

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: OCTOBER 19, 2011

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIODS 5, 6, 7 & 8
MAY 1 TO AUGUST 27, 2011

ACTION ITEM

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. Over the course of this year, this report will also include a summary of unbudgeted expenses as they are approved by the Commission.

RIDERSHIP RESULTS

Ridership to the end of Period 8 (August 27) was 6,971,000 (2.2%) above budget and 16,004,000 (+5.2%) above the comparable period in 2010. This improvement over the 2010 ridership results is likely due to a number of factors including the continued uncertainty about the economy, rising gasoline prices and the ongoing intensification of condominium construction in the downtown area.

Passenger revenue was \$9.2 million above budget for the year to date and the average fare is tracking marginally below budget (approx. -1¢ or -0.7%). Staff continue to closely monitor the average fare because a variance as small as one cent could impact overall revenues by almost \$5 million over the course of a year.

FINANCIAL RESULTS

2011 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)	2011		
	PROJECTION	BUDGET	CHANGE
RIDERSHIP	497	487	10
EXPENSES	\$1,446.9	\$1,435.9	\$11.0
REVENUES	(\$1,020.2)	(\$1,006.8)	\$13.4
SUBSIDY REQUIRED	\$426.7	\$429.1	(\$2.4)
SUBSIDY AVAILABLE	\$429.1	\$429.1	-
SURPLUS	\$2.4	-	\$2.4

The \$2.4 million projected surplus reflects the following significant budget variances.

- **Passenger Revenues: \$14.7 million increase.** This favourable variance reflects 10 million additional rides in the projected ridership level of 497 million (compared to the budget of 487 million) partially offset by the aforementioned lower average fare.
- **Corporate Restructuring: \$10 million increase.** Pursuant to the corporate restructuring and staff reductions incorporated into the 2012 TTC Operating Budget presented to the Commission on September 16, 2011, preliminary estimates for severance costs associated with both the voluntary and involuntary separations is in the order of \$10 million. This estimate will be refined as this process continues.
- **Transfer of TTC Property at Yonge/York Mills: \$7.2 million increase.** In the absence of any compensating additional subsidy, the planned transfer of this property to Build Toronto at no cost will necessitate the recording of an expense (i.e. loss) equivalent to the accounting value of this property.
- **Depreciation: \$6.9 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.

- **Accident Claims: \$5 million increase.** Based on a recent actuarial valuation utilizing case reserve and payment data to September, 2011, projected 2011 cash payments for accident claims are expected to exceed budget.
- **Workforce Gapping Savings: \$4.6 million decrease.** As part of the Commission's cost containment measures, the intentional non-filling of workforce positions which were or became vacant during the year is expected to generate savings in the order of \$4.6 million by year-end.
- **Advertising Revenues: \$2.8 million decrease.** The current projection is that lower than anticipated advertising sales activity will yield a reduced revenue stream.
- **Other Income: \$1.3 million increase.** Liquidated damages assessed on a recent bus order, the recovery of previously paid Provincial retail sales tax on internal use of telecommunication equipment and higher interest earnings on banked funds account for this favourable variance.

CUSTOMER SATISFACTION

An update on customer satisfaction is incorporated into a separate report entitled "TTC Customer Service – Update" which is on the agenda for this Commission meeting.

2011 TTC CAPITAL PROGRAM BUDGET

Appendix B contains a table that shows actual 2011 expenditures based on results available to Period 8 and year-end projections for the TTC's capital projects. City Council approved an overall budget of \$870.4 million for the base capital program on February 23, 2011. Current projected 2011 expenditures for the base program are \$800.3 million, representing an under expenditure of \$70.1 million. A carry forward adjustment of \$43.9 million was approved by the City Council in July 2011 to address those contract delay impacts from 2010 that resulted in the deferral of approved expenditures to 2011. The result is a projected net 2011 under expenses of \$114.0 million for the base capital program as shown in the following table.

	2011
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(Millions)	ACTUAL	BUDGET	VARIANCE
APPROVED BASE PROGRAM	\$800.3	\$870.4	\$(70.1)
CITY CARRY FORWARD APPROVED	-	43.9	(43.9)
TOTAL	\$800.3	\$914.3	(114.0)

The under expenditure on the base program of \$114.0 million includes the following major program variances: Surface Track 2011 Tangent / Special Projects deferral, ATC Resignalling contracts slippage, and slippage of LRT Replacement Maintenance & Storage Facility and delivery of Wheel Trans buses due to manufacturing changes. In addition, the City carry forward has a further favorable variance impact of \$43.9 million.

An under expenditure of \$136.9 million is projected on the Toronto York Spadina Subway Extension project primarily related to delays in tunnel and early construction work.

Costs incurred for Transit Expansion/Metrolinx Eglinton-Scarborough Crosstown project are recoverable through Metrolinx and are not tracked against budget.

2011 WHEEL-TRANS OPERATING BUDGET

Appendix C shows the Wheel-Trans Income Statement and reflects the \$91 million subsidy level approved by City Council. The current year-end projection indicates that with a slightly lower trip demand (down by 1.7%) compared to budget, expenses will be about \$1.1 million below budget due to: a shift of more trips on lower cost accessible taxis, diesel savings due to fewer bus kilometres operated, new lower cost contracts for eligibility assessments, reduced marketing initiatives spending, lower IT servicing costs for the Automatic Vehicle Locating and WTIS systems and intentional gapping of vacant workforce positions. Partially offsetting these savings are reduced Passenger Revenues in the order of \$400K due to the slight decline in trips. Overall, the 2011 subsidy requirement is projected to fall about \$700K (or 0.8%) below budget.

TORONTO TRANSIT INFRASTRUCTURE LTD.

Appendix D provides financial information regarding Toronto Transit Infrastructure Ltd. (TTIL), a subsidiary corporation created by the Toronto Transit Commission, to undertake an assessment of the business case for the two extensions of the Sheppard Avenue subway.

October 6, 2011

42-47

Attachments: Appendices A, B, C and D
Chief General Manager's Report
Periods 5, 6, 7 & 8
May 1 to August 27, 2011

**TORONTO TRANSIT COMMISSION
OPERATING BUDGET - INCOME STATEMENT**

PERIOD 8 (\$'000s)	Period 8 FOUR Weeks July 31 to August 27, 2011			Eight Periods to August 27, 2011			Full Year 2011		
	Actual	Budget	Over/(Under) Budget	Actual	Budget	Over/(Under) Budget	Projected Actual	Projected Budget	Projected Variance
REVENUES:									
Passenger Revenues	68,204	67,391	813	625,557	616,374	9,183	962,700	948,050	14,650
Outside City & Charters	1,373	1,374	(1)	12,141	11,639	502	16,046	17,748	300
Advertising	1,688	1,688	-	13,501	13,501	-	17,450	20,250	(2,800)
Rent Revenue	730	735	(5)	5,774	5,877	(103)	8,829	8,829	-
Commuter Parking	818	833	(15)	5,977	6,327	(350)	9,470	9,470	-
Other Income	231	154	77	2,068	1,280	788	3,734	2,434	1,300
TOTAL REVENUES	73,044	72,175	869	665,018	654,966	10,052	1,020,231	1,006,781	13,450
EXPENSES (LABOUR & NON-LABOUR)									
CGM's Office	1,102	1,110	(8)	8,099	9,362	(1,263)	13,333	14,349	(1,016)
Engineering & Construction	273	295	(22)	2,131	2,504	(373)	4,020	3,828	192
Executive	6,263	6,812	(549)	49,922	55,687	(5,765)	82,419	84,708	(2,289)
Operations - Rail	29,713	30,529	(816)	247,355	252,233	(4,878)	389,637	390,855	(1,218)
Operations - Bus	32,455	32,156	309	270,009	268,684	1,325	418,008	417,155	853
Operations - Other	2,278	2,676	(398)	19,803	22,361	(2,558)	32,200	34,500	(2,300)
Other Employee Costs*	21,333	21,100	233	175,841	175,135	706	261,925	257,925	4,000
Vehicle Fuel	6,727	6,405	322	56,741	56,368	373	87,796	86,296	1,500
Traction Power	2,559	3,128	(569)	23,879	25,047	(1,168)	37,124	37,624	(500)
Utilities	1,243	1,035	208	11,921	12,868	(947)	19,431	20,431	(1,000)
Taxes and Licences	213	320	(107)	1,911	2,595	(684)	2,706	3,906	(1,200)
Depreciation	1,355	2,065	(710)	13,045	17,355	(4,310)	19,500	26,400	(6,900)
Accident Claims & Insurance**	2,631	2,535	96	24,995	24,921	74	37,937	32,937	5,000
Corporate Restructuring	-	-	-	-	-	-	10,000	-	10,000
Non-Departmental Costs	1,362	1,301	61	10,545	12,656	(2,111)	30,858	24,958	5,900
TOTAL EXPENSES	109,517	111,467	(1,950)	916,197	937,806	(21,609)	1,446,904	1,435,892	11,012
OPERATING SUBSIDY REQUIRED in 2011							426,673	429,111	(2,438)
CITY OPERATING SUBSIDY AVAILABLE ***							429,111	429,111	-
SHORTFALL(Surplus)							(2,436)	-	(2,436)

* City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. Consequently, in 2011, the \$13.375 M budget for these expenses has been deducted to match the City's budgeted subsidy for the current year.

** The City Council approved budget included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to accident claims. Consequently, in 2011, the \$14 million budget for these expenses has been deducted to match the City's budgeted subsidy for the current year.

*** City Council approved the operating subsidy at its meeting of February 24, 2011.

TORONTO TRANSIT COMMISSION 2011 - 2015 CAPITAL PROGRAM
CURRENT YEAR PROJECT STATUS SUMMARY PERIOD 8 ENDED AUG 27, 2011
 (\$ Millions)

	City Proj. Ref.	PSR Page Ref.	YEAR TO DATE			FULL YEAR		
			Costs Incurred	Budget	Variance	Projected	Budget	Variance
EXPENDITURES								
WAY								
1.1 Subway Track	CTT001	E1.1-1	9.4	9.3	0.1	17.4	13.1	4.3
1.2 Surface Track	CTT002	E1.2-1	8.5	25.1	(16.6)	19.6	38.5	(18.9)
ELECTRICAL SYSTEMS								
2.1 Traction Power	CTT003	E2.1-1	7.0	14.5	(7.5)	25.2	23.0	2.2
2.2 Power Distribution/Electric Systems	CTT005	E2.2-1,2	3.2	3.6	(0.4)	8.0	6.7	1.3
2.3 Communications	CTT006	E2.3-1-6	5.1	10.7	(5.6)	13.8	16.4	(2.6)
2.4 Signal Systems	CTT008	E2.4-1,2	4.7	5.2	(0.5)	8.3	13.5	(5.2)
ATC Resignalling	CTT142	E2.4-1,2	10.3	37.1	(26.8)	44.1	62.8	(18.7)
2.5 Energy Management	CTT139	E2.5	1.5	1.5		3.1	2.2	0.9
BUILDINGS & STRUCTURES								
3.1 Finishes	CTT010	E3.1-2	6.2	15.9	(9.7)	19.5	26.4	(6.9)
3.2 Equipment	CTT012	E3.2-1,4	7.0	11.2	(4.2)	18.0	17.1	0.9
3.3 Yards & Roads	CTT015	E3.3-1	0.9	2.5	(1.6)	4.0	3.9	0.1
On-Grade Paving Rehabilitation Program	CTT016	E3.3-2	2.2	3.6	(1.4)	5.9	5.2	0.7
Greenwood Yard Expansion	CTT019	E3.3-3						
Transit Shelters & Loops	CTT064	E3.3-5	0.3	0.4	(0.1)	1.2	1.1	0.1
Commuter Parking Expansion	CTT124	E3.3-4,6	0.2	0.1	0.1	0.5	0.1	0.4
3.4 Bridges & Tunnels	CTT020	E3.4-1-5	20.2	35.0	(14.8)	44.3	49.1	(4.8)
3.9 Buildings and Structures Projects								
Fire Ventilation Upgrade	CTT024	E3.9-9	0.3	0.1	0.2	0.2	0.0	0.2
Transit Control Centre	CTT026	E3.9-8	13.3	12.4	0.9	19.5	19.1	0.4
Easier Access Phase II & III	CTT028	E3.9-2,1,2,3	6.6	7.9	(1.3)	16.6	13.7	2.9
Sheppard Subway - Yonge to Don Mills	CTT035	E3.9-15				2.2	2.0	0.2
Birchmount Garage Renovations	CTT038	E3.9-6				2.0	2.0	
Mount Dennis Bus Garage	CTT109	E3.9-10	0.3	1.3	(1.0)	2.0	2.0	
Other Building & Structures Projects	CTT110	E3.9-16,18	9.6	23.0	(13.4)	31.2	38.1	(6.9)
Victoria Park Terminal Replacement	CTT110	E3.9-16,29	2.2	2.9	(0.7)	4.6	2.9	1.7
Wilson Complex - Modifications for the Toronto Rocket	CTT144	E3.9-23	12.7	7.7	5.0	15.7	11.3	4.4
LRT Replacement Maintenance & Storage Facility	CTT145	E3.9-24	33.9	69.2	(35.3)	55.0	94.3	(39.3)
Birchmount Bus Garage Repair Bay Modifications	CTT115	E3.9-1	1.9	4.7	(2.8)	4.6	4.7	(0.1)
Queensway Bus Garage Renovations	CTT116	E3.9-3	3.5	5.7	(2.2)	7.0	8.3	(1.3)
Broadview Station Modifications	CTT119	E3.9-7						
Eglinton Bus Terminal Replacement	CTT123	E3.9-17		0.1	(0.1)	0.4	0.2	0.2
Wilson Yard - Fleet Accommodation	CTT126	E3.9-22	0.5	2.5	(2.0)	2.7	2.5	0.2
Kipling Station Improvements	CTT130	E3.9-19	0.8	0.5	0.3	3.4	0.5	2.9
Islington Station Improvements	CTT131	E3.9-20				0.4	0.4	0.0
Warden Station Improvements	CTT132	E3.9-21				0.2	0.2	0.0
Toronto Rocket/T1 Rail Yard accommodation	CTT146	E3.9-25	1.5	3.5	(2.0)	5.8	6.1	(0.3)

TORONTO TRANSIT COMMISSION 2011 - 2015 CAPITAL PROGRAM
CURRENT YEAR PROJECT STATUS SUMMARY PERIOD 8 ENDED AUG 27, 2011

(\$ Millions)

	COSTS INCURRED	YEAR TO DATE		FULL YEAR	
		Budget	Variance	Budget	Variance
VEHICLES					
REVENUE VEHICLES					
4.11 Purchase of Buses - Conventional	CTT111	18.0	(2.8)	19.6	0.7
- Wheel Trans Buses	CTT045	1.3	(6.2)	9.5	(12.1)
4.12 Purchase of Subway Cars	CTT046	31.9	(33.6)	21.6	11.4
4.13 Bus Overhaul - Midlife Rebuild	CTT112	0.8	(1.4)	86.8	4.1
4.14 SRT Car Overhaul	CTT049	0.1	(0.2)	4.0	0.1
4.15 Streetcar Overhaul	CTT050	5.7	(0.2)	0.1	0.1
4.16 Subway Car Overhaul	CTT051	6.8	(1.2)	9.8	0.3
4.17 Purchase of SRT Cars	CTT121	8.0	(1.2)	12.9	13.2
4.18 Purchase of Streetcars	CTT122	70.1	(26.3)	170.0	160.4
NON-REVENUE VEHICLES					
4.21 Purchase Automotive Non-Revenue Vehicles	CTT052	2.6	(2.3)	8.7	8.0
4.22 Rail Non-Revenue Vehicle Overhaul	CTT053	0.1	(0.7)	0.7	1.2
4.23 Purchase Rail Non-Revenue Vehicles	CTT054	2.2	1.0	4.9	1.8
TOOLING, MACHINERY & EQUIPMENT					
5.1 Shop Equipment	CTT055	0.8	(1.2)	4.8	5.1
5.2 Revenue & Fare Handling Equipment	CTT056	1.4	0.2	3.2	3.2
5.3 Maintenance Equipment	CTT113	0.3	(0.6)	1.5	1.4
5.4 Fare System	CTT141	0.8	(2.1)	2.6	6.0
ENVIRONMENTAL PROGRAMS					
6.1 Environmental Programs	CTT058	4.6	(2.9)	12.6	12.2
COMPUTER EQUIPMENT & SOFTWARE					
7.1 Computer Equipment & Software	CTT061	6.9	(3.5)	19.6	18.4
7.2 Intelligent Transportation & Technical Systems	CTT125	8.8	(3.1)	18.6	20.0
7.2 Enterprise Geospatial Information System (GIS)	CTT125	1.6	0.2	2.5	2.5
OTHER					
9.1 Furniture & Office Equipment	CTT062	0.1	(0.3)	0.4	0.4
9.2 Other Service Planning	CTT063	(0.9)	(2.5)	2.4	1.8
Transit Expansion / Metrolinx Transit City Plan (EA costs only)	CTT135	0.5	0.5	0.9	0.7
Unspecified Budget Reduction	CTT133				
TOTAL EXPENDITURES - BASE CAPITAL PROGRAM		338.2	(232.9)	800.3	870.4
TTC Requested Carry Forward					(70.1)
TOTAL EXPENDITURES INCLUDING CARRY FORWARD		338.2	(232.9)	800.3	800.3
FUNDING					
ADDITIONAL COUNCIL APPROVED ITEMS					
Toronto York Spadina Subway Extension (TYSSE)	CTT134	161.0	(189.1)	388.0	524.9
Transit Expansion / Metrolinx Transit City Plan Projects	CTT135	49.0	49.0	(0.2)	(0.2)
Transit Expansion / Metrolinx SRT Projects	CTT140	7.1	7.1		
TOTAL EXPENDITURES INCL. ADDITIONAL COUNCIL APPROVED ITEMS		555.3	(365.9)	1,188.1	1,439.2
					(251.1)

Note 1: Budget approval received from Council February 23, 2011.

Note 2: Expansion initiatives which have been reflected below the base Capital Program for separate presentation are TYSSE, Transit Expansion / Metrolinx Transit City Plan Projects, and SRT Projects.

Note 3: On a full year basis, Waterfront Initiative expenditures are \$28.0M versus the budgeted \$51.5M which are not included in above.

Note 4: Current projectors may not agree to PSRS due to recent budget amendment approved by Commission September 16, 2011.

**WHEEL-TRANS
OPERATING BUDGET - INCOME STATEMENT**

PERIOD 8 (\$000s)	Period 8: Four Weeks July 31 to August 27, 2011		Eight Periods to August 27, 2011		Full Year 2011	
	Actual	Budget	Actual	Budget	Projected Actual	Projected Budget
	Over/(Under) Budget		Over/(Under) Budget		Variance	
REVENUES:						
Passenger Fares	385	434	3,381	3,674	5,215	5,611
		(49)		(293)		(396)
EXPENSES:						
CONTRACT SERVICES:						
Sedan Taxis	529	829	6,380	7,744	9,999	12,069
Accessible Taxis	1,608	1,567	13,635	13,424	21,466	20,474
		(300)		(1,364)		(2,070)
		41		211		992
BUS OPERATION:						
Operators	1,790	1,684	14,571	13,893	22,745	21,460
Divisional Staff	46	40	384	340	556	522
Mobile Supervision	70	78	620	654	953	1,005
Equipment Maintenance	842	1,006	7,515	8,286	12,714	12,731
Vehicle Fuel	309	310	2,410	2,622	3,756	4,019
Lakeshore Garage Costs	46	68	830	753	1,198	1,131
		(106)		(678)		(1,285)
		6		44		34
		(8)		(34)		(52)
		(164)		(771)		(17)
		(1)		(212)		(263)
		(22)		77		67
ADMINISTRATION:						
General Superintendent's Office	38	53	372	518	607	825
Dispatch & Reservations	453	359	2,804	2,984	4,247	4,598
Accessible Services	29	46	283	392	409	601
Customer Service	114	114	901	1,075	1,388	1,783
		(15)		(146)		(218)
		94		(180)		(351)
		(17)		(109)		(192)
		.		(174)		(395)
Other Employee Costs *	1,038	1,001	8,501	8,405	12,265	12,210
Non-Departmental Costs **	223	236	2,078	2,106	3,189	3,194
		(13)		(28)		(5)
TOTAL EXPENSES	7,135	7,391	61,284	63,196	95,492	96,622
		(256)		(1,912)		(1,130)
CITY OPERATING SUBSIDY AVAILABLE IN 2011 ***					90,277	91,011
						(734)
PASSENGER TRIPS (000s)	204	223	1,827	1,925	2,840	2,951
		(19) U		(98) U		(111) U
UNACCOMMODATED RATE (%)	1.8	2.0	3.9	2.0	4.0	2.0
		(0.2) F		1.9 U		2.0 U
SUBSIDY PER TRIP (\$)	33.13	31.23	31.70	30.93	32.05	31.12
		1.90 U		0.77 U		0.93 U

U: Unfavourable Change
F: Favourable Change

* City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. Consequently, in 2011, the \$690K budget for these expenses has been deducted to match the City's budgeted subsidy for the current year.

** The City Council approved budget included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to accident claims. Consequently, in 2011, the \$135K budget for these expenses has been deducted to match the City's budgeted subsidy for the current year.

*** City Council approved operating subsidy of \$91.0 million at its meeting of February 24, 2011.

TORONTO TRANSIT INFRASTRUCTURE LTD

Income Statement (Unaudited)
End of Period 8

	Period 8	YTD	
		Period 8 2011	Period 8 2010
	(\$)	(\$)	(\$)
REVENUE			
Interest income	15	1,005	399
Total revenue	15	1,005	399
EXPENSES			
Wages and Payroll Expenses		44,686	
Consultant Fees	9,916	68,481	
Legal Fees		45,207	
Miscellaneous	52	1,279	40
Total expenses	9,968	159,653	40
Net (loss)/income	(9,953)	(158,648)	359
Opening Equity	12,739	161,434	160,412
Ending Equity	2,786	2,786	160,771

TORONTO TRANSIT INFRASTRUCTURE LTD

Balance Sheet (Unaudited)
End of Period 8

	2011	2010
	(\$)	(\$)
ASSETS		
Current assets		
Cash	4,414	160,712
Interest receivable	15	99
Total Assets	4,429	160,811
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	1,643	40
Shareholder's equity		
Capital stock		
Authorized: unlimited number of common shares		
Issued: 1,000 common shares	100,000	100,000
Deficit	(97,214)	60,771
	2,786	160,771
Total Liabilities & Equity	4,429	160,811