

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: DECEMBER 17, 2008

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIOD 10
OCTOBER 5 TO NOVEMBER 1, 2008

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission forward a copy of this report to each City of Toronto Councillor 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.

RIDERSHIP RESULTS

Ridership to November 1st was 2,176,000 (0.6%) above budget and 3,661,000 (1.0%) above the same period in 2007. These results largely reflect the impact of higher than forecast economic growth, the April strike and, to a lesser extent, the effects of the continuation of the Metropass trip rate reduction (which was initiated in July 2007) and the November 2007 fare increase. Restating the 2007 results to reflect the impact of the Metropass trip rate adjustment in 2008, indicates that ridership for the first nine periods of the year is approximately 10 million higher than 2007 on a fully comparable basis.

Based on the positive ridership results to the end of Period 10, and moderate growth, at best, anticipated for the balance of the year, the forecast for year-end ridership has been refined to 467 million compared to the budget of 464 million rides. The two key factors that will impact ridership over the remainder of the year are the significant slowdown in the City of Toronto's employment growth during the summer and the strike at York University which closed the campus at the beginning of November.

FINANCIAL RESULTS

2008 TTC OPERATING BUDGET

Appendix A represents the TTC's Income Statement and provides information on Revenues, Expenses and Subsidies. The statement includes the Commission's approved subsidy of \$282.6 million which reflects a reduction of approximately \$2.8 million made by the City during its review of the proposed budget. It should be noted, however, that this approved subsidy level has been adjusted to include the estimated 2008 impact (\$20.6 million) of the October 8, 2008 binding arbitration settlement regarding the April 2008 collective bargaining agreements (CBA). In accordance with the City of Toronto's direction, the CBA expenses have been offset by additional subsidy from the City and consequently, the CBA will have no impact on year-end results.

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

(Millions)	2008		
	PROJECTION	BUDGET	CHANGE
RIDERSHIP	467	464	3
EXPENSES *	\$1,190.0	\$1,175.2	\$14.8
REVENUES	(\$886.9)	(\$872.1)	(\$14.8)
SUBSIDY REQUIRED	\$303.1	\$303.1	\$0.0
SUBSIDY AVAILABLE *	\$303.1	\$303.1	-
SHORTFALL	-	-	-

* including the impact of the CBA.

Year-end **expenses** are currently projected to be about 1.3% (\$14.8 million) over budget. This is largely due to the following: (1) \$5.0 million for increased overtime requirements due to higher than anticipated workforce gapping and absence; (2) \$3.8 million in increased employee benefit expenses primarily resulting from higher absenteeism; (3) \$2.8 million in increased snow removal requirements (including associated overtime work and additional mainline storage and late-ins); (4) \$2 million for increased accident claims costs based on a mid-year actuarial projection; (5) \$1.3 million for increased subway and SRT maintenance requirements; (6) \$1.3 million for the Work Safe-Home Safe safety initiative work; (7) \$1.1 million for the unplanned safety critical Orion V rear axle bolt replacement program; (8) \$1 million required for additional service due to City construction work and unscheduled extras;

(9) \$0.8 million for additional Transitional Work Program costs; (10) \$0.8 million for additional structural/collision repair work on the bus fleet to address a shortage of vehicles available for service resulting from the late delivery of new buses; (11) \$0.5 million for increased diesel requirements; (12) \$0.4 million for increased property taxes due to the reassessment of some commuter parking lots; (13) \$0.4 million for additional debris cleaning at track level; and (14) \$0.2 million for 6 additional temporary route supervisors for streetcar service. Partially offsetting these increases are reductions for higher than anticipated workforce gapping (\$3.7 million), lower than anticipated hydro rates (\$2.8 million) and the deferral of some non-destructive testing work to 2009 (\$0.5 million).

Passenger revenues are currently projected to be above budget by \$9.6 million by the end of the year. This positive variance incorporates anticipated ridership growth of 3 million rides, reduced counterfeiting for the balance of the year, and an adjustment for deferred revenue for old tickets which will be partially offset by the ridership loss and pass refunds associated with the April strike. In addition, advertising revenues are expected to exceed budget by about \$2 million and other revenues are projected to be about \$3.2 million better than budget primarily due to the assessment of liquidated damages on a current vehicle procurement contract.

Overall, a balanced budget is currently projected by year-end before factoring in the potential impact of increased accident claims expenses. Staff continue to work with the actuary in the analysis and assessment of the third quarter actuarial valuation of accident claim costs which will give some indication of the year-end expenditures. Past experience has shown that the costs of adjudicating and settling accident claims continue to escalate.

In light of the continuing unfavourable economic news, staff are especially mindful of the potential detrimental effects on the positive ridership and advertising revenues to date. Staff will continue to closely monitor ridership, revenues and expenses in an effort to offset as much of any required additional increase in accident claims expenses, as possible in order to balance the budget by year-end.

Service Related Results

For the first ten periods of 2008, the subway and the SRT mainly performed as expected. Overall, service performance levels for the Yonge-University-Spadina Line were on target while the Bloor-Danforth Line has performed marginally below target. The performance of bus routes continued to be adversely impacted by major construction projects while vehicular congestion and parking continued to hinder streetcar routes. A number of solutions have been implemented to address the streetcar service, particularly on the 501 Queen Street route. A 501 Queen status update including the development and implementation of new route management strategies was provided to the Commission at its meeting of October 23.

Customer Satisfaction Results

Over the first ten months of the year, complaints increased by approximately 10% while compliments declined by about 5%, over the comparable period last year. The biggest increase in complaints related to the strike in April. In addition, continuing negative feedback regarding surface delays and bypassing of patrons is consistent with some overcrowding conditions on surface vehicles and the deteriorating traffic congestion conditions prevalent in the city.

2008 TTC CAPITAL PROGRAM BUDGET

Appendix B contains a table that shows actual 2008 expenditures based on results available to Period 10 and year-end projections for the TTC's capital projects. City Council approved an overall budget of \$692.5 million for the base capital program on December 11, 2007. Current projected 2008 expenditures for the base program are \$664.4 million, representing an under expenditure of \$28.1 million. A carry forward adjustment of \$168.5 million has been approved by City Council on July 15, 16 and 17 to address contract delay impacts from 2007 which have resulted in the deferral of approved expenditures to 2008. The result is a net 2008 under variance of \$196.6 million for the base capital program.

The primary drivers of this \$(28.1) million variance are outlined in the table below and details of all major variances are provided in a summary provided in Appendix B.

(Millions)	2008		
	PROJECTION	BUDGET	CHANGE
TOTAL CAPITAL	\$664.4	\$692.5	\$(28.1)
BUS ORDER	255.2	148.4	106.8
PURCHASE OF STREETCARS	1.4	55.0	(53.6)
SURFACE TRACK	32.2	61.5	(29.3)
WHEEL-TRANS BUSES	0.2	17.6	(17.4)
OTHER PROJECTS	375.4	410.0	(34.6)

Bus Order – late delivery of 161 hybrid buses contractually scheduled for delivery in 2007.

Purchase of Streetcars - Mainly reflects the deferral of the contract award for purchase of 204 Light Rail Vehicles now expected in the Spring of next year, and refinement of new

cash flows based on updated milestones.

Surface Track – Mainly due to deferral of St. Clair West and 2008 Tangent and Special Projects as a result of required City water main work and Hydro undergrounding.

Wheel-Trans Buses – Contract issued for delivery of buses in 2009.

Also, an under expenditure of \$44.4 million is projected on the Toronto York Spadina Subway Extension project based on the status of the current project activities. An over expenditure of \$4.1 million is now reflected for Transit City Projects, based on current projections of project work as approved by the Commission. A carry forward adjustment of \$3.1 million has been approved by City Council to address contract delay impacts from 2007 which have resulted in the deferral of approved expenditures to 2008 for the Toronto York Spadina Subway Extension and Transit City Plan.

Contribution Agreements have recently been signed for funding under the Canada Strategic Infrastructure Fund (CSIF) and the Transit-Secure programs and staff is following up on Federal claim requirements. The announcements in the March 2008 Provincial budget have resulted in additional funding commitments including subway capacity projects, bike racks and Transit City Plan work. The resultant impact is a reduction of the five-year funding shortfall from \$1.5 billion to \$1.1 billion. Further commitments are required in the coming months in order to proceed with the LRV and SRT rail car fleet replacements and are being pursued with the Federal and Provincial governments.

2008 WHEEL-TRANS OPERATING BUDGET

Appendix C shows the Wheel-Trans Income Statement and reflects the \$70.120 million subsidy level approved by City Council plus an additional \$994K for the estimated 2008 impact of the CBA (for a total of \$71.114 million). A surplus of approximately \$0.2 million is currently projected by year-end and largely reflects a reduction in the number of passenger trips carried by bus due to bus fleet constraints partially offset by increased passenger trips on contracted taxis, the impact of the taxicab fare increases recently approved by the City and increased vehicle maintenance requirements for the ageing bus fleet.

December 2, 2008

42-47

Attachments: Appendices A, B and C

Expense Breakdown

**CHIEF GENERAL MANAGER'S REPORT
PERIOD 10
OCTOBER 4 TO NOVEMBER 1, 2008**

(1) Overtime	\$4,989	\$5,000	Note: 1
(2) Other Employee Costs	\$3,800	\$3,800	
(3) Snow Removal	\$2,800	\$2,800	
(4) Subway/SRT Maintenance	\$1,250	\$1,300	
(5) WSHS Safety Initiative	\$1,293	\$1,300	
(6) Axle Bolt Repairs	\$1,100	\$1,100	
(7) Accident Claims	\$1,100	\$1,100	
(8) Ins Deductible Sway Collision	\$1,000	\$1,000	
(9) Unsch Extras & Serv Adj	\$ 947	\$1,000	
(10) TWP	\$ 750	\$800	
(11) Bus Structural/Collision Rep	\$ 765	\$800	
(12) Diesel	\$ 500	\$500	
(13) Property Taxes	\$ 400	\$400	
(14) Debris Cleaning at Track Level	\$ 400	\$400	
(15) 6 Temp Route Supervisors	\$ 200	\$200	
Sub-Total	\$21,294	\$21,500	
(16) Gapping	(\$3,652)	(\$3,700)	
(17) Lower hydro Rates	(\$2,800)	(\$2,800)	
(18) NDT Program Deferred to 2009	(\$500)	(\$500)	
Total	\$14,342	\$14,500	

Note 1:

Total Overtime	\$6200
Less: Overtime re. Snow Removal	<u>\$1,200</u>
Net Overtime	<u>\$5,000</u>