

Analyst Briefing Notes

Budget Advisory Committee

(January 13, 2006)

PART I: 2006 OPERATING BUDGET OVERVIEW

Executive Summary	1
Recommendations	2

PART II: BASE BUDGET

Section A: 2005 Budget Variance Analysis	4
2005 Experience	4
Impact of 2005 Operating Variance on 2006 Proposed Budget	4
Section B: 2006 Proposed Base Budget	5
2006 Proposed Base Budget	5
2006 Key Cost Drivers	6
Summary of Proposed Base Budget Changes from 2005 Approved Budget	8
Section C: 2006 Base Budget Issues	9
Key Issues and Recommendations	9
Issues Referred to 2006 Operating Budget Process	10
Outstanding Issues from 2005 and Prior Years	10
Appendix A: Summary of Service Level Adjustments	11

PART III: NEW COUNCIL PRIORITIES

Section D: 2006 Proposed New Council Priorities	12
Summary of 2006 Proposed New Council Priorities	12
Key Issues and Recommendations	12
Appendix B: Summary of Council Priority Services and New Service Requests	13

Contacts: John Di Lallo, Manager, Financial Planning Division
Tel: (416) 397-4207

Bill Praamsma, Senior Financial Planning Analyst
Tel: (416) 397-4530

January 5, 2006

PART I: 2006 Operating Budget Overview

Table 1: 2006 Proposed Budget

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.	\$	%	2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	56,545.9	56,554.3	63,739.1	0.0	63,739.1	7,193.2	12.7		
REVENUE	2,810.4	2,818.8	3,040.8	0.0	3,040.8	230.4	8.2		
NET EXP.	53,735.5	53,735.5	60,698.3	0.0	60,698.3	6,962.8	13.0		
Approved Positions	397.0	404.0	416.0	0.0	416.0	19.0	4.8		
TARGET			54,810.2						
\$ Over / (Under) Program Target			5,888.1						
% Over / (Under) Program Target			10.7%						

Executive Summary

- The 2006 TTC Wheel-Trans 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 Proposed Base Budget is \$5.888 million or 10.7% over the 2% net expenditures target.
- The TTC is responsible for the Conventional and Wheel-Trans systems. The Conventional Operating Budget is treated in a separate set of Analyst Notes. Using 145 specially equipped low-floor buses and contracted taxi services that include 94 accessible and 35 sedan taxis, Wheel-Trans provides transportation to persons with disabilities based on the individual physical functional mobility.
- The 2005 projected year-end net expenditure of \$53.736 million is in line with the 2005 Approved Budget of \$53.736 million.
- The 2006 Proposed Budget for Wheel-Trans is \$60.698 million net and is \$6.693 million or 13% higher than the 2005 Approved Budget. The increase in net expenditures is comprised of: a 12.7% or \$7.193 million increase in gross expenditures mainly due to \$1.525 million in collective agreement costs, \$0.969 million in energy costs, \$1.207 million increase in contract services from the taxi tariff increase and \$2.581 million in service level adjustments to accommodate increased trip demand; partially offset by 8.2% or \$0.230 million increase in anticipated passenger revenues.

- Proposed staffing levels of 416 positions reflect an increase of 19 positions from 397 in 2005 for 16 Wheel-Trans operators to meet increased trip demands and 3 non-operator positions to meet trip demands, training and coverage.
- Key cost drivers include the impact from the TTC 2005 Collective Agreement; higher energy costs due to price increases for vehicle fuel and utilities; contract services; and service level adjustments related to increased trip demand, while maintaining a 2% unaccommodated rate.
 - Wheel-Trans is projecting ridership of 2.022 million or 6.5%.
 - Ridership is comprised of 1.904 million in door-to-door registrants and 0.118 million in Community Bus ridership.
 - The demand for service in 2006 is expected to increase by 0.110 million to 1.947 million from 1.837 million in 2005. The unaccommodated rate is maintained at 2%, which translates into 38,900 passengers unaccommodated.

Recommendations

The 2006 Wheel-Trans 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 categorization of incremental changes from the 2005 Approved Budget to the 2006 Budget Request should be considered a draft and subject to change until the final submission and required forms have been received by the City of Toronto.

It is recommended that:

- (1) the Wheel-Trans 2006 Proposed Operating Budget of \$63.739 million gross and \$60.698 million net, comprised of the following service, be received pending approval of the final budget submission by the TTC and subsequent review by the Budget Advisory Committee:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Wheel-Trans	<u>63,739.1</u>	<u>60,698.3</u>
 Total Wheel-Trans Operating Budget	 <u>63,739.1</u>	 <u>60,698.3</u>

- (2) 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;
- (3) 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;
and

- (4) 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 19 proposed new staff in 2006.

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.	53,164.2	56,545.9	56,554.3	8.4	0.0
REVENUES	2,638.4	2,810.4	2,818.8	8.4	0.3
NET EXP.	50,525.8	53,735.5	53,735.5	0.0	0.0
Approved Positions	394.0	397.0	404.0	7.0	1.8

*Projected Actual expenditures and revenues to year-end are based on revised 3rd Quarter Variance Report including the \$0.210 million liability incurred for the Ontario Health Premium in 2005 by the TTC.

2005 Experience

The revised third quarter projection to year-end is unchanged from 2005 Approved Budget at \$53.736 million net, resulting from an \$8,400 increase in gross expenditures offset by an \$8,400 increase in revenue.

- Total revenues are projected to increase by \$8,400 in-year.
- Gross Expenditures are projected to increase by \$8,400. This primarily reflects an increase of \$1.252 million in various costs primarily for the Ontario Health Premium (\$0.210 million), other employee costs net (\$0.240 million), increased overtime (\$0.386 million) and heating fuel costs at the Lakeshore Garage (\$0.135 million), and increased contract services from the taxi tariff increase (\$0.127 million). This increase is offset by \$1.244 million in expenditure decreases mainly for lower accident claim costs and provision (\$1.006 million).
 - The Ontario Health Premium is currently under judicial review but must be incurred as a liability by the TTC in their year-end financial statements.

Impact of 2005 Operating Variance on 2006 Proposed Budget

The following 2005 Operating Variance is expected to impact the 2006 Proposed Budget:

- Ontario Health Premium is projected to result in a pressure of \$0.230 million in 2006. Payment of this amount is pending current and future judicial reviews.

Section B: 2006 Proposed Base Budget

Table 3: 2006 Proposed Base Budget

(In \$000s)	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change 2006 Proposed Base v. 2005 Approved Budget		FY Incremental Outlook	
				\$	%	2007	2008
GROSS EXP.	56,545.9	63,739.1	63,739.1	7,193.2	12.7		
REVENUE	2,810.4	3,040.8	3,040.8	230.4	8.2		
NET EXP.	53,735.5	60,698.3	60,698.3	6,962.8	13.0		
Approved Positions	397.0	416.0	416.0	19.0	4.8		
NET TARGET		54,810.2					
\$ Over / (Under) Program Target		5,888.1					
% Over / (Under) Program Target		10.7%					

2006 Proposed Base Budget

- The 2006 Proposed Base Budget requires a \$6.693 million increase in net expenditures over 2005. This is comprised of \$7.193 million increase in gross expenditures mainly due to \$1.525 million in collective agreement costs, \$0.969 million in energy costs, \$1.207 million increase in contract services from the taxi tariff increase and \$2.581 million in service level adjustments to accommodate increased trip demand; partially offset by a \$0.230 million increases in revenue mainly due to increased ridership and average fare.
- The \$7.193 million increase in gross expenditures for Wheel-Trans is comprised of \$1.718 million for incremental impacts of which \$1.207 million is required to cover higher tariff rates for contract services approved by Council in 2005; \$2.594 million in inflationary increases, of which about \$0.969 million is price increases for heating and fuel; \$2.882 million for other base changes mainly related to \$2.581 million in service level adjustments for increased demand while maintaining a 2% unaccommodated rate.
- The \$230,400 increase in revenues is comprised of \$182,500 for budgeted change in passengers; and \$47,900 for change in average fare.
 - Ridership is estimated to increase by 123,400 or by 6.5% to 2.022 million in 2006.
 - The unaccommodated rate is maintained at 2%.

2006 Key Cost Drivers

The 2006 Proposed Base Budget represents an increase of approximately \$7.193 million, or 12.7% over the 2005 Approved Budget. This increase is attributed to the following:

- Incremental impacts of \$1.718 million as a result of the 2005 approved decisions:
 - Taxi tariff meter rate increase of 10% during 2005 resulting in \$1.207 million;
 - Increased bus modal share from 50% to 53% for service resulting in a \$0.309 million impact; and
 - Increased wages from the 2.75% Collective Agreement awarded April 1, 2005 of \$0.202 million.
- Inflationary increases of \$2.594 million, are primarily the following:
 - 3.00% in wage increases for the effective April 1, 2006 results in a \$0.669 million increase;
 - Estimated 50% increase in the price of diesel fuel based on currently projected future prices totals \$0.770 million;
 - Heating costs for the Lakeshore Garage based on estimated 90% price increase in the cost of natural gas heating and \$0.04 million in net other utilities costs result in a pressure of \$0.199 million;
 - Fringe benefits associated with the 2005 Collective Agreement of \$0.345 million mainly for pension contributions, transit allowance and other benefits;
 - Contract services associated with the cost per passenger trip charged by sedan and accessible taxis and allowed inflationary increases require \$0.506 million increase; and
 - Material price increases for the bus operations and administration budgets result in a \$0.101 million increase.

Additional Base Budget Changes

- Total Other Base Budget changes increase by of \$2.882 million and include the following:
 - \$2.581 million to manage a estimated 6% increase in trip demand, and maintain the unaccommodated rate at 2%, including: \$0.959 million increase in usage of contract services for sedan and accessibility taxis; \$1.105 million in higher labour costs of which \$0.777 million is for higher operator costs; \$0.319 million in higher employee benefit costs associated with the increased labour costs; and \$0.198 million for mileage costs for increased maintenance and fuel;

- \$0.572 million increase for other employee costs (net) for \$0.230 million associated with the Ontario Health Premium and \$0.342 million net change in employee benefits;
- Service-level adjustment of \$0.072 million; and
- Non-departmental costs, decrease of \$0.344 million for various items.

**Table 4: Summary of Proposed Base Budget 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	397.0	55,870.9	2,810.4	53,060.5	0.0	0.0
In-year approvals and technical adjustments		675.0		675.0		
2005 Approved Operating Budget	397.0	56,545.9	2,810.4	53,735.5	0.0	0.0
Annualizations		1,718.0		1,718.0		
Economic factors		2,593.5		2,593.5		
Adjusted Base Budget	397.0	60,857.4	2,810.4	58,047.0	0.0	0.0
Other base changes	19.0	2,881.7		2,881.7		
Base revenue changes			230.4	(230.4)		
2006 Base Budget Request	416.0	63,739.1	3,040.8	60,698.3	0.0	0.0
Recommended Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Proposed Base Adjustments	416.0	63,739.1	3,040.8	60,698.3	0.0	0.0
2006 Proposed Base Budget	416.0	63,739.1	3,040.8	60,698.3	0.0	0.0
2006 Program Operating Target	N/A	N/A	N/A	54,810.2		
% Over (Under) Program Target	N/A	N/A	N/A	10.7		
% Over (Under) 2005 Approved Budget	4.8	12.7	8.2	13.0		

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

There are no other base budget changes proposed.

However, given that the TTC has identified provisions totaling \$30.1 million their 2006 Operating Budget Submission received by the Commission on November 28th, which includes a portion allocated to Wheel-Trans. 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 the options to address other non-cash requirements, such as post-retirement provisions for the Commission. When the Budget Advisory Committee considers the TTC Conventional Budget, the outcome of that report could result in recommended changes to the Wheel-Trans Operating Budget.

Ontario Health Premium

On March 17th, 2005 an arbitration ruling required that the Toronto Transit Commission (Wheel-Trans) pay eligible employees \$0.210 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 in the Wheel-Trans 2006 Budget is estimated at \$0.230 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.

Service Level Changes

There are no proposed minor / major service changes to be made to the base budget.

Revenue Changes

There are no revenue adjustments proposed for 2006.

Wheel-Trans Service Plan

The 2006 Service Plan is directed at increasing vehicle productivity and service quality in order to provide a high level of service while keeping pace with increasing demand. Buses will provide an increasing modal share of up to 53% (from 50% in 2005) of service, accessible taxis will be reduced to 35% (from 38% in 2005) and sedan taxis will remain at 12%.

Fleet Plan

	2005	2006	2007	2008	2009	2010
Buses	145	145	145	153	156	159
Accessible Taxis	89	94	94	99	99	99
Sedan Taxis	32	35	35	40	42	44

Source: TTC Operating Submission

Ridership

It is anticipated that trip demand will be 1,947,300, which represents a 6.0 % increase over the 2005 budgeted level. The following table illustrates the additional trips by service type, while maintaining an unaccommodated rate of 2%.

2006 Ridership Overview Plan

	2005 Budget	2006 Budget	Level Change	Per Cent Change
Customer Demand	1,837,300	1,947,300	110,000	6.0%
Unaccommodated Rate	2.0%	2.0%	N/A	N/A
Passengers Carried (Registrants)	1,796,100	1,903,900	107,800	6.0%
Bus	898,000	999,500	101,500	11.3%
Accessible Taxis	674,800	675,900	1,100	0.2%
Sedan Taxis	223,300	228,500	5,200	2.3%
Community Bus	102,500	118,100	15,600	15.2%
Total Ridership	1,898,600	2,022,000	123,400	6.5%

Source: TTC Operating Submission

New Approved Positions

The Wheel-Trans 2006 Proposed Base Budget has 19 additional positions for 16 Wheel-Trans operators to meet increased trip demands and 3 non-operator positions to meet trip demands, training and coverage.

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 the 19 proposed new staff in 2006.

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 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 Wheel-Trans.

Appendix B

Summary of Council Priority Services and New Service Requests