

MEETING DATE: NOVEMBER 19, 2003

SUBJECT: Chief General Manager's Report Period 9 August 31 To October 4, 2003

RECOMMENDATION

It is recommended that the Commission:

1. receive for information the attached Executive Summary of the Chief General Manager's (CGM's) report covering the period August 31 to October 4, 2003 noting that:

- 2003 TTC Operating Budget

it is now anticipated that by year-end ridership will be some 8 million rides under budget and revenues will be \$15 million under budget, with this unbudgeted shortfall offset by a reduction in the Contribution to Capital;

- 2003 Wheel-Trans Operating Budget

no budget variance is anticipated but the unaccommodated rate for the year is expected to be 3.2%, in comparison to the 2% budgeted;

- 2003-2007 Capital Program

the year-end cash flow is projected to be \$61.9 million less than budgeted; and

1. forward a copy of this cover report and the Executive Summary to each City Councillor for information (noting that the detailed CGM's report is available on request from the Office of the General Secretary of the Commission).

DISCUSSION

1. 2003 TTC Operating Budget

Year-to-Date

Ridership in period 9 was 0.4 million (1.0%) under last year's total and 0.5 million (1.3%) under budget. Ridership has still not recovered fully from the blackout and the SARS outbreaks and this resulted in the year-to-date ridership to October 4 being 10.5 million (3.3%) under last year (2002 included World Youth Day) and 6.8 million (2.2%) under budget. Virtually, all of the reduction has occurred since the first outbreak of SARS, as depicted in the following table:

	Total Ridership	Variance from Budget	
	000s	Rides	%
Pre-SARS (Jan. 1 – Mar. 22)	91,381	(23)	(0.0)
Mar. 23 – Oct. 4	212,979	(6,797)	(3.1)
Total Year-to-date (Oct. 4)	304,360	(6,820)	(2.2)

Revenue for the year-to-date to October 4 was a corresponding \$9.9 million (1.8%) under budget, while expenses were under budget by some \$6.4 million (0.9%).

Year-end Projections

The following table summarizes the year-end projections and budget variances:

	2003		
	(Millions)	BUDGET	PROJECTION
RIDERSHIP	412	404	(8)
REVENUES	\$710	\$695	\$(15)
EXPENSES	\$909	\$894	\$(15)
SUBSIDY	\$182	\$182	-
SHORTFALL	\$17	\$17	-

Recent ridership results have been encouraging enough to revise the ridership forecast upward to 404 million from the previous estimate of 403.5 million (reported as 403 million). It is now expected that the ridership loss due to SARS, the under-performance of the economy and the blackout will be about 8 million by year-end. However, the projected year-end passenger revenue shortfall of \$12.6 million remains unchanged largely due to the success of the VIP Green Card pilot which has slightly reduced the system's overall average fare. This unfavourable passenger revenue variance, combined with other unfavourable revenue and expenditure variances, will be offset by an unbudgeted matching reduction in the contribution to the Capital Program from the Operating Budget (Capital from current). The \$17 million budgeted shortfall for 2003 will be covered by a reduction in the Commission's retained earnings. Staff will continue to monitor the ongoing impact of SARS, the power shortages and the economy and will report accordingly.

(2) 2003 Wheel-Trans Operating Budget

Staff are still projecting a balanced budget by year-end, despite the impact of a taxi meter rate increase, escalating accident claim costs, SARS, the under-performance of the economy and the power shortages. An unaccommodated rate of up to 4% (2.9% in period 9 vs 2% budget) may be required for the balance of the year, in order to operate within funding levels.

Staff will continue to monitor service demand and, where appropriate, adjust service to meet both budget availability and customer mobility requirements. In this way, the direct customer impact will be minimized over the balance of the year.

(3) 2003 - 2007 Capital Program

The current projection for the year-end cash flow is \$61.9 million less than budgeted. Of this variance, almost \$42 million relates to management decisions and cost savings, as outlined on page A6c. Management decisions to defer amount to \$37 million, for reasons including cost avoidance, on projects such as the purchase of SRT cars, property purchase for the New Bus Facility, and construction contract work on the Fire Ventilation project at York Mills. Cost savings of almost \$5 million have been recognized on the Surface Track program relating to excavation and paving contracts and for a reduction in the number of H4 subway cars requiring overhaul. The remaining \$20 million of the variance arises from timing and other factors on projects, many of which are vendor related or involve changes in plans.

7-Nov-03

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Attachment: CGM's Report