

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** DECEMBER 6, 2007

**SUBJECT:** CHIEF GENERAL MANAGER'S REPORT  
PERIODS 8, 9 & 10  
AUGUST 5 TO NOVEMBER 3, 2007

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## **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.

## **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.

In response to the City's Budget Crisis, at its meeting of July 20, 2007, the Commission approved \$6 million in cost containment measures (including the deferral of planned Fall 2007 service improvements and the postponement of the opening of Mount Dennis Garage until at least January 2008). These expenditure reductions, along with the November fare increase, are now reflected in the year-end projections contained in this report.

## **Ridership and Revenue Results**

The table on the following page provides a summary of ridership, passenger revenues and average fare for the first ten periods of this year, as well as year-end projections.

**RIDERSHIP**  
(Millions)

**ACTUAL**

**BUDGET**

**VARIANCE**

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Periods 1 - 10	387	380	7
Year-end*	461	454	7

**PASSENGER REVENUES**

(\$Millions)

Periods 1 - 10	647	645	2
Year-end	775	769	6

**AVERAGE FARE**

(\$/ride)

Periods 1 - 10	1.67	1.70	(0.03)
Year-end	1.68	1.69	(0.01)

\* after reflecting the recent Metropass trip rate reduction, these figures are restated to 455M and 444M, respectively.

**Ridership** continues to be strong with year-to-date results reflecting a 1.9% increase over budget (7.3 million rides). It is projected that **passenger revenues** will be \$6 million above budget by year-end after the incorporating the impact of the recent fare increase.

Year-end ridership is now forecast in the order of 461 million rides compared to the budget of 454 million. Staff continue to monitor the impact of the November 2007 fare change and will report further changes, if any are forthcoming.

A significantly higher portion of riders than forecast are using Metropasses rather than tickets, tokens or cash. Year-to-date Adult and Senior/Student Metropass sales are approximately 12% and 17% higher than budget, respectively while ticket/token and cash ridership are 7% and 11% below budget, respectively.

For the first ten months of the year, the **average fare** per ride was \$0.03 (or 1.7%) below budget due to the shift to Metropass usage.

**2007 TTC Operating Expenses**

The currently projected year-end TTC Operating Budget **net surplus** is \$7 million, \$4 million lower than expected from the impact of the November fare increase (\$5 million) and the cost containment initiatives, mainly the Fall service deferral and the postponement of the opening of the Mount Dennis bus garage, (\$6 million). This \$4 million gap is largely due to higher bus running maintenance costs and increased fuel consumption.

Staff is continuing to monitor ridership, revenues and expenses (including balance sheet provisions such as employee benefits, accident claims, deferred revenue and inventory

obsolescence) for the balance of the year in an effort to identify the full \$11 million year-end surplus expected by the City.

In addition, a recent actuarial projection indicates that accident claims expenses for 2007 costs could reach \$30 million (or \$10 million more than budgeted) reflecting the escalating costs for the adjudication and settlement of the claims. Actual in-year payments are expected to exceed budget by about \$2 million and an additional \$8 million is required to increase the provision for future liabilities. Staff plan to offset these increased 2007 expenses with a draw from the Commission's retained earnings so that there will be no net 2007 subsidy impact. At the same time, in order to mitigate or contain any further cost increases, staff plan to make submissions to the Provincial Government which will identify numerous deficiencies in the current Statutory Accident Benefit legislation and request appropriate amendments. In addition, the Legal and Claims department will be retaining the services of an independent external insurance auditor to conduct a detailed review of file handling, claims payments and reserves to ensure the efficiency and effectiveness of claims management.

As well, it should be noted that the Municipal Property Assessment Corporation (MPAC) has assessed certain TTC properties despite the new City of Toronto Act exemption which became effective in January 2007. TTC and City staff are pursuing the resolution of this matter through MPAC's appeals process. TTC staff have advised the City Manager that additional subsidy will be required if this unbudgeted tax burden (approximately \$2.7 million) cannot be avoided or reduced. The City Manager acknowledged that property taxes are not within the control of the TTC and "variances between budgeted and actual costs will be taken into consideration within the context of the TTC's overall financial position, with a view towards ensuring that the TTC's operating subsidy is sufficient to meet requirements."

### **Service Related Results**

To date, the subway and the SRT mainly performed as expected. 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 continues to be adversely impacted by major construction projects.

### **Customer Satisfaction Results**

So far this year, there has been an increase in complaints of approximately 4% while, at the same time, there has also been a 1% increase in compliments over the comparable period last year. The biggest increase in complaints relate to: the refunding of fare media (particularly the old aluminum tokens), no stop announcements and token restrictions. 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.

### **2007 TTC CAPITAL PROGRAM BUDGET**

Appendix B contains a table that shows actual expenditures based on results available to Period 9 (October 6) and year-end projections for the TTC's capital projects. The City has now approved an overall budget of \$721 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 Toronto York Spadina Subway extension project. Current projected 2007 expenditures are \$588 million. This represents an under expenditure of \$133 million, primarily due to the late delivery of buses (140 of 220 delayed to 2008) as a result of a strike and production impacts at the DaimlerChrysler plant in Oriskany, New York (estimated at \$104 million).

Staff are currently involved with the finalization of the Contribution Agreements for funding under the Canada Strategic Infrastructure Fund (CSIF) and the Transit-Secure programs and the pursuit of other funding opportunities. Staff are also continuing discussions with provincial and federal governments to pursue a long-term funding partnership for rail vehicles as well as packaging of capital projects for consideration of funding.

### **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 1.1%, respectively. It is expected that the targeted 2% unaccommodated rate will be achieved.

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Attachments: Appendix A  
Appendix B  
Appendix C

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