



For Action

2019 Operating Budget for the Toronto Coach Terminal Inc. (TCTI)

Date: February 27, 2019

To: Toronto Coach Terminal Inc. Board of Directors

From: Treasurer of TCTI

Summary

The attached report presents the 2019 Toronto Coach Terminal Inc. (TCTI) operating budget for approval.

Recommendations

It is recommended that the Board approve the 2019 Operating Budget for the TCTI as set out in this report.

Financial Summary

This report has no financial implications beyond what is proposed in the 2019 operating budget.

Equity/Accessibility Matters

This report and its recommendation have no accessibility/equity issues or impact.

Decision History

On an annual basis, the budget of TCTI are presented on a non-consolidated level are presented for approval.

Issue Background

Effective July 8, 2012, TCTI entered into a lease agreement with Greyhound and Coach Canada Toronto Operations Ltd. (GACCTO) for the use of the entire terminal including the retail space, lockers, and parking facilities. Since that date, the terminal has been solely staffed and operated by GACCTO.

The TCTI's operations have one primary source of revenue, namely the lease. At the same time, TCTI's expenses are limited to depreciation (which is a non-cash expense) and loan interest expense payable to TTC.

The budget of TCTI is prepared on an annual basis based on the historical financial results adjusted for reasonable assumptions and changes in both internal and external operating environment such as changes in economy, interest rates and contracts.

Comments

TCTI's budgeted net profit for 2019 is expected to be \$806,100 representing a \$254,500 or 46.1% improvement over the 2018 budget. This increase is primarily driven by a \$236,600 decrease in depreciation expense. The changes are further explained below.

Lease Revenue

In October 2018, GACCTO advised the exercise of their second option to extend the lease in July, 2019 for a two-year period. Consistent with the terms of the lease, the monthly rent was increased based on the assumed CPI factor. As a result, the annual lease revenue is expected to increase by \$13,600 in 2019 and will now total \$1,336,000.

Depreciation

The assets (buildings) were both projected to end their useful lives in 2020 but due to the extension of the lease from GACCTO, the expected life of the assets has been extended to 2021. As a result, the depreciation expense has decreased by \$236,600, relative to the 2018 budget. As of January 2019, notification has not been received from GACCTO to extend the lease beyond 2021.

Net Interest Expense

An expected 0.7% increase in prime rate from 3.4% budgeted in 2018 to 4.1% expected in 2019 will result in an increase in the 2019 interest expense budget. The impact of this increase was offset by payment of \$1,300,000 loan repayment at the end of 2018 resulting in a net \$4,300 decrease in the net interest expense budget to \$203,800 total.

Budget Summary

\$000s	2019 BUDGET	2018 BUDGET	CHANGE
Revenues	1,336	1,322	14
Expenses	5	5	-
Cash Flow From Operations	1,331	1,317	14
Depreciation	321	557	(236)
Operating Profit	1,010	760	250
Interest Expense (Net)	204	208	(4)
Net Profit	806	552	254

Contact

Stephen Conforti, Head – Finance & Treasurer, Finance
Tel: (416) 393-3654, Fax: (416) 488-4708
Email: Stephen.Conforti@ttc.ca

Signature

Stephen Conforti
Treasurer of TCTI

Attachments

There are no attachments included in this report.