

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: APRIL 6, 2011

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIODS 11 & 12
OCTOBER 31 TO DECEMBER 31, 2010

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

1. approve the offsetting of the \$0.892 million subsidy shortfall for the 2010 Wheel-Trans Operating Budget with the \$60.044 million subsidy surplus for the 2010 TTC Operating Budget, for a net subsidy surplus of \$59.152 million; and
2. 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 approved by the Commission. Consistent with past practice, this detailed CGM's Report is presented here as a full account of the activities for 2010.

It should be noted that the revenue, expense and subsidy amounts shown for 2010 are preliminary and subject to audit. The final 2010 audited financial statements are scheduled to be presented to the TTC Audit Committee on April 19, 2011.

RIDERSHIP RESULTS

2010 ridership reached an all-time high at 477.4 million rides. These results were 6.7 million rides (1.4%) above the 2009 results and 15.3 million rides (3.3%) above the 2010 budget.

Year-to-date (to December 31) ridership variances, by period, are summarized on the following table.

PERIOD	RIDERSHIP VARIANCE FROM BUDGET (Millions)
1	1.2
2	0.8
3	1.1
4	1.4
5	1.1
6	1.5
7	1.6
8	1.0
9	1.4
10	1.6
11	1.1
12	1.5
Year-to-date	15.3

As noted in the preceding table, ridership results were very strong throughout the year. It should be noted that the June results reflect the loss of an estimated 658,000 rides due to the G20 Summit.

In previous CGM Reports, the historical relationship of City of Toronto employment levels being one of the most significant variables in determining TTC ridership, was highlighted. Over the long term, changes in City of Toronto employment levels track quite closely to TTC ridership changes. However, starting in 2009, City of Toronto employment started to drop, but TTC ridership continued to grow. Generally, since mid-year 2010, employment levels reflected growth over the same periods in 2009 as did ridership, perhaps signalling a return to the historical relationship. Employment and ridership results for the past 12 months are shown below:

	<u>EMPLOYMENT CHANGE</u>	<u>RIDERSHIP CHANGE</u>
January	(2.4%)	+ 1.1%
February	(1.7%)	0.0%
March	(1.4%)	+ 0.2%
April	(4.7%)	+ 2.1%
May	(3.5%)	+ 1.2%
June	+ 0.7%	+ 1.5%
July	+ 2.6%	+ 2.7%
August	+ 3.3%	+ 1.2%
September	+ 1.4%	+ 1.3%
October	+ 1.2%	+ 2.7%
November	(0.6%)	+ 2.7%
December	+ 2.0%	+ 3.7%

FINANCIAL RESULTS

2010 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 results for ridership, expenses, revenues and subsidy requirements.

(Millions)	2010		
	ACTUAL	BUDGET	CHANGE
RIDERSHIP	477.4	462.1	15.3
EXPENSES	\$1,357.1	\$1,370.9	(\$13.8)
REVENUES	(\$987.3)	(\$941.1)	\$46.2
SUBSIDY REQUIRED	\$369.8	\$429.8	(\$60.0)
SUBSIDY AVAILABLE	\$429.8	\$429.8	-
SURPLUS	\$60.0	-	\$60.0

The \$60 million surplus reflects \$46 million in higher revenues and \$14 million in lower expenses than budget and is largely the result of the following significant budget variances.

- **Passenger Revenues: \$41 million increase.** An additional 15.3 million passengers, a 2¢ increase in the average fare (\$1.94 versus \$1.92) and lower token hoarding losses experienced earlier in the year are the key factors responsible for this favourable variance.
- **Advertising: \$3 million increase.** Better than anticipated advertising sales activity.
- **Other Income: \$2 million increase.** The recovery of previously paid Ontario Retail Sales Tax on the internal use of telecommunications and the finalization of the counterfeit token settlement largely account for this positive variance.

- **Vehicle Fuel: \$15 million decrease.** Lower diesel fuel costs primarily resulting from purchasing at spot market prices for the latter half of this year.
- **Depreciation: \$14 million decrease.** Lower capital expenditures than originally planned for this year as well as a reassessment of IT project expenditures previously capitalized have led to a reduction in depreciation charges.
- **Other Employee Costs: \$16 million increase.** An increase for employee benefit provisions was partially offset by the abolishment of a Canada Pension Plan tax liability associated with Long-term Disability payments as a result of a favourable Federal Court of Appeal decision rendered earlier this year.

The following table lists unbudgeted items were approved by the Commission in 2010.

UNBUDGETED ITEMS APPROVED TO DATE	AMOUNT \$Millions	COMMISSION APPROVAL
Service level changes to address increased Ridership	2.900	May 6, 2010
Station Manager Deployment program	Self-funded	May 6, 2010
Specialized legal, financial and other consultant Services related to TTC – Office Consolidation	0.500	May 6, 2010
Station Cleaning Blitz – July to Dec 31/10	0.800	June 2, 2010
Research on international best practices on Premium-quality bus services	0.100	June 2, 2010

Service Related Results

In 2010, **subway** headway performance levels for the Bloor-Danforth, the Yonge-University-Spadina and Sheppard lines were better than target due to good incident management. However, both uncontrollable (customer related illness, security incidents and G20 Summit activities) and controllable (related to equipment and track related delays and Operator workforce irregularities) delays exceeded target. While the performance of **bus routes** has improved over 2009 year-end results in terms of fewer run cancellations, headway adherence fell short of the current target. Actual headway adherence results on **streetcar routes** have exceeded 95% of the targeted level, however run cancellations were higher than the 2009 level due to insufficient Operator workforce and a reduction in the Employment Standards Act work hour limit resulting in reduced Operator spareboard availability to perform all scheduled work.

Customer Satisfaction Results

Compared to 2009, the year 2010 saw complaints increase by about 24% while compliments (predominantly for the work of TTC employees) increased by over 55%. The extensive media coverage of TTC customer service issues likely prompted more customers to contact TTC to offer their feedback. The increase in complaints was primarily related to service delays, discourtesy, vehicle operation and bypassing of customers.

Future CGM Reports will incorporate information on various metrics to monitor performance in the following areas: train punctuality, train reliability, elevating device reliability, cleanliness and, bus and streetcar punctuality.

2010 TTC CAPITAL PROGRAM BUDGET

Appendix B contains a table that shows actual 2010 expenditures (unaudited) for the TTC's capital projects. City Council approved an overall budget of \$912.4 million for the base capital program on December 8, 2009. The Year end 2010 expenditures for the base program are \$750.9 million, representing an under expenditure of \$161.5 million. A carry forward adjustment of \$102.6 million was approved by the City Council in August 2010 to address those contract delay impacts from 2009 that resulted in the deferral of approved expenditures to 2010. The result is a net 2010 under expenditure of \$264.1 million for the base capital program as shown in the table below.

(Millions)	2010		
	ACTUAL	BUDGET	VARIANCE
APPROVED BASE PROGRAM	\$750.9	\$912.4	\$(161.5)
CITY CARRY FORWARD REQUEST		102.6	(102.6)
TOTAL ADJUSTED BASE PROGRAM	750.9	1,015.0	(264.1)

The under expenditure of \$264.1 million on the base capital program includes the following major program variances: Signal Systems mainly relating to design delays on YUS ATC resignalling project (\$23.7) million; Building Facilities projects deferrals and estimate changes (\$22.4) million such as the Revenue Operations Facility; LRT Replacement & Storage facility delay due to property and community related design issues (\$74.2) million; Purchase of Subway Cars project milestone achievement delays (\$23.5) million; Purchase of LRT Cars slippage of project milestones to 2010 from delayed award \$16.4 million. In addition, the City Carry Forward adjustment has a further favourable variance impact of \$102.6 million.

An under expenditure of \$37.1 million on the York Spadina Subway Extension project primarily related to deferral of progress and payments for Tunnel Lining, TBMs, early construction work, and property acquisition, offset by the increase of Engineering and Geotechnical work and milestone payments under a vehicle contract.

An under expenditure of \$ 337.7 million is also projected on the Metrolinx - Transit City and Metrolinx - SRT Projects primarily related to prior year slippage offset by deferred project activities to future years. Note that Transit City costs for approved lines are fully covered by Metrolinx and reimbursed through the City. In line with the recent reviews of these transit line expansions underway at the direction of the Mayor of the City of Toronto, the program name has been changed from Transit City to Transit Expansion.

2010 WHEEL-TRANS OPERATING BUDGET

Appendix C shows the Wheel-Trans Income Statement and reflects the \$82.7 million subsidy level approved by City Council. 2010 saw an increased level of demand for trips which exceeded the budget by more than 11% (or 278,000 rides). In order to satisfy this higher level of demand within the targeted 2% unaccommodated rate, additional unbudgeted net expenditures (after accounting for various cost containment measures and the receipt of Ontario Retail Sales Tax recoveries) in the order of \$0.9 million were required.

March 16, 2011

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Attachments: Appendices A, B and C

Chief General Manager's Report

Periods 11 & 12

October 31 to December 31, 2010