

Analyst Briefing Notes

Budget Advisory Committee

(January 13, 2006)

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PART I: 2006 Operating Budget Overview

Table 1: 2006 Budget Request

	2005		2006 Operating Budget Request			Change 2006 Request from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Base Request	2006 New Council Priorities	2006 Op. Bud. Request			2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	970,666.2	975,956.0	1,062,095.3	0.0	1,062,095.3	91,429.1	9.4		
REVENUE	742,186.2	746,440.0	762,861.4	0.0	762,861.4	20,675.2	2.8		
NET EXP.	228,480.0	229,516.0	299,233.9	0.0	299,233.9	70,753.9	31.0		
Approved Positions	9,289.0	9,347.0	9,501.0	0.0	9,501.0	212.0	2.3		
TARGET			233,049.6						
\$ Over / (Under) Program Target			66,184.3						
% Over / (Under) Program Target			28.4%						

Executive Summary

- The TTC is responsible for the Conventional and Wheel-Trans systems. The Wheel-Trans Operating Budget is treated in a separate set of Analyst Notes. The Wheel-Trans 2006 Proposed Operating Budget is \$63.739 million net. This amount is excluded from the 2006 Operating Budget Request for the TTC Conventional system. The conventional system includes bus, streetcar, subway and the Scarborough Rapid Transit operations.
- The 2006 TTC Operating Budget submission is in draft form (defined as the November 28th version received by the Commission at Meeting NO. 1862) and subject to revision pending review and approval of the final Operating Submission by the Commission.
 - The 2006 Base Budget Request is \$66.184 million or 28.4% over the 2% net expenditures target.
 - It is recommended that the TTC report back to the Budget Advisory Committee in January 2006 with reduction options consistent with the 2% target for an increase in net expenditures for 2006.
- The 2005 projected year-end net expenditure of \$229.516 million is \$1.036 million higher than the 2005 Approved Budget of \$228.480 million. This shortfall is attributable to a \$5.290 million increase in expenditures, mostly for an arbitration ruling that held the TTC responsible for the payment of \$4.9 million for the Ontario Health Premium (this item is currently under judicial review but must be incurred as a liability by the TTC in their year-end financial statements). The unfavourable variance is partially offset by higher anticipated revenues of

\$4.254 million mainly to a projected increase in ridership that is 3 million over budgeted ridership of 427 million.

- The 2006 Budget Request for the Toronto Transit Commission is \$299.234 million net and is \$70.754 million or 31% or higher than the 2005 Approved Budget. The increase in net expenditures is comprised of: a 9.4% or \$91.429 million increase in gross expenditures; partially offset by a 2.8% or \$20.675 million increase in anticipated revenues. As a result, the TTC Operating Budget Request is \$66.184 million over the 2% target for 2006.
- The 2006 Base Budget Request requires a \$70.754 million increase in net expenditures over 2005. This is comprised of: a \$91.429 million increase in gross expenditures mainly due to \$24.627 million in collective agreement impacts and \$27.130 million in energy costs; partially offset by a \$20.675 million increase in revenue mainly due to increased passenger revenues to be derived from an estimated 13 million additional rides.
- 2006 Operating Budget Request revenue/cost ratio is approximately 72%, down from 76% in 2005 primarily due to expenditure growth outpacing revenue growth in 2006.
- 2006 requested total staffing levels of 10,901 positions include: 9,501 in operating workforce positions; 952 in capital workforce positions; 416 in Wheel-Trans operating workforce positions; and 32 Toronto Coach Terminal (TCTI) positions. TCTI financial results are reported as a separate entity of the TTC and are beyond the purview of these Notes.
 - TTC is requesting a 212 increase in operating workforce positions bringing this complement from 9,289 to 9,501 in 2006. This increase is comprised of 137 service-level and 75 other new positions.
- Base Budget Request adjustments include a reduction of \$6.441 million to reflect the establishment of a long-term subsidy receivable for the non-cash portion of TTC post-retirement dental benefits.
- Key cost drivers in 2006 include annualized labour costs from the TTC 2005 collective agreement and higher energy costs due to price increases in vehicle fuel, utilities and traction power. For the overall service budget, key cost drivers include Commission-directed new services and the incremental cost of fully implementing the 2005 approved initiatives of the TTC's Ridership Growth Strategy to service 437 million riders in 2006.
- Ridership is forecast at 437 million in 2006, up from 424 million in the 2005 Budget for a 3.1% increase.
 - Year-end ridership is estimated at 427 million, up 3 million in-year from a 2005 budget of 424 million.
 - The service budget plans for a 2.1% increase in service kilometres from 200.30 million to 204.55 million in 2006.
 - The service budget plans for an increase of 3.5% in service hours from 7.07 million hours to 7.32 million hours in 2006 for a total increase of 256,000 hours.

- The annualization of RGS is estimated at 134,600 additional service hours.
- Increased ridership capacity is estimated at 60,200 additional service hours.
- Maintaining service levels during construction projects is estimated at 47,400 additional service hours.
- Increased road congestion and new low-floor buses (with lower capacities) are estimated to add 13,800 additional service hours.

Recommendations

The 2006 TTC Operating Budget submission is in draft form (defined as the November 28th version received by the Commission at Meeting NO. 1862) and subject to revision pending review and approval of the final Operating Submission by the Commission, consistent with the following motion carried by Commission at the same meeting:

“THAT FINAL APPROVAL OF THE 2006 TTC OPERATING BUDGET BE DEFERRED AND THAT STAFF (TTC) REPORT BACK WITH SCENARIOS TO ACHIEVE REDUCTIONS WITHOUT A FARE INCREASE AND SERVICE REDUCTIONS, INCLUDING LOOKING AT:

1. GAPPING OF NON-FRONT LINE STAFF;
2. DEFERRING NEW STAFF (NON-OPERATIONS);
3. REVIEW LOADING STANDARDS;
4. REVIEW \$5 MILLION CONTRIBUTION TO EMPLOYEE LIABILITY;
5. DELETING THE ONTARIO HEALTH PREMIUM;
6. OBTAINING BETTER PRECISION IN FUEL PRICING;
7. DETERMINING CONTRIBUTION FROM 2005 SURPLUS;
8. OTHER OPTIONS TO ACHIEVE SAVINGS; AND

THAT THIS REPORT BE FORWARDED TO THE CITY’S BUDGET ADVISORY COMMITTEE FOR FURTHER REVIEW.”

The categorization of incremental changes from the 2005 Approved Budget to the 2006 Budget Request should be considered draft and subject to change until the final submission is approved by the Commission.

It is recommended that:

- (1) the Toronto Transit Commission 2006 Operating Budget Request for the Conventional System of \$1,062.095 million gross and \$299.234 million net be received pending approval of the final budget submission by the TTC and subsequent review by the Budget Advisory Committee;
- (2) the Chief General Manager of the Toronto Transit Commission report back to the Budget Advisory Committee in January 2006 with reduction options totaling \$66.184 million to meet the 2006 target of 2% for an increase in net expenditures over the 2005 Approved Budget;
- (3) the 2006 request of \$6.441 million for a long-term subsidy receivable for the non-cash TTC post-retirement dental benefit be approved and that the Chief General Manager of the Toronto Transit Commission and the Deputy City Manager & Chief Financial Officer report back to the Budget Advisory Committee in January 2006 on options to address other non-cash requirements such as post-retirement provisions for the Commission;
- (4) the Chief General Manager of the Toronto Transit Commission and the Deputy City Manager & Chief Financial Officer, report back to the Budget Advisory Committee in January 2006 on options for an allowance that would provide for the payment of the Ontario Health Premium;
- (5) the Chief General Manager of the Toronto Transit Commission and Deputy City Manager & Chief Financial Officer report back to Budget Advisory Committee in January 2006 on options for annualizing anticipated gapping savings achieved in 2005 from subway and surface operations for 2006;
- (6) the Chief General Manager of the Toronto Transit Commission report back to Budget Advisory Committee in January 2006 on assumptions used in developing salary and benefits projections for gapping, overtime, absenteeism and vacation time;
- (7) the Chief General Manager of the Toronto Transit Commission report back to Budget Advisory Committee in January 2006 on the detailed salary and benefits breakdown for 212 requested new staff in 2006 and subject to that report that a recommendation be made by the Deputy City Manager & Chief Financial Officer on their appropriate budgetary treatment; and
- (8) the Chief General Manager of the Toronto Transit Commission report back to Budget Advisory Committee in January 2006 detailing all 2005 Commission-directed new services and the service-level impact of deferring them.

PART II: BASE BUDGET

Section A: 2005 Budget Variance Analysis

Table 2: 2005 Budget Variance Review

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	935,740.0	970,666.2	975,956.0	5,289.8	0.5
REVENUES	731,235.0	742,186.2	746,440.0	4,253.8	0.6
NET EXP.	204,505.0	228,480.0	229,516.0	1,036.0	0.5
Approved Positions	9,313.0	9,289.0	9,347.0	58.0	0.6

*Projected actual expenditures and revenue to year-end based on a revised 3rd Quarter Variance Report including the \$4.9 million liability incurred for the Ontario Health Premium in 2005 by the TTC.

2005 Experience

The revised third quarter projection to year-end is \$229.516 million net. This represents a \$1.036 million unfavourable variance which is attributed to the following:

- Total revenues are projected to increase by \$4.254 million in-year. Ridership for the year is projected to be 427 million, or 3 million over budget. This will increase passenger revenue by \$2.550 million. Other income increased by \$1.704 million to reflect net sales proceeds from the sale of St. John's Loop, Weston Substation and Beresford Substation offset by a corresponding contribution to Capital.
- Gross expenditures are projected to be over budget by \$5.290 million. This unfavourable variance reflects \$5.900 million in other employee costs of which \$4.9 million is for the Ontario Health Premium as per the March 17th arbitration ruling (this item is currently under judicial review but must be incurred as a liability by the TTC in their year-end financial statements); and higher than targeted absenteeism. In addition, the projected actual gross expenditures also include:
 - \$2.883 million increase to reflect write-off of obsolete project materials and various unbudgeted initiatives approved by the Commission.
 - \$1.704 million increase in net sales proceeds set aside for future property purchases.
 - Up to \$4.781 million decrease in salaries and benefits for savings from higher than budgeted gapping.

Impact of 2005 Operating Variance on 2006 Budget Request

The following 2005 Operating Variances are expected to impact the 2006 Operating Budget:

- Ontario Health Premium costs are projected to total an unfavorable amount of \$5.160 million in 2006. Payment of this amount is pending current and future judicial reviews.
- Up to \$4.781 million from a favorable decrease for gapping in 2005.
- \$2.550 million in increased revenue due to anticipated and sustained ridership increases from 2005 to 2006.

Section B: 2006 Base Budget Request

Table 3: 2006 Base Budget Request

(In \$000s)	2005 Approved Budget	2006 Requested Base*	2006 Base Request**	Change 2006 Base Request v. 2005 Approved Budget		FY Incremental Outlook	
				\$	%	2007	2008
	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	970,666.2	1,068,536.3	1,062,095.3	91,429.1	9.4		
REVENUE	742,186.2	762,861.4	762,861.4	20,675.2	2.8		
NET EXP.	228,480.0	305,674.9	299,233.9	70,753.9	31.0		
Approved Positions	9,289.0	9,501.0	9,501.0	212.0	2.3		
NET TARGET			233,049.6				
\$ Over / (Under) Program Target			66,184.3				
% Over / (Under) Program Target			28.4%				

* Based on total Operating Budget submission received, but not approved, for Toronto Transit Commission on November 28th, 2005.

** Includes the \$6.441 million reduction for post-retirement dental benefits as per recommendation (3).

2006 Base Budget Request

- The 2006 Base Budget Request requires a \$70.754 million increase in net expenditures over 2005. This is comprised of: a \$91.429 million increase in gross expenditures mainly due to \$24.627 million in collective agreement impacts and \$27.130 million in energy costs; partially offset by a \$20.675 million increase in revenue mainly due to increased passenger revenues to be derived from an estimated 13 million additional rides.
- The \$91.429 million or 9.4% increase in gross expenditures is a result of \$24.627 million in collective agreement costs; \$27.130 million in energy costs; \$13.636 million for other employee costs; \$5.160 million for a budgeted allowance to cover the Ontario Health Premium cost in 2006; \$4.500 million for the incremental costs to fully fund the implementation of 2005 approved Ridership Growth Strategy initiatives; \$4.295 million for non-departmental expenses and cost recoveries; \$1.898 million for material price increases (net); \$10.183 million (net) in various departmental initiatives.
 - A number of items have been identified that may be considered new or enhanced services, such as \$5.300 million to accommodate increased ridership under current load standards; \$1.600 million for the annualization Commission-directed new services in 2005; \$1.290 million for increased training; \$1.733 million in departmental budgets for miscellaneous workforce increases; and \$4.200 million in other employee costs for miscellaneous labour costs. These must be clarified to determine the appropriate budgeting treatment and resultant consideration.
- The \$20.675 million or 2.8% increase in revenues for the TTC is comprised of \$14.800 million increase in Passenger Revenues for the 2006 ridership forecast of 437 million riders, an increase

of 3.1% over the 2005 Budgeted ridership of 424 million; the annualization of the March 2005 fare increase of \$4.000 million; \$2.010 million increase in Outside City Services, primarily related to York Region Transit and Charters; and a decrease in other net revenue of \$0.135 million.

2006 Key Cost Drivers

The 2006 Base Budget Request represents an increase of approximately \$91.429 million gross, or 9.4% over the 2005 Approved Budget. This increase is attributed to the following:

- Prior Year Impacts, net increase of \$8.189 million for annualizations of \$3.689 million for a 2.75% wage increase as of April 1, 2005 and 2005 Ridership Growth Service implementation estimated at \$4.500 million.
- Inflationary increases of \$46.502 million, are primarily the result of:
 - Vehicle Fuel price increases of \$17.336 million, mainly for an estimated diesel fuel increase from 54 cents to, on average, 90 cents per litre.
 - Utilities increase of \$5.078 million, mainly for estimated 90% increase in natural gas heating prices, 7% in water prices, and 3.8% increase in average price per kWh.
 - Traction power increase of \$1.252 million for estimated 3.8% increase in average price per kWh.
 - \$15.175 million increase in wages for 3.00 % increase as of April 1, 2006.
 - Material price increases (net) of approximately 1.2% or \$1.898 million.
 - Fringe benefit cost increase associated with the 2005 collective agreement of \$5.762 million mainly for pension contributions, transit allowance and other benefits.

Additional Base Budget Changes

- Total Other Base Budget changes result in increases of \$43.179 million and include the following:
 - Vehicle fuel increase of \$1.137 million mainly related to an estimated 9.7% increase in diesel mileage and a 67.5% decrease in natural gas mileage due to planned retirement of CNG buses;
 - Traction power increase of \$0.325 million mainly for 0.9% increase in consumption rate and 0.2% increase in electric vehicle mileage;
 - \$2.000 million increase due to the cessation of the provincial Market Power Mitigation Agreement rebate;
 - Other employee costs of \$18.797 million for which \$5.160 million is a budgetary allowance to provide payment for the Ontario Health Premium in the event that responsibility for its payment rests with the TTC; \$7.387 million increase in the post-

employment and post-retirement provisions to reflect the long-term liabilities for these items; \$4.200 million to reflect higher labour and related workforce costs; \$2.050 million net in other costs mainly due to \$1.700 million in projected costs for a higher absenteeism rate and \$0.300 million for increased Canada Pension Plan Contributions;

- Other Base Changes of \$4.295 million that is comprised of \$4.596 million increase in non-departmental expenses and cost recoveries, including \$0.750 million change in the Vacation Pay Accrual Liability; depreciation expense decrease of \$0.300 million; taxes and licences increase \$0.199 million; and a decrease of \$0.200 million in accident claims and insurance;
- Various departmental initiatives that total \$10.183 million net: \$4.648 million in service-level adjustments, including 137 new positions; \$1.310 million for the Transitional Work Program; \$1.682 million in additional overtime; \$1.733 million in workforce changes, including 75 new non-service related positions; \$1.290 million in Training and net other reductions of \$0.479 million; and
- A recommended base adjustment of \$6.441 million related to the establishment of a long-term subsidy receivable for the non-cash TTC post-retirement dental benefits as per Policy and Finance Committee Report 5, Clause 31 that was adopted by Council on May 17, 18, and 19, 2005.

Approved Positions

TTC Workforce was budgeted at 10,649 in 2005 and is increasing by 252 positions to 10,901 in 2006. A detailed summary is shown below.

Position	Other	Service-Related	Wheel-Trans	Capital	TCTI	Total
Reassignment of janitorial services	29					29
Net Changes for Other	12					12
Special Constables	21					21
Executive Branch positions	11					11
Human Rights Assistant	1					1
Compensation Consultant	1					1
2006 Service Changes		102				102
Training Instructors to meet service requirements		3				3
Operators needed to meet service requirements for not related to service changes		32				32
Wheel-Trans Operators			16			16
Other Wheel-Trans			3			3
Capital				22		22
TCTI					(1)	(1)
Total	75	137	19	22	(1)	252

The 2006 Operating Base Budget Request has 9,501 positions, including 212 additional positions. This increase is comprised of 137 service-level and 75 other new positions.

- 102 of these are for additional operators required for 2006 service changes.
- 32 positions are required to meet increased vacation entitlements.
- 29 positions are for the reassignment of janitorial services from within the Operations branch.
- 21 positions are for an expanded Special Constable program.
- The remaining 28 net other positions are mainly for various non-service positions (14), executive branch positions (11) and training instructors to meet service requirements (3).

**Table 4: Summary of Base Budget Request Changes
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
2005 Approved Operating Budget	9,289.0	956,066.2	742,186.2	213,880.0	0.0	0.0
In-year approvals and technical adjustments		14,600.0		14,600.0		
2005 Approved Operating Budget	9,289.0	970,666.2	742,186.2	228,480.0	0.0	0.0
Annualizations		8,189.3		8,189.3		
Economic factors		46,502.2		46,502.2		
Adjusted Base Budget	9,289.0	1,025,357.7	742,186.2	283,171.5	0.0	0.0
Other base changes	212.0	43,178.6		43,178.6		
Base revenue changes			20,675.2	(20,675.2)		
2006 Requested Base Budget	9,501.0	1,068,536.3	762,861.4	305,674.9	0.0	0.0
Recommended Base Adjustments:						
Other base changes		(6,441.0)		(6,441.0)		
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Base Request Adjustments*	9,501.0	1,062,095.3	762,861.4	299,233.9	0.0	0.0
2006 Base Budget Request	9,501.0	1,062,095.3	762,861.4	299,233.9	0.0	0.0
2006 Program Operating Target	N/A	N/A	N/A	233,049.6		
% Over (Under) Program Target				28.4		
% Over (Under) 2005 Approved Budget	2.3	9.4	2.8	31.0		

* Includes the \$6.441 million reduction for post-retirement dental benefits as per recommendation (3).

Section C: 2006 Base Budget Issues**Key Issues / Recommendations****Other Base Budget Changes**

Base Budget Request adjustments include a reduction of \$6.441 million for the establishment of a long-term subsidy receivable for the non-cash TTC post-retirement dental benefits. This treatment is consistent with the recommendation contained in the report "Disposition of Toronto Transit Commissions Retained Earnings" Policy and Finance Committee Report 5, Clause No. 31 which was approved by City Council on May 17, 18 and 19, 2005 that recommended, "Council endorse the strategy of offsetting the impact of the difference between the budgeted cash flow and the accounting expense for pensioner dental benefits with a long-term subsidy payable accounts with the TTC."

Given that the TTC has identified provisions totaling \$30.1 million and a vacation pay accrual liability of \$1.6 million in their 2006 Operating Budget Submission received by the Commission on November 28th, it is recommended that the 2006 request of \$6.441 million for a long-term subsidy receivable for the non-cash TTC post-retirement dental benefits be approved and that the Chief General Manager of the Toronto Transit Commission and the Deputy City Manager & Chief Financial Officer report back to the Budget Advisory Committee in January 2006 on options to address other non-cash requirements such as post-retirement provisions for the Commission.

Ontario Health Premium

On March 17th, 2005 an arbitration ruling required that the Toronto Transit Commission pay eligible employees \$4.9 million for the 2005 Ontario Health Premium (OHP). This item is currently under judicial review but must be incurred as a liability by the TTC in their year-end financial statements. The 2006 amount for the OHP is estimated at \$5.160 million.

It is recommended that the Chief General Manager of the Toronto Transit Commission and the Deputy City Manager & Chief Financial Officer report back to the Budget Advisory Committee in January 2006 on options for an allowance that would provide for the payment of this premium.

Gapping

The Toronto Transit Commission on, November 28th, 2005, identified in their Chief General Manager's Report for Period 9: August 28 to October 1, 2005 anticipated gapping savings in 2005 of up to \$4.781 million for service-related subway and surface operations.

It is recommended that the Chief General Manager of the Toronto Transit Commission and Deputy City Manager & Chief Financial Officer report back to Budget Advisory Committee in January 2006 on options for annualizing anticipated gapping savings achieved in 2005 from subway and surface operations for 2006.

In addition, it is recommended that the Chief General Manager of the Toronto Transit Commission report back to Budget Advisory Committee in January 2006 on assumptions used in developing salary and benefits projections for gapping, overtime, absenteeism and vacation time.

Service Level Changes

There are no minor / major services impact changes proposed for this budget at this time.

Revenue Changes

There are no additional revenue adjustments proposed for this budget at this time.

Gas Tax

The 2006 Operating Budget Request for the City of Toronto includes \$92 million in provincial gas tax money corporately allocated for transit.

Fare Increase

The March 2005 10-cent fare increase, which excluded the Metropass, had a favourable impact of \$10 million on passenger revenues in 2005. 2006 passenger revenues are projected to increase an additional \$4 million in 2006 from the full-year implementation of the fare increase. The table below outlines the full-year average impact of a standard fare increase impacting all fare media. These estimates have been adjusted to reflect any accompanying decline in ridership and include increases in the price of the Metropass.

Full-Year Average Impact of a Fare Increase

10 cent increase = \$20 million annually; 1.67 million per month.

15 cent increase = \$28.5 million annually; \$2.4 million per month.

20 cent increase = \$37.0 million annually; \$3.1 million per month.

Any fare increase would require approximately 6-8 weeks for implementation once a decision by the Commission had been made.

Ridership

Ridership in 2006 is forecast to increase to 437 million rides, up by 13 million from the 2005 budgeted level and 10 million over the 2005 projected year-end ridership level.

Ridership

	2005	2005	2006	Level	Per Cent
Millions	Budget	Projected	Budget	Change	Change
Ridership	424	427	437	13	3.1%

Source: TTC Operating Submission

The 2005 results reflect higher than anticipated economic and employment growth in the City of Toronto through the first nine months of the year, continued strong sales growth of the Metropass and a lower than forecast ridership loss from the March 2005 fare increase (specific level changes are forthcoming).

For 2006, continued economic and employment growth, the full implementation of Ridership Growth strategy service improvements on major routes and the annualized impact of making the Metropass and Weekly pass transferable are expected to be key drivers towards increasing ridership to 437 million.

Service Budget

The 2006 Service Budget calls for 7.32 million hours of service and 204.55 million kilometers of service to accommodate a ridership of 437 million.

2006 Service Budget

Mode	Hours (Millions)				Kilometres (Millions)			
	2005 Budget	2006 Budget	Level Change	Per Cent Change	2005 Budget	2006 Budget	Level Change	Per Cent Change
Bus	5.32	5.55	0.23	4.3%	105.54	109.64	4.1	3.9%
Streecar	0.85	0.86	0.01	1.2%	12.04	12.21	0.17	1.4%
Subway	0.87	0.88	0.01	1.1%	78.34	78.33	-0.01	0.0%
SRT	0.03	0.03	0	0.0%	4.38	4.37	-0.01	-0.2%
Totals	7.07	7.32	0.25	3.5%	200.30	204.55	4.25	2.1%

Source: TTC Operating Submission

The service budget plans for a 2.1% increase in service kilometers from 200.30 million to 204.55 million and an increase in service hours of 3.5% from 7.07 million hours to 7.32 million hours in 2006. The total increase of 0.25 million service hours includes:

- Annualization of RGS is estimated at 134,600 additional service hours.
- Increased ridership capacity is estimated at 60,200 additional service hours.
- Maintaining service levels during construction projects is estimated at 47,400 additional service hours.
- Increased road congestion and new-floor buses (with lower capacity) are estimated to add 13,800 additional service hours.

Approved Positions and New Services

A total of \$14.123 million has been identified that may be considered new or enhanced services, but is currently allocated in the TTC’s 2006 Base Operating Budget Request. This amount is comprised of: \$5.300 million to accommodate increased ridership under current load standards; \$1.600 million for the annualization of Commission-directed new services in 2005; \$1.290 million for increased training; \$1.733 million in departmental budgets for miscellaneous workforce amounts; and \$4.200 million in other employee costs for miscellaneous workforce amounts.

These amounts can be notionally allocated as a portion or in their entirety to salary and benefits costs for the following new staff:

- 137 service-related staff to maintain service budget plans resulting from increased ridership capacity estimated at 60,200 additional service hours; maintaining service levels during construction projects estimated at 47,400 additional service hours; and road congestion and new-floor buses requiring an estimated 13,800 additional service hours; and

- 75 other staff associated with the reassignment of janitorial resources in subway stations (29), special constables for the Subway Zone Patrol Strategy (21) and various other staffing requirements (25).

It is recommended that the Chief General Manager of the Toronto Transit Commission report back to Budget Advisory Committee in January 2006 on the detailed salary and benefits breakdown for 212 requested new staff in 2006 and subject to that report that a recommendation be made by the Deputy City Manager & Chief Financial Officer on their appropriate budgetary treatment.

In addition, it is recommended that the Chief General Manager of the Toronto Transit Commission report back to Budget Advisory Committee in January 2006 detailing all 2005 Commission-directed new services and the service-level impact of deferring them.

Achieving the Net Expenditure Target

On November 28th, the 2006 Operating Budget Submission for the TTC was received by the Commission and the following motion was carried:

“THAT FINAL APPROVAL OF THE 2006 TTC OPERATING BUDGET BE DEFERRED AND THAT STAFF (TTC) REPORT BACK WITH SCENARIOS TO ACHIEVE REDUCTIONS WITHOUT A FARE INCREASE AND SERVICE REDUCTIONS, INCLUDING LOOKING AT:

1. GAPPING OF NON-FRONT LINE STAFF;
2. DEFERRING NEW STAFF (NON-OPERATIONS);
3. REVIEW LOADING STANDARDS;
4. REVIEW \$5 MILLION CONTRIBUTION TO EMPLOYEE LIABILITY;
5. DELETING THE ONTARIO HEALTH PREMIUM;
6. OBTAINING BETTER PRECISION IN FUEL PRICING;
7. DETERMINING CONTRIBUTION FROM 2005 SURPLUS;
8. OTHER OPTIONS TO ACHIEVE SAVINGS; AND

THAT THIS REPORT BE FORWARDED TO THE CITY’S BUDGET ADVISORY COMMITTEE FOR FURTHER REVIEW.”

Consistent with the motion carried by the Commission on November 28th, 2005, it is recommended that the Chief General Manager of the Toronto Transit Commission report back to the Budget Advisory Committee in January 2006 with reduction options totaling \$66.184 million to achieve the 2006 target of 2% for an increase in net expenditures over the 2005 Approved Budget.

Issues Referred to 2006 Operating Budget Process

There are no issues referred to 2006 Operating Budget Process.

Outstanding Issues from 2005 and Prior Years

There are no outstanding issues from 2005 and Prior Years.

Appendix A

Summary of Service Level Adjustments

PART III: NEW COUNCIL PRIORITIES**Section D: 2006 Proposed New Council Priorities****Table 5: Summary of 2006 Proposed New Council Priorities (\$000)**

There are no 2006 Proposed New Council Priorities identified by the Toronto Transit Commission, pending a report back from the Chief General Manager of the TTC on the request for funding of 212 new positions.

Appendix B

Summary of Council Priority Services and New Service Requests

Not applicable at this time.