greyhound and Coach Canada refuse to commit to negotiate new agreements on the basis of

increased fixed payments to offset declining ticket sales at TCT.

However, in October 2011, TCT received a written joint offer from Greyhound and Coach Canada to lease the terminal property and all building operations for an interim period until Metrolinx constructs a new bus terminal at 45 Bay Street that would presumably incorporate the intercity carriers on a permanent basis.

TCT Management is reviewing the proposal and further discussion with Greyhound and Coach Canada will take place. This will be the subject of another report to the Board of Directors.

#### **PART IV: LONG-RANGE PLAN/REDEVELOPMENT STUDY**

Metrolinx has advised that Greyhound and Coach Canada will resume discussions regarding relocation to a new Metrolinx / GO Transit terminal proposed at 45 Bay Street. There continues to be no firm indication of any agreement or timetable and another year has passed without visible progress. Metrolinx's Board is again reportedly expected to consider the issue late in 2011 after a number of deferrals. While there is no formal commitment by either party, Greyhound and Coach Canada may not be committed to stay at TCT for the long term and TCT staff do not recommend any new investment in operating assets beyond five years.

#### **PART V: 2012 INITIATIVES**

Our key objective is to obtain a new agreement be it under a new reduced scope of services or maintaining the status quo. If the latter, then the main focus will be increasing net cash flow through reduced operating costs and less reliance on the two largest carriers for revenues.

#### **PART VI: PROPOSED 2012 CAPITAL PROJECTS**

The Bay Street terminal roof requires complete replacement. A major leak developed this summer above the second floor office area and resulted in major water damage forcing the relocation of Telephone Information to the basement. In addition, most of the HVAC equipment has reached the end of its service life and is not operating reliably or efficiently.

However there are no new Capital projects requested for 2012 with the expectation that Metrolinx will announce a decision regarding provision of bus terminal space for Greyhound and Coach Canada in 2012. Alternatively the carriers may assume more direct responsibility for building maintenance as part of a new agreement during an interim period.

-----

November 14, 2011

42-48

Attachment: 2012 Operating and Capital Budgets Report

**TORONTO COACH TERMINAL INC.**

**2012**

**OPERATING AND CAPITAL BUDGETS**

**REPORT**

**TORONTO COACH TERMINAL INC.**  
**2012 OPERATING AND CAPITAL BUDGETS**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>2012 BUDGET versus 2011 BUDGET</b>	
Summary .....	1
Revenues .....	2
Expenses .....	3
Workforce .....	4

**APPENDICES**

2012 Operating Budget Details .....	Appendix A
Workforce Summary .....	Appendix B
Organization Chart .....	Appendix C

**2012 BUDGET versus 2011 BUDGET**

**SUMMARY**

A net profit of \$621,000 is projected for 2012 which represents an increase of \$437,000 relative to the 2011 budgeted net profit of \$184,000. The 2012 cash flow from operations is a positive \$1,597,000, higher by \$393,000 from the 2011 budgeted level of \$1,204,000 primarily due to higher revenues and lower expenses compared to the 2011 budget. An operating profit of \$1,037,000, before interest, is anticipated.

Summarized below is the 2012 Operating Budget. Details are shown in Appendix A.

(\$000s)	<b><u>2012</u></b> <b><u>BUDGET</u></b>	<b><u>2011</u></b> <b><u>BUDGET</u></b>	<b><u>CHANGE</u></b>
Revenues	5,718	5,418	300
Expenses	<u>4,121</u>	<u>4,214</u>	<u>(93)</u>
<b>Cash Flow from Operations</b>	<b>1,597</b>	<b>1,204</b>	<b>393</b>
Depreciation	<u>560</u>	<u>574</u>	<u>(14)</u>
Operating Profit	1,037	630	407
Interest Expense (Net)	<u>416</u>	<u>446</u>	<u>(30)</u>
<b>Net Profit</b>	<b><u>621</u></b>	<b><u>184</u></b>	<b><u>437</u></b>

**Revenues** in 2012 are expected to be \$300,000 or 5.5% higher than the 2011 budgeted level. **Expenses**, before depreciation and interest, are projected to decrease by \$93,000 or 2.2% from the 2011 budgeted level.

Explanations for significant variances follow.

**REVENUES: \$300,000 increase**

**Commissions Earned: \$82,000 increase**

Slightly (4%) higher than anticipated ticket sales in 2011 are expected to continue into 2012. Consequently, commissions earned are expected to rise above the 2011 budgeted level.

**Terminal/Platform Rental: \$232,000 increase**

The annualization of the July 2011 Facility Fee increase from \$2.00 to \$2.50 as well as the full year's effect of the Megabus service to Pittsburgh introduced in May 2011 largely account for the favourable variance.



**EXPENSES: \$93,000 decrease**

**Plant Maintenance/RSEM: \$40,000 decrease**

This reduction reflects the following cost-cutting initiatives: the deletion of one full-time janitorial position from the TTC Plant Maintenance department along with a reduction in associated cleaning supplies, less painting, plumbing and electrical communications work requirements, and the resultant lower overhead charges related to these services.

**Other Employee Costs: \$10,000 decrease**

This reduction is related to the deletion of one full-time janitorial position.

**Property Taxes: \$26,000 decrease**

Property taxes for 2012 are anticipated to approximate 2011 actual taxes which are expected to be lower than the 2011 Budget due to a lower than anticipated tax rate and a net reduction in the property assessments of the two terminals.

**Interest Expense (Net): \$30,000 decrease**

The net Interest Expense is expected to decline based on the assumption that the expected average prime rate of interest applicable to the outstanding loan will remain at its current level of 3% throughout all of 2012. Higher interest income earned on banked funds is anticipated due to a rising bank balance. It should be noted that no partial loan repayment is planned for 2012.

## WORKFORCE

With no changes planned in the budget, the workforce strength as at December 31, 2012 will remain at 24.

Year-end workforce classifications and requirements are summarized below:

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Regular	24	24	-
Part-time	-	-	-
Temporary	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL	 <u>24</u>	 <u>24</u>	 <u>-</u>

Workforce details on a period-by-period basis are set out in Appendix B.

Appendix C represents the 2012 TCTI Organization Chart and reflects the proposed workforce noted in the table above.

## TORONTO COACH TERMINAL INC.

## 2012 OPERATING BUDGET

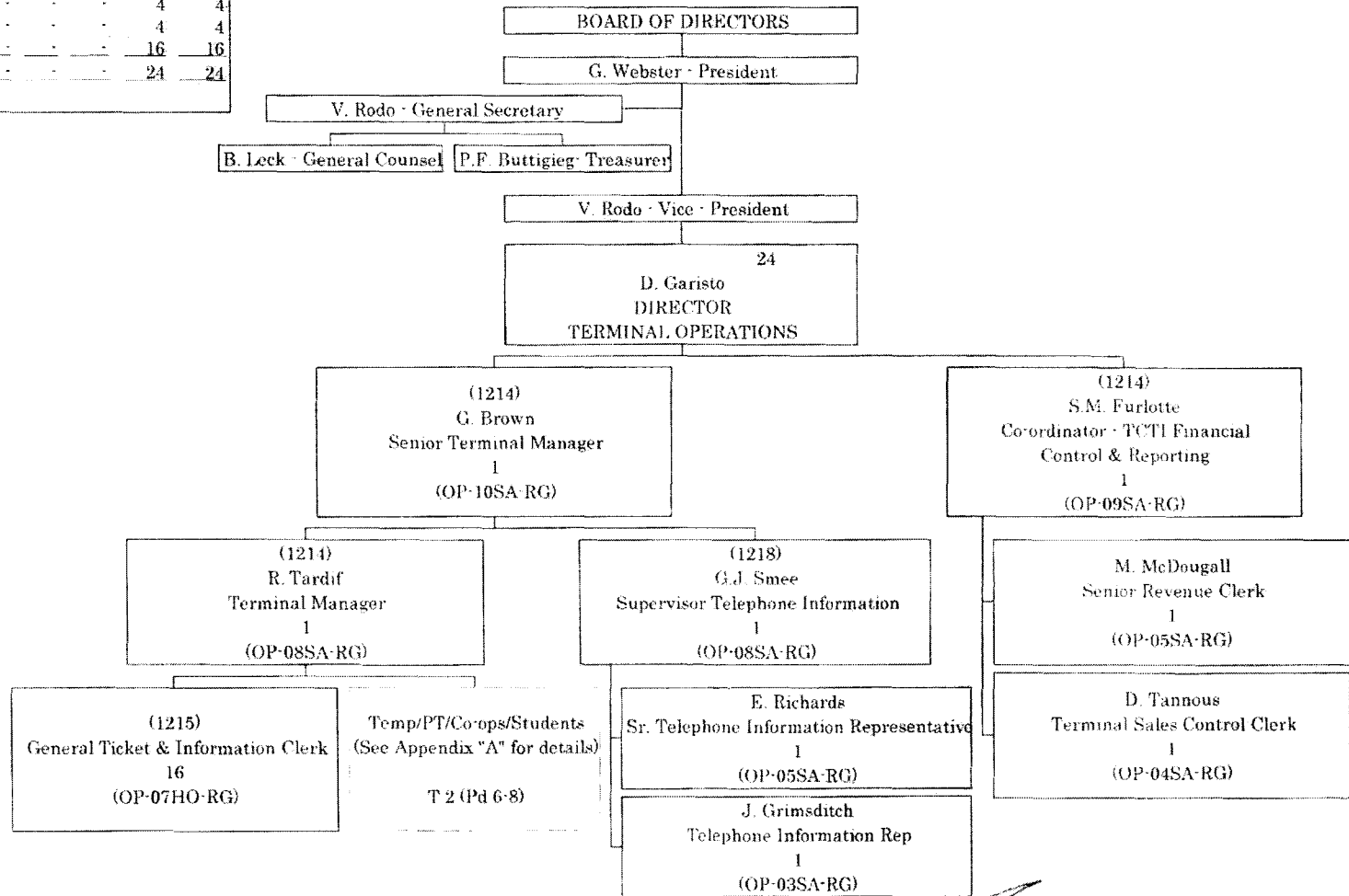
	<u>2012 BUDGET</u>	<u>2011 BUDGET</u>	<u>2012 BUDGET vs 2011 BUDGET VARIANCE</u>
<b>PASSENGERS – estimated (000s)</b>	1,123	1,119	4
<hr/>			
(\$000s)			
<b><u>REVENUES</u></b>			
Commissions Earned	2,986	2,904	82
Terminal/Platform Rental	2,211	1,979	232
Property Rental Revenue	336	326	10
Other Revenues	<u>185</u>	<u>209</u>	<u>(24)</u>
Total Revenues	<u>5,718</u>	<u>5,418</u>	<u>300</u>
<b><u>EXPENSES</u></b>			
Terminal Operations	1,490	1,491	(1)
Telephone Information	172	168	4
Finance and Administration	242	242	-
Plant Maintenance/RSEM	737	777	(40)
Other Employee Costs	740	750	(10)
Property Taxes	363	389	(26)
Other Administrative Costs	<u>377</u>	<u>397</u>	<u>(20)</u>
Total Expenses	<u>4,121</u>	<u>4,214</u>	<u>(93)</u>
<b>CASH FLOW FROM OPERATIONS</b>	<b>1,597</b>	<b>1,204</b>	<b>393</b>
Depreciation Expense	<u>560</u>	<u>574</u>	<u>(14)</u>
Operating Profit before Interest	1,037	630	407
Interest Expense (Net)	<u>416</u>	<u>446</u>	<u>(30)</u>
<b>NET PROFIT</b>	<b><u>621</u></b>	<b><u>184</u></b>	<b><u>437</u></b>

TORONTO TRANSIT COMMISSION  
2012 OPERATING BUDGET  
WORKFORCE SUMMARY - TCTI

BRANCH / DEPARTMENT - TCTI

CLASSIFICATION	TYPE	2011			2012 FINANCIAL PERIODS												PERIOD AVERAGE		
		PROBABLE AVERAGE	APPROVED DEC. 31	PROBABLE DEC. 31	1	2	3	4	5	6	7	8	9	10	11	12			
OFFICIALS	REGULAR																		
	TOTAL																		
MANAGEMENT & PROFESSIONAL	REGULAR	3.0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3.0	
	TEMPORARY																		
	TOTAL	3.0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3.0
SUPERVISORY	REGULAR	1.0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0
	TEMPORARY																		
	TOTAL	1.0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0
CLERICAL (Non-Union)	REGULAR	4.0	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0
	PART-TIME																		
	TEMPORARY																		
	CO-OP STUDENT																		
	SUMMER STUDENT																		
	TOTAL	4.0	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4.0
HOURLY RATED	REGULAR	16.0	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16.0
	TEMPORARY - OTHER																		
	TEMPORARY - VAC. / SICK RELIEF	0.7									2	2	2					0.5	
	SUMMER STUDENT (RELIEF)																		
	TOTAL	16.7	16	16	16	16	16	16	16	16	18	18	18	16	16	16	16	16	16.5
GRAND TOTAL	REGULAR	24.0	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24.0
	PART-TIME																		
	TEMPORARY	0.7									2	2	2					0.5	
	CO-OP STUDENT																		
	SUMMER STUDENT																		
	TOTAL	24.7	24	24	24	24	24	24	24	24	26	26	26	24	24	24	24	24	24.5

	Oper	WT	Cap	TCTI	Total
Officials (13-18)	-	-	-	-	-
M&P/Supervisory (7-12)	-	-	-	4	4
Clerical (1-6)	-	-	-	4	4
Hourly	-	-	-	16	16
Total	-	-	-	24	24



*[Signature]*  
Approved \_\_\_\_\_ Dated Nov. 15/2011