

MEETING DATE: OCTOBER 20, 2004

SUBJECT: Chief General Manager's Report Period 8 August 1 To August 28, 2004

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 1 to August 28, 2004; and
- (2) 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

It should be noted that, in order to allow an appropriate concentration of effort on the Capital Budget during September, the Project Status Reports (PSRs) have not been completed for period 7. Therefore, Section E of the detailed CGM's report has not been included this period.

(1) 2004 TTC Operating Budget

Year-to-Date

Ridership in period 8 was 2.4 million (8.9%) over last year [primarily due to the blackout in 2003] but only 0.4 million (1.5%) over budget. Year-to-date, ridership to August 28 was 4.5 million (1.7%) rides over budget. Consequently, revenue to August 28 was \$10.4 million (2.4%) over budget. Expenditure results to date continued to reflect some timing differences from budget and a portion of the benefits of the additional Goods & Services Tax ("GST") rebate.

Year-end Projections

The continuation of the favourable ridership results now indicates that ridership could reach 416 million by the end of the year:

(Millions)	2004		
	BUDGET	PROJECTION	CHANGE
RIDERSHIP	410	416	6
REVENUES	\$709	\$722	\$13

EXPENSES	\$934	\$932	\$(2)
SUBSIDY	\$225	\$220	\$(5)
SURPLUS	\$0	\$10	\$10

However, it should be noted again that the above revenue projections partially reflect a considerable improvement in the level of cash fares and, at this time, it is still uncertain whether this trend will be maintained throughout the balance of the year. Staff will continue to closely monitor the ridership and revenue results and will adjust the year-end projections as required.

The projected actual expenses now include the anticipated beneficial impact of the additional GST rebate announced by the Federal Government in February, 2004. However, these projected \$4.9 million in savings have been matched by the anticipated clawback of the rebate by the City, for “corporate budget adjustment” purposes. This has been reflected above through a reduction in the projected City Subsidy.

Projected year-end expenses for the advancement of the Ridership Growth Strategy implementation, maintenance, repairs and increased property tax assessments are expected to only partially offset the favourable revenue variance. At this time, a year-end surplus of about \$10 million is projected. However, it should be noted that the recommended strategy of charging the non-cash dental expenses to retained earnings at year-end has not been accepted by the Audit Committee, which referred the matter to the Mayor’s Committee on Employee and Labour Relations, with a request that it recommend an alternative method of funding this expense. The revised strategy will be reported as soon as it has been approved. In the meantime, a preliminary assessment of the results of a recent actuarial valuation of the Commission’s employee future benefit liabilities has indicated that Other Employee Costs will increase by approximately \$1.1 million in 2004 for healthcare, WSIB and long-term disability and this has been reflected in the projected year-end expenditures. The actuarial valuation has also determined that the dental expense in 2004 will be in the order of \$6.1 million. In the absence of an alternative treatment, this expense will reduce the estimated surplus or the Commission’s retained earnings by a similar amount.

(2) 2004 Wheel-Trans Operating Budget

At this time, no budget variances are projected by year-end.

(3) 2004 - 2008 Capital Program

The current projected year-end cash flow is \$12.1 million more than the budget of \$282.8 million approved by City Council on April 21, 2004, as outlined on page A6c. The \$12.1 million variance essentially reflects the overrun on the Sheppard Subway project of \$12.5 million. The current projections (\$294.9 million) reflect the additional 3/7ths GST rebate which became effective February 1, 2004.
