

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** SEPTEMBER 24, 2009

**SUBJECT:** CHIEF GENERAL MANAGER'S REPORT  
PERIOD 7  
JULY 5 TO AUGUST 1, 2009

## ACTION ITEM

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### RECOMMENDATION

It is recommended that the Commission forward a copy of this report to (1) each City of Toronto Councillor and (2) the City Deputy Manager and Chief Financial Officer, for information, noting that the detailed CGM's Report is available upon request from the Office of the General Secretary of the Commission.

### DISCUSSION

The purpose of the Chief General Manager's (CGM's) Report is to provide the Commission with information about the activities of the Toronto Transit Commission over the course of the year. This report also includes a summary of unbudgeted expenses as they are approved by the Commission.

### RIDERSHIP RESULTS

Ridership to the end of Period 7 (August 1) was 843,000 (0.3%) under budget and 6,353,000 (2.4%) above the comparable period in 2008. Year-to-date ridership variances, by period, are summarized below.

PERIOD	RIDERSHIP VARIANCE FROM BUDGET (Millions)
1	0.3
2	0.9
3	(0.5)
4	0.2
5	(0.1)
6	(0.7)
7	(0.9)
Year-to-date	(0.8)

For the first six periods of the year (to the end of June), ridership was essentially on target. This largely reflected positive ridership results in both January and February when the City

of Toronto still had positive employment growth being followed by ridership shortfalls in the ensuing months when employment levels declined.

Ridership during July was 2.6% (927,000 rides) below budget. The City strike continued throughout the entire month and the economic news was not positive with continued job losses in the City of Toronto.

Beyond the timeframe covered in this report, ridership during August (Period 8) was 3.1% (1,100,000 rides) below budget. Although the City strike ended on July 31, it is likely that the negative impact continued to affect ridership during August. Even though ridership has been below budget since June (Period 6), it would be prudent to obtain September pass sales data before adjusting year-end estimates. September is considered a "normal" month as employees return from vacation and students return to school that will provide a much more reasonable picture of which way ridership is trending.

Based on year-to-date results and estimates of key factors for the remainder of the year, year-end ridership could fall as low as 469 million rides, compared to the budget of 473 million. For purposes of this report, however, no variance from the budgeted level has been assumed, although it is likely that the year-end probable will be adjusted next period reflecting ridership data from early September.

**FINANCIAL RESULTS**  
**2009 TTC OPERATING BUDGET**

Appendix A represents the TTC's Income Statement and provides information on Revenues, Expenses and Subsidies.

The following table provides a summary of year-end projections for ridership, expenses, revenues and subsidy requirements.

(Millions)	2009		
	PROJECTION	BUDGET	CHANGE
<b>RIDERSHIP</b>	473	473	-
<b>EXPENSES</b>	\$1,300.8	\$1,298.4	\$2.4
<b>REVENUES</b>	(\$889.3)	(\$904.3)	(\$15.0)
<b>SUBSIDY REQUIRED</b>	\$411.5	\$394.1	\$17.4
<b>SUBSIDY AVAILABLE</b>	\$394.1	\$394.1	-
<b>SHORTFALL</b>	\$17.4	-	\$17.4

**Passenger revenues** are currently projected to be below budget due to a lower average fare (slightly more than 2¢ on a budget of about \$1.80) which has materialized as a result of higher Adult pass sales and greater than anticipated usage of concession fares. To the end of July, passenger revenues fell almost \$8 million below budget primarily due to this reason (but also because of the 843,000 fewer rides carried to date). To the end of August, passenger revenues were almost \$11 million below budget - \$3.4 million due to 1.9 million fewer rides and about \$7.6 million as a result of the average fare falling 2.32¢ below budget. If the average fare does not improve from current levels, this will result in further passenger revenue declines in the order of several more millions of dollars as shown on the following table.

\$Millions	PASSENGER REVENUE SHORTFALL			
	To end of July	To end of August	Balance of year	Total Potential shortfall
Passenger Revenues	8	11	4	15

Beyond the \$11 million passenger revenue shortfall to the end of August, it is projected that a further \$4 million could be lost over the rest of the year if the average fare does not improve. It should be noted that the **potential** \$15 million passenger revenue shortfall shown above is based on achieving the ridership target of 473 million. If the August ridership shortfall continues for the balance of the year, there will be a further deterioration of passenger revenues. (Note: while the figures are identical, the \$15 million Total Revenue projection (comprised of \$11 million in passenger revenues and \$4 million in other revenues) shown in the table on the previous page is different from the potential \$15 million passenger revenue shortfall shown in the table above. If the potential \$15 million passenger revenue shortfall materializes, then the Total Revenue shortfall will grow from \$15 million to \$19 million). Once September pass sales information becomes available, staff will be in a better position to forecast ridership for the balance of the year and will amend the year-end projections for ridership and passenger revenues, accordingly.

In addition, **Advertising revenues** are expected to fall short of the budget by approximately \$2.3 million as a result of the current economic situation and its impact on advertising sales activity. **Other income**, largely consisting of interest income, is forecast to be about \$1.3 million under budget primarily due to lower interest earnings on banked funds.

Year-end **expenses** are currently projected to be 0.2% (\$2.4 million) over budget largely due to unbudgeted emergency flood and mould remediation and restoration work required in the Inglis Building (\$1.4M); the requirement for more service resulting from City construction activities (\$2M); additional overtime requirements due to higher than anticipated workforce

gapping, service maintenance backlog and operating in severe winter conditions (\$3.5M); vehicle maintenance needs (\$4M); and other changes (\$0.3M). These increases have been significantly offset by lower hydro and natural gas rates and, to a lesser extent, reduced water consumption (\$4.9M); other employee cost reductions primarily due to improved attendance and safety performance resulting from various initiatives currently underway (\$2M); and planned service reductions (\$1.9M).

It should be noted that the first actuarial valuation of accident claims costs for 2009, based on information available to the end of June (i.e. 2<sup>nd</sup> quarter), has been completed and is currently being reviewed by staff. Past experience has shown that the costs of adjudicating and settling accident claims continue to escalate. Future reports will address this issue along with potential alternatives for funding the incremental expenses. In the interim, no adjustment has been made to the year-end expenditure projections for this.

Overall, a **\$17.4 million shortfall** is currently projected by year-end. Staff will continue to closely monitor ridership, revenues and expenses in an effort to mitigate as much of this as possible by year-end. Accordingly, staff have instituted a cost containment action plan which entails, but is not limited to, the following measures:

- the non-introduction of some planned service improvements in the Fall (and subsequent deferral to mid 2010) and other selective service cancellations, where permissible;
- a curtailment of overtime work;
- a comprehensive review of the hiring and training plans for new Operators; and
- a thorough reassessment of all discretionary expenses, on a department by department basis, for the balance of the year.

The following table lists unbudgeted items which have been approved by the Commission and have been reflected in the projected year-end variances contained in this report.

<b>UNBUDGETED ITEMS APPROVED TO DATE</b>	<b>AMOUNT \$Millions</b>	<b>COMMISSION APPROVAL</b>
Commuter Parking Lots Security Plan	0.382	February 18, 2009
Inglis Building Emergency Flood and Remediation and Restoration Work	1.020	April 3, 2009
Consultant Services – Green Procurement	0.385	July 9, 2009

**Service Related Results**

For the first seven periods of 2009, the **subway and the SRT** mainly performed as expected. Overall, service performance levels for the Bloor-Danforth Line are on target due to good incident management while the Yonge-University-Spadina Line performed just marginally below target. The performance of **bus routes** has improved over 2008 year-end results with better headway adherence and reductions in the number of run cancellations. The improvements have been maintained so far this year despite the adverse impact of the construction season. **Streetcar routes** showed improvements in on-time performance on the majority of large routes. In particular, initiatives on the 501 Queen Street route continue to show favourable results with significant reductions in short turns.

**Customer Satisfaction Results**

Over the first seven periods of this year, complaints increased by approximately 13% while compliments (predominantly for exceptional work by TTC employees) increased by about 7%, over the comparable period last year. The biggest increase in complaints related to surface delays which reflects some overcrowding conditions on surface vehicles and the deteriorating traffic conditions prevalent in the city.

**2009 TTC CAPITAL PROGRAM BUDGET**

Appendix B contains a table that shows actual 2009 expenditures based on results available to Period 7 and year-end projections for the TTC's capital projects. City Council approved an overall budget of \$774.5 million for the base capital program on December 10, 2008. Current projected 2009 expenditures for the base program are \$797.8 million, representing an over expenditure of \$23.3 million. A carry forward adjustment of \$79.2 million was approved by the City Council in August 2009 to address those contract delay impacts from 2008 that resulted in the deferral of approved expenditures to 2009. The result is a projected net 2009 under expenditure of \$55.9 million for the base capital program as shown in the table below.

(Millions)	2009		
	ACTUAL	BUDGET	VARIANCE
APPROVED BASE PROGRAM	\$797.8	\$774.5	\$23.3
CITY CARRY FORWARD REQUEST		79.2	(79.2)
TOTAL ADJUSTED BASE PROGRAM	797.8	853.7	(55.9)

Staff continue to review and monitor these projections with a view to ensuring that

expenditures at year-end will not exceed the approved budget.

An under expenditure of \$36.7 million is projected on the Toronto York Spadina Subway Extension project primarily related to deferred engineering work and property acquisition. An under expenditure of \$77.0 million is now reflected for Transit City Projects, based on current projections of project work to be completed, noting that project scope and governance as well as project funding and eligibility issues are currently under review.

Work continues on Federal programs for which Contribution Agreements were signed in 2008 including the Canada Strategic Infrastructure Fund (CSIF), the Transit-Secure and Building Canada Fund programs including amending agreements, audits and fulfillment of project requirements for reporting and claims. Announcements subsequent to the 2009 Provincial budget have resulted in additional funding commitments for expansion initiatives including the Finch West, Eglinton Cross-town and Sheppard East LRT lines as well as the SRT Conversion and Expansion project. Staff have continued to pursue further Provincial and Federal commitments towards long term funding assumptions. The Province has recently confirmed its commitment to fund the 1/3 share of the 204 LRV cars, while the Federal government has declined funding of these vehicles under the Infrastructure Stimulus Fund (ISF). A series of alternate projects have been submitted to the Federal government for consideration under the ISF program; however no funding commitments have yet been confirmed. No commitments have been received for the LRV facility (Provincial or Federal) or for the 126 subway car projects (Federal only). It had been anticipated that if these commitments had materialized and if the Province paid an additional 1/3 share of the LRV costs, the originally projected five-year funding shortfall of approximately \$1.5 billion would have been addressed.

The March 26, 2009 provincial budget also announced the introduction of an Ontario Harmonized Sales Tax (OHST) effective July 1, 2010 and staff are awaiting additional information (expected this fall) to assess the implications of the PST rebate on the capital projects (and the operating budgets).

### **2009 WHEEL-TRANS OPERATING BUDGET**

Appendix C shows the Wheel-Trans Income Statement and reflects the \$76.341 million subsidy level approved by City Council. At this time, there are no significant budget variances projected for year-end.

September 14, 2009

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Attachments: Appendices A, B and C