TORONTO TRANSIT COMMISSION
REPORT NO.

MEETING DATE: SEPTEMBER 19, 2007

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIODS 6 & 7
JUNE 3 TO AUGUST 4, 2007

RECOMMENDATION

It is recommended that the Commission forward a copy of this report to the City of Toronto Budget Committee, and 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) Report is to provide the Commission with a look at the activities of the Toronto Transit Commission over the course of the year. Consistent with the first CGM Report for 2007 introduced in April, staff have reformatted the report to provide the Commission and the public with a less technically detailed report that hopefully will prove to be a more reader–friendly version. The detailed technical report which contains a significant amount of management-level internal reporting is available upon request from the General Secretary's Office.

RIDERSHIP RESULTS

Ridership has been strong for the first seven months of 2007 with year-to-date results 2.5% over budget (6.6 million rides), and 4.7% (12.1 million rides) higher than the comparable period last year.

The higher than forecast ridership has primarily been the result of a shift in the fare media mix. A significantly higher portion of riders than forecast are using Metropasses rather than tickets, tokens or cash. Year-to-date Metropass ridership is approximately 13% higher than budget, while ticket/token and cash ridership are 6% and 12% below budget, respectively.

The year-over-year growth in Metropass sales continues to be in the order of 20%. This is attributable to: (1) freezing the price of the monthly pass for the past two years, (2) the introduction of the transferability feature in 2005, and (3) the federal tax credit introduced in 2006 and expanded in 2007. Not only have these items contributed to the high growth in monthly pass sales, but more and more users who take fewer trips on a monthly basis are now switching to passes. For decades, the price of a Metropass was set at an amount equal to 52 adult ticket fares. The price freeze and the tax credit have effectively lowered the price multiple such that a pass is now equivalent in price to 40 adult tickets. Staff adjusted the trip rate used to book Metropass rides at the beginning of July to reflect the change in ridership behavior. Year-end ridership is now forecast in the range of 461 million rides.
During the first seven months of the year, the average fare per ride was $0.039 below budget (2.3%) due to the shift in Metropass usage. In summary, fare revenue is approximately $0.5

million above budget on year-to-date basis reflecting the net impact of higher ridership offset by a lower average fare.

It is projected that passenger revenues will be $1 million above budget by year-end.

FINANCIAL RESULTS

2007 TTC Operating Budget

Appendix A provides the TTC's Income Statement and gives information on Revenues, Expenses and Subsidies. The last row in the chart shown provides a projection of the expected year-end budget shortfall or surplus. The chart includes the Commission's approved subsidy of $271.8 million. It should be noted that year-end expenses are currently projected to be about $4.2 million over budget as a result of the following significant variances:

(1) the $5 million unspecified budget reduction approved by City Council;

(2) higher service delivery costs ($4.5 million) largely due to increased vehicle running maintenance expenses ($1.8 million), higher average wage rates ($0.8 million) stemming from later than anticipated employee retirements and attrition, service to address more than anticipated City construction work ($0.6 million), higher costs for Operators performing transitional work ($0.5 million), increased overtime requirements primarily for mainline storage of subway trains during severe winter weather ($0.4 million), unbudgeted subway cleanliness improvements and recycling initiatives ($0.3 million), and an unbudgeted energy conservation consultant ($0.1 million) and;

(3) half of the new tokens that were originally expected to be delivered in 2006 were actually delivered in 2007 ($1 million); and

(4) other cost increases ($0.5 million)

partially offset by:

(1) one-time savings ($4 million) associated with the non-reimbursement of Ontario Health Premium to non-unionized employees; and

(2) lower than anticipated hydro and natural gas rates ($2.8 million).

It should also be noted that our accident claim expenditures on a year-to-date basis are tracking well above budget and if this trend continues we may see a significant unfavourable variance at year-end. At this time, it is too early to change our year-end projection as we are reviewing this matter internally and with our actuary. Updates will be provided in future reports.

Revenues are expected to exceed budget by about $2.2 million as follows:

(1) Passenger revenues are expected to exceed budget by $1 million;

(2) revenues generated by operating service for York Region are expected to be about $0.4 million greater than budget due to more service being provided and higher cost recoveries for wages and fuel; and

(3) other revenues are expected to exceed budget by almost $0.8 million primarily due to higher interest income earned from banked funds.

Overall, a $2 million year-end shortfall is currently projected and staff are committed to eliminating it by year-end.

RESPONSE TO CITY BUDGET CRISIS

The $6 million cost containment measures (related to the deferral of planned Fall 2007 service improvements and the postponement of the opening of Mount Dennis Garage until at least January 2008) approved by the Commission at its meeting of July 20, 2007 have not as yet been reflected in the year-end projections reported here.

In addition, the estimated $5 million in revenue that will be generated in 2007 as a result of the decision by the Commission at its meeting of September 12, 2007 to raise fares in November has also not yet been reflected in the year-end projections reported here.

Together the cost containment measures and the fare increase will generate approximately $11 million in 2007 toward the $30 million target for the TTC established by the City.

2007 TTC Capital Program Budget

Appendix B contains a table that shows actual expenditures and year-end projections for the TTC's capital projects. The City has now approved an overall budget of $720.9 million, comprised of $717.3 million originally approved on March 7, 2007 and subsequently amended by $3.6 million on July 16, 17, 18 and 19 related to the Spadina Subway extension to the Vaughan Corporate Centre project. Current projected 2007 expenditures are $712.5 million which represents an underexpenditure of approximately $8 million.

Staff is currently involved with the finalization of the Contribution Agreements for funding under the Canada Strategic Infrastructure Fund (CSIF) and the Transit-Secure programs.

Additionally, staff is following up with provincial and federal governments to pursue a long-term funding partnership for the new light rail vehicles.

2007 Wheel-Trans Operating Budget

Appendix C shows the Wheel-Trans Income Statement. At the present time, both year-to-date results and year-end projections reflect marginal underexpenditures of 1% and 0.8%, respectively.

SERVICE RELATED RESULTS

Service Operated

As noted in previous reports, there are numerous surface routes within the TTC that are currently running with crowding in excess of the approved standards. The Commission will be unable to correct this until the fall of this year. Challenges that must be addressed include record levels of retirements and vehicle replacements, the recruitment and training of replacement Operators, and the opening of the new Mount Dennis bus garage. At its meeting of June 13, 2007, the Commission approved the implementation of additional, unbudgeted hours of service to help address the overcrowding and increasing ridership level. Unfortunately, due to cost containment measures referred to earlier in this report, this unbudgeted service will not be implemented.

The **subway and the SRT** mainly performed as expected during the first seven months. Overall, service performance levels for the Yonge-University-Spadina Line exceeded target, while the Bloor-Danforth Line has performed below target mainly due to increased absenteeism and cancelled service.

The performance of **bus and streetcar routes** during the months of June and July has declined as a result of summer construction projects.

CUSTOMER SATISFACTION RESULTS

For the first seven periods of this year, there has been a 2% increase in complaints, however, there has also been a 4% increase in compliments over the comparable period last year. The biggest increase in complaints relates to the refunding of fare media, particularly the old aluminum tokens. Complaints regarding surface and subway delays and discourtesy complaints have also increased and this is consistent with the current overcrowding conditions on surface vehicles and the worsening traffic congestion conditions prevalent in the city.

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Attachments: Appendix A
Appendix B
Appendix C

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