

# Item 3

For Action

## 2020 Operating Budget for the Toronto Coach Terminal Inc. (TCTI)

**Date:** January 27, 2020

**To:** Toronto Coach Terminal Inc. Board of Directors

**From:** Treasurer

### Summary

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The attached report presents the 2020 Toronto Coach Terminal Inc. (TCTI) operating budget for approval.

### Recommendations

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It is recommended that the Board approve the 2020 Operating Budget for the Toronto Coach Terminal Inc. as set out in this report.

### Financial Summary

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This report has no financial implications beyond what is proposed in the 2020 operating budget.

### Equity/Accessibility Matters

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

### Decision History

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

### Issue Background

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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**

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TCTI's budgeted net profit for 2020 is expected to be \$1,044,900 representing a \$238,900 or 29.6% improvement over the 2019 budget. This increase is primarily driven by a \$115,000 decrease in depreciation expense, \$65,800 decrease in net interest expense, and \$58,000 increase in revenue. The changes are further explained below.

### **Lease Revenue**

In October 2018, GACCTO exercised their second option to extend the lease effective July 2019 for a 2-year period until July 2021. Consistent with the terms of the lease, the monthly rent was increased based on the assumed Consumer Price Index (CPI) factor. As a result, the annual lease revenue is expected to increase by \$58,000 in 2020 and will now total \$1,394,000.

### **Depreciation**

Adjustments to the 2020 budget were made to appropriately reflect the depreciation expense for all assets ending their useful life in 2021 on a straight line basis. As a result, the depreciation expense has decreased by \$115,000, relative to the 2019 budget.

### **Net Interest Expense**

The net interest expense is expected to decrease by \$66,000 due to lower loan principal balance from the \$1,400,000 repayment in 2019 and lower expected prime rate of interest of 3.45%, compared to the 2019 budget of 4.1%.

## **Budget Summary**

<b>\$000s</b>	<b>2020 BUDGET</b>	<b>2019 BUDGET</b>	<b>CHANGE</b>
Revenues	1,394	1,336	58
Expenses	5	5	-
<b>Cash Flow From Operations</b>	<b>1,389</b>	<b>1,331</b>	<b>58</b>
Depreciation	206	321	(115)
<b>Operating Profit</b>	<b>1,183</b>	<b>1,010</b>	<b>173</b>
Interest Expense (Net)	138	204	(66)
<b>Net Profit</b>	<b>1,045</b>	<b>806</b>	<b>239</b>

## **Contact**

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## **Signature**

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Alex Cassar

Treasurer, Toronto Coach Terminal Inc.

## **Attachments**

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There are no attachments included in this report.