



Financial Update for the Period Ended April 7, 2018

Date: June 12, 2018
To: TTC Board
From: Chief Financial Officer

Summary

The purpose of this report is to provide the Board with the operating and capital variance for the three-month period ended April 7, 2018, as well as year-end projections.

Financial updates are provided for the 2018 Operating Budget for both TTC Conventional and Wheel-Trans services, as well as the 2018 Capital Budget for our base capital program, as well as transit expansion initiatives.

The tables below provide a summary of expenditures incurred as of April 7, 2018 and year-end spending projections as follows:

2018 Operating Budget

Description (\$Millions)	Year-To-Date (First Quarter)			Year-End Projection		
	Actual	Budget	Variance	Projection	Budget	Variance
TTC Conventional						
Gross Expenditures	472.7	480.4	(7.7)	1,806.2	1,822.8	(16.6)
Revenue	328.1	329.4	(1.3)	1,227.4	1,244.0	(16.6)
TTC Operating Subsidy	144.6	151.0	(6.4)	578.8	578.8	0.0
Wheel-Trans						
Gross Expenditures	36.5	39.7	(3.2)	147.6	152.0	(4.4)
Revenue	1.9	2.2	(0.3)	8.0	8.6	(0.6)
WT Operating Subsidy	34.6	37.5	(2.9)	139.6	143.4	(3.8)

2018 Capital Budget

Description (\$Millions)	2018 Budget	Year-To-Date Actuals		Year-End Projection	
		\$	%	\$	%
TTC Base Capital	1,646	192	11.7%	1,312	79.7%
TTC Transit Expansion	582	80	13.7%	519	89.2%

Financial Summary

2018 Operating Budget

Based on current trends it is anticipated that by year-end the TTC conventional service will experience \$16.6 million or 0.9% in gross expenditure underspending. This underspending is not expected to result in any variance in City subsidy compared to budget primarily resulting from expectations that the TTC will be in a position to refrain from utilizing the budgeted \$14.0 million one-time draw from the TTC's stabilization reserve.

It is anticipated that TTC Wheel-Trans will also be underspent by \$4.4 million gross and \$3.8 million net. Any net underspending experienced by year-end for Wheel-Trans will be retained by the City in keeping with the surplus management policy.

2018 Capital Budget

Total TTC base capital expenditures by year end are projected at \$1.312 billion or 79.7% of the 2018 approved Capital Budget. In addition to base capital requirements, it is expected that the TTC will also incur \$519 million in expenditures by year end for transit expansion initiatives reflecting 89.2% of approved 2018 funding for TTC expansion projects.

Any unspent 2018 capital funding, which is currently projected to be \$398 million between both base capital and expansion initiatives, will be carried forward into 2019 to complete capital work, in accordance with the City's carry forward policy.

Equity/Accessibility Matters

All expenditures required to meet the TTC's accessibility and equity requirements are provided for in these budgets.

Decision History

At its meeting on November 28, 2017, the TTC Board approved the 2018 TTC and Wheel Trans operating budgets, with subsidy requirements of \$580.8 million for TTC Conventional service, \$143.4 million for Wheel-Trans service and a 2018 year-end workforce complement of 14,984 positions.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2017/Nov 28/Reports/2 2018 TTC and Wheel Trans Operating Budgets Decision.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/Nov%2028/Reports/2%202018%20TTC%20and%20Wheel%20Trans%20Operating%20Budgets%20Decision.pdf)

At its meeting on November 28, 2017, the TTC Board approved the 2018-2027 TTC Capital Budget and Plan of \$6.538 billion in funding with \$1.406 billion in 2018 cash flow.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2017/Nov 28/Reports/Decisions/3 2018-2027 TTC Capital Budget Decision.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/Nov%2028/Reports/Decisions/3%202018-2027%20TTC%20Capital%20Budget%20Decision.pdf)

At its meeting on February 12, 2018, City Council approved the TTC's 2018 Operating Budget and 2018 – 2027 Capital Plan, with amendments to the TTC Board approved budgets that included a \$5 million adjustment from the Operating Budget to the Capital Budget for one-time costs associated from the two-hour time based transfer; as well as a \$3.0 million subsidy increase and an added 27 positions to increase network capacity and reduce overcrowding.

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilMinutesReport&meetingId=13089>

Comments

Key Indicators – Operating Budget

The TTC's net operating results are primarily driven by six key indicators. These indicators impact year to date spending and revenues, as well as provide the basis to estimate year-end spending projections.

The TTC's key indicators include TTC and Wheel-Trans passenger counts and average fare, which impact the \$1.170 billion revenue budget. Additional key drivers include the price of fuel and electric power that affect a combined fuel and utilities budget of \$171 million. The final and most significant driver on expenses relates to service hours, which impacts labour expenses (\$1.008 billion), non-labour expenses (\$224 million), such as parts and maintenance, as well as fuel and utility consumption.

The table below details the TTC's key operating indicators:

Item	Year-To-Date Actuals			Year-End Projection			Status
	Actual	Budget	Variance	Projection	Budget	Variance	
TTC Passengers	139.4M	143.3M	(3.9M)	535.0M	539.4M	(4.5M)	✘
TTC Average Fare	2.242	2.194	0.048	2.181	2.170	0.011	✔
TTC Service Hours	2.3M	2.3M	0.0	9.5M	9.2M	0.3M	✘
Price of Fuel (\$/litre)	0.909	0.865	0.044	0.879	0.865	0.014	✘
Price of Electric Power (\$/kWh)	0.139	0.164	(0.025)	0.150	0.164	(0.014)	✔
WT Passengers	1.08M	1.23M	(0.15M)	4.45M	4.81M	(0.36M)	–

Financial Update – Operating

As detailed in the following two tables for the three month period ended April 7, 2018, the TTC conventional and Wheel-Trans services reported a combined net underspending (surplus) of \$9.3 million or 4.9% and a year-end projected underspend of \$3.8 million or 0.5%.

TTC Conventional

Item (\$Millions)	Year-To-Date Actuals			Year-End Projection			Status
	Actual	Budget	Variance	Projection	Budget	Variance	
Expenses							
Departmental Labour	269.6	265.5	4.1	1,011.7	1,008.3	3.4	✘
Departmental Non-Labour	49.2	54.7	(5.5)	219.6	223.7	(4.1)	✔
Employee Benefits	89.9	90.5	(0.6)	300.6	305.6	(5.0)	✔
Diesel	20.7	20.4	0.3	76.7	76.0	0.7	✘
Traction Power & Utilities	21.3	25.3	(4.0)	84.7	95.3	(10.6)	✔
Other Corporate Costs	22.0	24.0	(2.0)	112.9	113.9	(1.0)	✔
Total Expenses	472.7	480.4	(7.7)	1,806.2	1,822.8	(16.6)	✔
Revenues							
Passenger Revenue	312.5	314.4	(1.9)	1,167.1	1,170.3	(3.2)	✘
Other Ancillary Revenue	15.6	15.0	0.6	60.3	59.7	0.6	✔
Stabilization Reserve Draw	0.0	0.0	0.0	0.0	14.0	(14.0)	✔
Total Revenue	328.1	329.4	(1.3)	1,227.4	1,244.0	(16.6)	✘
Net (Operating Subsidy)	144.6	151	(6.4)	578.8	578.8	0.0	–

The year-end subsidy for the TTC conventional service is expected to be on budget based on current experience and key indicators. The key budget variances that account for this projection are as follows:

Traction Power and Utilities: \$10.6 million decrease

Expenses are expected to be below budget by year-end based on a decline in both forecasted rates and consumption.

Employee Benefits: \$5.0 million decrease

The year-to-date trend in healthcare expenses indicates that employee benefit expenses will fall below budget by year-end.

Stabilization Reserve Draw: \$14.0 million decrease

Based on above noted favourable variances from traction power and employee benefits, it is currently anticipated that the \$14.0 million stabilization reserve draw will not be required this year.

This is subject to review of risks associated with the impact of Bill 148 (such as the two paid emergency leave days), implementation of planned overcrowding initiatives and increased requirements for bus replacement service on streetcar routes due to the declining reliability of the legacy streetcar fleet.

Passenger Revenues: \$3.2 million decrease

Year-end ridership is expected to be approximately 0.8% below budget but passenger revenues are expected to be only 0.3% below budget.

The more favourable revenue projection is mainly due to the current trend of customers switching from pass-based fare media to single-ride fare media, particularly PRESTO e-purse, which has resulted in a small increase in the average fare.

Wheel-Trans

Item (\$Millions)	Year-To-Date Actuals			Year-End Projection			Status
	Actual	Budget	Variance	Projection	Budget	Variance	
Expenses							
Bus Service	13.8	13.4	0.4	52.8	51.1	1.7	✘
Contracted Taxi	15.2	18.2	(3.0)	65.1	71.3	(6.2)	✔
Employee Benefits	4.3	4.4	(0.1)	14.7	14.7	0.0	-
Administration/Management	3.2	3.7	(0.5)	14.9	14.9	0.0	-
Total Expenses	36.5	39.7	(3.2)	147.6	152.0	(4.4)	✔
Passenger Revenues	1.9	2.2	(0.3)	8.0	8.6	(0.6)	✘
Net (Operating Subsidy)	34.6	37.5	(2.9)	139.6	143.4	(3.8)	✔

The operating subsidy for Wheel-Trans is expected to be \$3.8 million or 2.7% below budget by year-end. The key budget variances that account for this projection are as follows:

Contracted Taxi Services: \$6.2 million decrease

The decrease in costs is attributable to a lower projected year-end ridership estimate and a lower cost per passenger trip estimate based on year-to-date experience.

Passenger Revenues: \$0.6 million decrease

The decrease is mainly due 361,000 less customer journeys than budgeted and a slightly lower average fare.

Financial Update – Capital

The TTC had incurred \$272 million in capital spending as of April 7, 2018 reflecting a spend rate of \$192 million or 11.7% for the TTC base capital program and \$80 million or 13.7% for transit expansion projects. By year-end, the TTC is projecting \$1.831 billion in overall capital spending, split between TTC base capital (\$1.312 billion or 79.7%) and transit expansion (\$519 million or 89.2%).

TTC Capital

Description (\$Millions)	2018 Budget	Year-To-Date Actuals		Year-End Projection	
		\$	%	\$	%
TTC Base Capital					
Infrastructure Projects	946	102	10.8%	738	78.0%
Vehicle Related Projects	700	90	12.9%	574	81.9%
Total Base Capital	1,646	192	11.7%	1,312	79.7%

TTC Transit Expansion					
Toronto York Spadina Subway Extension	393	68	17.2%	374	94.9%
Scarborough Subway Extension	129	12	9.4%	105	81.2%
Relief Line - Design	56	0	0.04%	40	72.1%
Waterfront Transit - Design	4	0	0.9%	1	19.5%
Total Transit Expansion	582	80	13.7%	519	89.2%

Significant projected year-end base program variances are outlined below:

Purchase of Streetcars: \$54.6 million under

The projected underspending results from slippage of vehicle delivery experienced in 2017 and prior years as unspent 2017 cash flow has been carried forward into 2018. The supplier is expediting vehicle delivery and all 2018 funding (excluding 2017 carried forward funding) is expected to be spent by year end.

Other Buildings and Structures: \$93.6 million under

Variance is primarily due to unspent 2017 cash flow of \$37.7 million that has been carried forward into 2018 as well as delays in resource acquisition for Stations Transformation, reassessing implementation of Platform Edge Doors by retaining a

consultant through RFP, scope change related to consolidation of transit control operations, deferred work to future years to accommodate Davisville carhouse construction, and delay in award of contract for Wilson Garage Ventilation Upgrades.

Communications: \$21.7 million under

Variance is primarily due to project schedule changes, installation delays due to labour constraints and procurement contract delays.

Attached to this report is Appendix 1, which summarizes first quarter spending and year-end projected spending for each 2018 capital project.

Initiatives or Events Impacting Operating Results

Overtime

The TTC received notice on April 20 from ATU Local 113 that stated the union would no longer agree to allow overtime beyond 48 hours for its members. Employees had been able to work up to a maximum of 64 hours a week as approved by the Ministry of Labour. In order to avoid impacts on service and ensure sufficient resources for subway closures, additional bus operators are being recruited.

The cost of these additional operators is expected to be predominately offset by a reduction in overtime expenditures. In addition, operator schedules are being amended to maximize crewing efficiency with these new operating parameters. Financial implications of this change are being monitored and will be reported as confirmed.

Staff are also continuing to review the potential impact on 2018 capital spend rates associated with deferred service augmentation required to support capital delivery. Any experienced impacts will be reported in future financial update reports.

Critical Project Reporting

Consistent with past commitments to the Board, TTC staff are working with the Capital Projects and Procurement Working Group on revisions to the critical projects dashboard and critical project status reporting.

Any changes to the dashboard or the project status reports resulting from directions provided by the Capital Projects and Procurement Working Group will be reported to the Board in Q1 2019.

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Signature

Dan Wright
Chief Financial Officer

Attachments

Appendix 1 – 2018 Capital Spending Summary by Project

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EXPENDITURES BY PROGRAM	2018 Budget	Year-to-Date			Year End		
		Actuals	Variance	%	Projection	Variance	%
TRACK	89.4	15.1	74.3	16.9%	71.8	17.7	80.2%
1.1 Subway Track	39.5	5.2	34.3	13%	35.6	3.9	90%
1.2 Surface Track	49.9	10.0	40.0	20%	36.2	13.7	73%
ELECTRICAL SYSTEMS	158.9	26.7	132.2	16.8%	126.7	32.2	79.8%
2.1 Traction Power	22.8	4.2	18.6	19%	21.7	1.1	95%
2.2 Power Distribution/Electric Systems	7.3	1.4	5.9	19%	7.0	0.4	95%
2.3 Communications	39.9	3.8	36.0	10%	18.2	21.7	46%
2.4 Signal Systems	20.5	2.4	18.1	12%	18.6	2.0	90%
ATC Resignalling	68.3	14.8	53.5	22%	61.3	7.0	90%
BUILDINGS & STRUCTURES	508.5	45.5	463.0	8.9%	395.3	113.2	77.7%
3.1 Finishes	20.7	2.6	18.2	12%	19.7	1.0	95%
3.2 Equipment	30.6	1.9	28.7	6%	24.9	5.7	81%
3.3 Yards & Roads					0.0		
Streetcar Network Upgrades & BRT	2.8	0.2	2.6	7%	2.7	0.1	95%
On-Grade Paving Rehabilitation Program	10.3	0.7	9.6	6%	9.8	0.5	95%
Bicycle parking at stations	0.8	0.1	0.7	7%	0.6	0.2	75%
Transit Shelters & Loops	0.3	0.0	0.3	0%	0.3	0.0	95%
3.4 Bridges & Tunnels	32.2	5.4	26.9	17%	30.6	1.6	95%
3.9 Buildings and Structures Projects							
Fire Ventilation Upgrade	16.5	2.5	14.0	15%	14.8	1.7	90%
Easier Access Phase III	46.7	5.3	41.4	11%	42.0	4.7	90%
Leslie Barns	14.7	0.5	14.2	3%	14.0	0.7	95%
Toronto Rocket/T1 Rail Yard Accommodation	36.3	4.7	31.6	13%	34.4	1.8	95%
McNicoll New Bus Garage	29.9	0.6	29.3	2%	28.4	1.5	95%
Other Buildings and Structures	266.8	21.1	245.7	8%	173.2	93.6	65%
VEHICLES	700.4	90.5	609.9	12.9%	574.0	126.5	81.9%
REVENUE VEHICLES							
4.11 Purchase of Buses	275.8	29.5	246.2	11%	247.2	28.6	90%
4.11 Purchase of Buses - Wheel Trans Buses	11.8	1.3	10.5	11%	10.6	1.2	90%
4.12 Purchase of Subway Cars	29.6	2.5	27.0	9%	16.2	13.4	55%
4.13 Bus Overhaul	48.0	12.7	35.3	26%	43.2	4.8	90%
4.15 Streetcar Overhaul	11.0	1.1	9.9	10%	10.5	0.6	95%
4.16 Subway Car Overhaul	54.7	7.7	47.0	14%	38.9	15.8	71%
4.18 Purchase of Streetcars	239.6	35.1	204.4	15%	185.0	54.6	77%
NON-REVENUE VEHICLES							
4.21 Purchase Automotive Non-Revenue Vehicles	6.9	0.7	6.1	11%	5.5	1.4	80%
4.22 Rail Non-Revenue Vehicle Overhaul	6.5	0.1	6.4	2%	3.7	2.8	57%
4.23 Purchase Rail Non-Revenue Vehicles	16.5	(0.4)	16.9	-2%	13.2	3.3	80%
TOTAL OTHER	189.1	14.5	174.5	7.7%	143.8	45.3	76.1%
TOOLING, MACHINERY & EQUIPMENT							
5.1 Shop Equipment	8.1	(0.1)	8.2	-1%	7.7	0.4	95%
5.2 Revenue & Fare Handling Equipment	21.2	2.5	18.7	12%	20.1	1.1	95%
5.3 Other Maintenance Equipment	5.4	0.0	5.4	0%	4.2	1.2	78%
5.4 Fare System	12.8	1.9	10.9	15%	10.9	1.9	85%
ENVIRONMENTAL PROGRAMS							
6.1 Environmental Programs	7.8	1.5	6.3	19%	7.1	0.8	90%
COMPUTER EQUIPMENT & SOFTWARE							
7.1 Computer Equipment & Software	107.7	7.6	100.1	7%	75.5	32.2	70%
OTHER							
9.1 Furniture & Office Equipment	0.3	0.0	0.3	6%	0.3	0.0	95%
9.2 Service Planning	25.8	1.1	24.7	4%	18.0	7.8	70%
Total Base Programs	1,646.3	192.3	1,454.0	11.7%	1,311.5	334.8	79.7%
Toronto York Spadina Subway Extension	393.5	67.7	325.8	17%	373.5	20.0	95%
Scarborough Subway Extension	129.2	12.2	117.0	9%	104.9	24.3	81%
Relief Line South - Design	55.5	0.0	55.5	0%	40.0	15.5	72%
Waterfront Transit - Design	3.6	0.0	3.6	1%	0.7	2.9	19%
Total Transit Expansion Projects	581.8	79.9	501.9	13.7%	519.1	62.7	89.2%