

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

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Contacts: Josie La Vita
 Director, Financial Planning
 Tel: (416) 397-4229

Ian McNeil
 Senior Financial Planning Analyst
 Tel: (416) 397-4530

Executive Summary

- The Toronto Transit Commission (TTC) provides transit service in the City of Toronto. The TTC operates bus, streetcar, subway and Scarborough rapid transit services using over 2,400 vehicles throughout the City of Toronto carrying about 467 million riders per year. The TTC carries 85 percent of all local transit trips in the Greater Toronto Area and about 72 percent of the Toronto population uses the TTC at least once per month. The TTC also provides paratransit services through Wheel-Trans, which is discussed in a separate set of Analyst Notes.
- The TTC's challenge is to provide services to meet continued growth in ridership. The TTC experienced actual growth of 7 million riders in 2008 and budgeted growth is expected to be another 9 million riders in 2009. At the same time, the TTC is encouraging additional passenger growth through its Ridership Growth Strategy which has seen the introduction of 100 additional buses and the opening of the Mount Dennis Bus Garage in the fall of 2008. The Ridership Growth Strategy will lead to new ridership growth that will be costly but will be balanced with affordability. This growth in demand is adding to the TTC's financial pressures. Gross expenditures will increase by \$122.384 million or 10.4% while revenue will increase by \$43.219 million or 4.5% in 2009, resulting in pressure of \$79.165 million.
- Other challenges over the following three years include:
 - Increasing traffic congestion and road construction work which restricts the flow of TTC surface vehicles;
 - Economic factors which impact on TTC ridership and operating costs, such as the health of the City of Toronto's economy, especially the financial sector, the level of tourism (driven in part by the Canadian dollar) and the price of various forms of energy;
 - Implementing the Climate Change, Clean Air and Sustainable Energy Action Plan;
 - Need for enhanced system cleanliness;
 - Need for an enhanced culture of safety in the TTC;
 - Need to reduce absenteeism and improve the general physical well-being of TTC staff;
 - The possible need for greatly increased pension contributions in the future.
 - Moving the TTC's Transit City Plan forward to provide rapid transit to all parts of the City of Toronto; and
 - Working with the City to pursue a funding partnership with the Province for permanent sustainable operating funding for the TTC.

- The TTC has established the following service objectives to address the challenges and opportunities outlined above:
 - Maintaining existing service standards while accommodating ridership growth through continued implementation of the Ridership Growth Strategy (RGS), including running all service from 6 am to 1 am to match the subway hours of service.
 - Implementing additional bus service and service reliability measures on the 501 Queen route to compensate for the shortage of streetcars required to meet ridership growth.
 - Addressing the need for enhanced safety and physical well-being of TTC staff

- The 2009 Recommended Operating Budget provides \$69.494 million in incremental base funding for the following service priority actions:
 - Ridership Growth Strategy, including \$7.413 million for the annualized cost of 2008 service for 464 million riders, \$7.700 million for the annualized cost of 2008 RGS peak service, an increase of 99,000 hours annually; \$21.000 million for the annualized cost of 2008 RGS off-peak service, an increase of 297,000 hours annually to match subway hours of service; \$6.000 million for the annualized cost of the opening of the Mount Dennis Bus Garage, and \$13.006 million to accommodate the expected increase in 2009 ridership to 473 million riders, an increase of 184,000 hours of service;
 - Adding Route Supervisors and implementing reliability initiatives on the 501 Queen route which will meet the Mayor's Mandate to make surface transit as speedy and reliable as the subway.

- The 2009 Recommended Operating Budget provides \$9.670 million in incremental funding for following the new or enhanced initiatives:
 - An additional 20 Route Supervisors (\$1.735 million)
 - Implementing the Health and Safety Initiative (\$3.655 million)
 - Continued implementation of the Health and Wellness Program with the addition of 5 positions for attendance management (\$0.341 million);
 - Improve the Cleanliness/Appearance of the System by adding 25 repair and maintenance positions (\$2.235 million)
 - Implementing various technological projects such as internet trip planning, next vehicle announcements, E-commerce and automated customer notification (\$0.448 million)
 - Undertaking green initiatives and promoting sustainability through green procurement (\$0.875 million);
 - Emergency Medical Service (EMS) stationing two paramedics at the Yonge/Bloor Station (\$0.200 million); and
 - Adding a Structural Inspection Engineer to monitor subway structure (\$0.082 million).

The TTC's Period 11 (November 30, 2008) income statement shows the TTC being on budget at year-end 2008. Both expenditures and revenues were over budget by \$14.080 million. Higher than anticipated employee benefits, overtime expenses, snow removal costs, bus, subway and SRT maintenance, as well as unbudgeted expenditures such as 6 new Route Supervisors on the 501 Queen route contributed to the over spending. Revenue was over budget due to higher ridership, increased advertising revenue and liquidated damages on the bus contract. The TTC is in the process of finalizing its 2008 year-end results and currently expects to be approximately \$0.100 million over budget at year-end.

Table 1: 2009 Recommended Budget

	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Projected Actual	2009 Base	2009 New/Enhanced	2009 Operating Budget			2010	2011
								\$	\$
(In \$000s)	\$	\$	\$	\$	\$	%		\$	\$
GROSS EXP.	1,175,981.1	1,190,061.0	1,288,694.4	9,670.3	1,298,364.7	122,383.6	10.4	97,000.0	74,700.0
REVENUE	953,091.1	967,171.0	996,310.2		996,310.2	43,219.1	4.5	(91,000.0)	0.0
NET EXP.	222,890.0	222,890.0	292,384.2	9,670.3	302,054.5	79,164.5	35.5	188,000.0	74,700.0
Approved Positions	10,225.0	10,263.0	10,492.0	95.0	10,587.0	362.0	3.5		
TARGET			222,890.0		222,890.0				
\$ Over / (Under) Program Target			69,494.2		79,164.5				
% Over / (Under) Program Target			31.2%		35.5%				

- The 2009 Recommended Operating Budget for the TTC is \$1.298 billion gross and \$302.055 million net. This is \$79.165 million, or 35.5%, over \$222.890 million which represents a 0% increase over the 2008 Approved Operating Budget. The Budget Committee directed all programs to achieve 2009 net expenditures which were 2% lower than the 2008 Approved Operating Budget in order to offset the impact of increased salaries in 2009. However, because the TTC's collective bargaining agreement was settled and the 2009 salary costs are known, the TTC's target is set at its 2008 Approved Operating Budget of \$222.890 million.
- The 2009 Recommended Operating Budget is comprised of \$292.384 million base funding and funding of \$9.670 million, gross and net, for new/enhanced service priorities. Approval of the 2009 Recommended Operating budget will result in the Program's staff complement increasing by 362 or 3.5% from 10,225 to 10,587 approved positions.
 - 362 new positions in the following areas: Service changes to meet ridership growth (222), Route Supervisors (20), Health and Safety (27), System Cleanliness/Appearance (25) (including 4 hired in 2008), Special Constables (5) (hired in 2008), Non-Service Related Training (7), Geospatial Information System Initiatives (11), Bringing IT Contractors In-house (9), Staff for Accident Claims Processing (9), Elimination of Adult Tickets (6), the Health and Wellness Program (5), other changes (16).

- The 2009 Recommended Base Budget incorporates the Program's key cost drivers including the 2009 COLA increase in salaries and benefits due to the latest collective bargaining agreement, inflationary increases for fuel, increased facilities maintenance costs and increased funding for property taxes, licences and depreciation. Fare revenue increases due to increased ridership and revenue from advertising, outside city services, rent and commuter parking also increase. City funding of \$92 million from closed capital accounts replaces \$80.232 million in 2008 Provincial funding which will not recur in 2009. This represents an increase of \$11.768 million in 2009. TTC fares have been frozen for 2009.
 - The 2010 Outlook includes \$97 million in incremental gross expenditures primarily related to maintaining 2009 service levels. Ridership is projected to stay flat at 473 million riders, but salary costs will increase by \$27 million, energy costs will increase \$16 million, other employee costs will increase \$15 million and added service to maintain service standards will cost \$11 million. The 2010 incremental revenue is a decrease of \$91 million as a result of the loss of 2009 one-time funding. The total additional pressure for 2010 is \$188 million.
 - The 2011 Outlook includes \$74.700 million in incremental gross expenditures with no incremental revenue, as the TTC ridership is expected to stay flat due to the current recession. The impact of the cost of living increase in 2011 is limited to the first quarter of 2011 only, as the collective agreement will expire and any further COLA funding requirements will be subject to future negotiations. Inflationary pressures for energy, other employee costs and materials and services accounts for the \$74.7 million increase.
 - There is no fare increase currently projected for either 2010 or 2011.
- The 2009 Recommended Operating Budget funds priority actions which directly advance a number of strategic priorities outlined in Council's policy agenda including:

The Climate Change, Clean Air and Sustainable Energy Action Plan which draws from existing TTC plans such as the Transit City Plan and the Ridership Growth Strategy is furthered by the TTC operating electrically-powered streetcars, subways and rapid transit as well as hybrid buses as a transportation alternative to automobile travel in the City of Toronto. There is also \$0.875 million in funding for the purchase of energy efficient light bulbs and to establish green purchasing practices.

The Ridership Growth Strategy which is a multi-phase, multi-year plan to invest in ridership growth through service improvements and fare incentives is being furthered in 2009 through the continued implementation of 2008 service changes including adding funding of \$42.113 million for service to meet the ridership increases in 2008, RGS peak service to expand service on 64 routes across the City, and full roll out of RGS off-peak service which expanded service on 91 routes to match subway hours of operation;

Making streetcars and buses as speedy and reliable as the subway The 2009 Recommended Operating Budget includes funding of \$0.880 million for reliability improvements to the 501 Queen route, \$0.280 million to address the streetcar shortage on Queen St. and \$0.210 million to add buses on Queen street to address ridership increases. As well, there is \$1.735 million to fund 20 additional Route Supervisors to deal with congestion and improve the flow of buses and streetcars on heavily traveled routes.

Implementing Work Safe / Home Safe and the Health and Wellness Initiative

Through the Health and Wellness Initiative the TTC is increasing its management of short term illness through early contact with absent employees. In 2009, funding of \$0.341 million is recommended to add five permanent positions for attendance management. The TTC also intends to create a safety culture among its workforce to reduce the rate of lost time injuries by at least 40% and possibly more than 60%. Part of the safety culture is also an initiative to significantly reduce outstanding health and safety work orders (up to a 50% reduction for some trades). There is \$3.655 million in funding included in the 2009 Recommended Operating Budget for this program.

- The 2009 Recommended Operating Budget provides for the following service levels:
 - Bus, streetcar, subway and SRT service 365 days a year
 - Service for 473 million riders in 2009, up from the 2008 budgeted level of 464 rides representing a 1.9% increase;
 - A 5.5% increase in service kilometres from 213.2 million in 2008 to 225 million in 2009;
 - An increase of 7.8% in service hours from 7.73 million hours in 2008 to 8.3 million hours in 2009 for a total increase of 570,000 hours which include:
 - Annualized effect of RGS peak service adjustments budgeted in 2008 (+99,000 hours annually).
 - Annualized effect of RGS off-peak service adjustments budgeted in 2008 to match subway hours (+297,000 hours annually).
 - Additional resources to accommodate expected 2009 ridership growth (+136,000 hours in 2009, +199,000 hours annually).
 - The TTC also provides customer parking lots, provides Special Constable services, and maintains its system through inhouse engineering and construction, and vehicle repair and maintenance.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

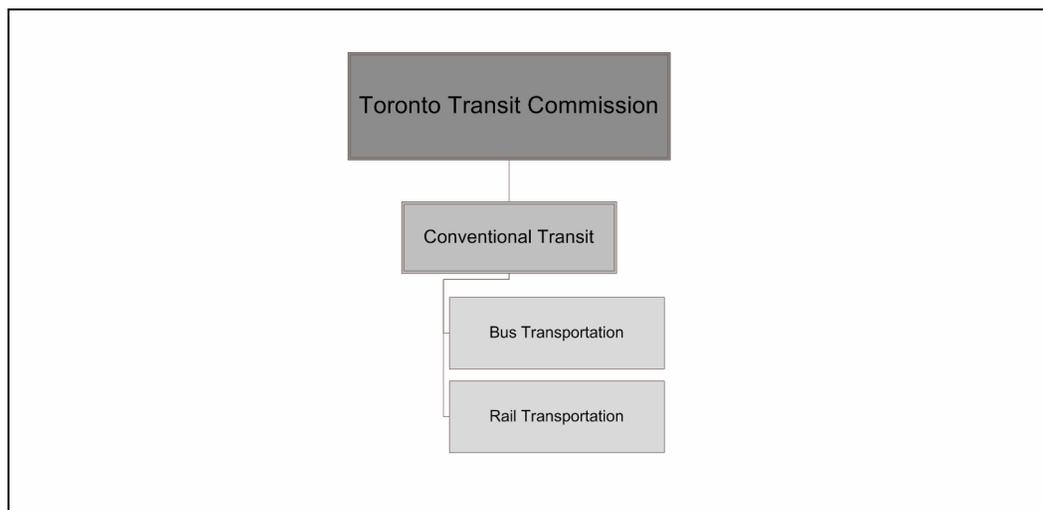
1. Council approve the 2009 Recommended Operating Budget for the TTC of \$1.298 billion gross and \$302.055 million net, comprised of the following services:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
TTC Conventional Service	1,298,365	302,055
Total Program Budget	<u>1,298,365</u>	<u>302,055</u>

2. the Chief General Manager of the Toronto Transit Commission continue to monitor ridership levels and report back to the Budget Committee by June 2009 on any adjustments to ridership projections based on actual 2009 ridership and revenues to date, and that the TTC introduce mitigation strategies including service changes if experience indicates lower than budgeted ridership in 2009;
3. Council authorize funding for the current complement of 102 Special Constables in 2009;
4. the Chief General Manager of the Toronto Transit Commission report back to the Budget Committee in Spring 2009, with a five-year plan, driven by ridership and TTC service delivery plans that would include various options for a multi-year fare strategy;
5. the Chief General Manager of the Toronto Transit Commission report back to the Budget Committee prior to the start of the 2010 Operating Budget process on the success of the program to bring IT contractors in house;
6. the Chief General Manager of the Toronto Transit Commission report back to the Budget Committee prior to the start of the 2010 Operating Budget process on the impact of the Health and Wellness program on absenteeism and on associated savings; and
7. the Chief General Manager and the Acting Deputy City Manager and Chief Financial Officer continue discussions on partnering with the Province for permanent sustainable funding in order to return the TTC's provincial funding component to the 50% level of the mid-1990's.

- The Toronto Transit Commission (TTC) is the third largest transit authority in North America, based on ridership, after New York City and Mexico City. TTC carries about 467 million riders per year and operates heavy and light rail, streetcar and bus services totaling over 2,400 vehicles throughout the City of Toronto. As well as the provision of conventional transit services, the TTC is responsible for fleet, facilities and energy management. The TTC carries 85 percent of all local transit trips in the Greater Toronto Area and about 72 percent of the Toronto population uses the TTC at least once per month. Fully 96 percent of Toronto residents live within 400 metres of at least one TTC service.

Program Map



Service Challenges and Opportunities

The TTC's strategic direction is to provide safe, reliable, courteous and efficient transit services to the public utilizing buses, streetcars, RT vehicles (rapid transit), and subways. Numerous challenges, both external and internal, impact on the TTC's ability to deliver transit service in the City of Toronto, including: increased ridership, increased traffic congestion, Council initiatives and the need for passenger and personnel safety. The following highlights the key service drivers:

- The TTC experienced growth of 7 million riders in 2008 and budgeted growth is expected to be another 9 million riders in 2009, even with the expected economic downturn. Continued growth in demand for transit services will continue to place increasing pressure on the TTC to maintain service standards. The TTC will meet this pressure by continuing to implement the Ridership Growth Strategy.
- Increasing traffic congestion and road construction work will restrict the flow of TTC surface vehicles and require additional resources to maintain service standards.

- Economic factors which impact on TTC ridership and TTC operating costs such as the health of the City of Toronto's economy, the strength of the Canadian dollar (and the resulting impact on tourism), and the price of various forms of energy and the liquidity of financial markets.
- Implementing the Climate Change, Clean Air and Sustainable Energy Action Plan through energy efficiency measures and the use of electrically-powered subways, streetcars and SRT and the use of hybrid buses to provide an alternative to automobile travel in the City of Toronto.
- Partnering with the Province for permanent sustainable funding in order to return the TTC's provincial funding component to the 50% level of the mid-1990's.
- Moving forward with the TTC's Transit City Plan to provide rapid transit to all parts of the City of Toronto.
- The need for enhanced system cleanliness and appearance. One of the TTC's priorities is to improve the cleanliness and state of good repair of subway stations.
- The need for the TTC to foster a safety culture among its workforce.
- The need for the TTC to reduce absenteeism due to sickness and to improve the general physical well-being of TTC staff.

Service Objectives

The TTC's service objectives address the challenges facing the TTC by implementing the established service delivery plan of providing transit services to the public while adding additional hours of service.

1. Maintain existing service standards while accommodating ridership growth of 9 million riders in 2009 even with slower surface vehicle speeds caused by road congestion and construction.

The TTC's 2009 Recommended Operating Budget provides for 225 million kilometres and 8.3 million hours of service, which are 6% and 8%, respectively, greater than budgeted in 2008. All TTC service will run from 6 am until 1 am from Monday to Friday. Accomplishing this service objective will provide 297,000 additional hours of service in 2009.

2. Implement additional bus service and service reliability measures on the 501 Queen Street route to compensate for the shortage of streetcars required to meet ridership growth.

The TTC will hire a total of 20 new Route Supervisors. Of these, six Route Supervisors will manage the 501 Queen route to ensure the optimum flow of streetcars. In 2009, the TTC will split the Queen Street route. In 2009, the TTC will also add buses to the 501 Queen Street route in order to deal with growth in the number of riders in anticipation of the new LRVs with increased capacity which will be delivered in 2011.

3. Addressing the need for enhanced safety and physical well-being of TTC staff

The TTC is committed to reducing on-the-job and off-the-job accidents among its employees. It is also committed to reducing the average time employees are absent from work due to injury or accidents. There is total funding of \$3.996 million for the Health and Wellness Program and the Work Safe - Home Safe Initiative in 2009.

Priority Actions

The 2009 Recommended Operating Budget provides \$302.055 million in base and new funding for a broad range of services and activities that address the TTC's challenges, opportunities and service objectives. Specifically an increase of \$79.165 million net is recommended to fund 2009 pressures that support the growth being experienced by the TTC as well as its priority health and safety measures.

- ***Ridership Growth Strategy***

Among the Mayor's directives for 2009 is the protection of current service levels, including the TTC. For 2009, this is accomplished through the funding for the continued implementation of the RGS that addressed the increase in demand for transit service in the City of Toronto. The RGS is a multi-phase, multi-year plan to invest in ridership growth through service improvements and fare incentives. The TTC will purchase 908 new hybrid and clean diesel accessible buses in the next 10 years for over \$1 billion, including 130 replacement buses in 2009. There is a total of \$42.113 million in the 2009 Recommended Operating Budget to fund the annualized cost of service improvements that were initiated in 2008.

Ridership Growth from 2008: After adjusting for the Metropass trip rate reduction, the TTC experienced 2.7% growth in ridership in 2008, from an adjusted 454 million riders in 2007 to an adjusted 467 million riders by the end of 2008. There is \$7.413 million in funding in the 2009 Recommended Operating Budget to support the annualized costs of maintaining service for 464 million riders.

Ridership Growth Strategy – Peak Improvements: In order to accommodate these new riders and maintain service levels, the TTC took delivery of 100 new RGS buses which will provide 99,000 additional peak service hours on 64 routes in 2009. There is \$7.7 million in funding in the 2009 Recommended Operating Budget to support the annualized costs of operating 100 new buses.

Mount Dennis Bus Garage: The TTC opened the Mount Dennis Bus Garage in November 2008. This new bus garage provides maintenance and storage of the 100 new Ridership Growth Buses. It will also provide bus garage capacity for additional buses to be purchased in the future. There is \$6 million in funding included in the 2009 Recommended Operating Budget to support the annualized cost of the 2008 opening of the Mount Dennis Bus Garage, including 3 additional positions that will be required in 2009.

Ridership Growth Strategy – Off-Peak Improvements: The TTC implemented a standardized off-peak service in late 2008. Since November 2008, all routes now run during the same hours as the subway, from 6 am until 1 am during weekdays. These standardized hours for all transit modes will increase passenger convenience and lead to increased ridership. In 2008, the TTC added an extra

35,000 hours of service, representing 297,000 hours on an annual basis on 91 routes in 2009. There is \$21 million in funding included in the 2009 Recommended Operating Budget to support the full year annualized cost of this roll-out of standardized bus hours.

Ridership Growth in 2009: In 2009, the TTC will provide transit services for 9 million more riders, increasing to 473 million riders in the 2009 budget versus 464 million budgeted riders in 2008. The TTC will add 242 new positions, primarily operators, in 2009 to sustain service levels for this increased ridership. There is \$13.006 million in funding in the 2009 Recommended Operating Budget to support the 2009 ridership growth.

- ***The Climate Change Adaptation, Clean Air and Sustainable Energy Action Plan: Moving from Framework to Action***

The Climate Change Adaptation Plan includes a commitment to prepare a Sustainable Transportation Implementation Strategy which will draw from many existing plans including the TTC's Transit City Plan and the TTC's Ridership Growth Strategy. The Sustainable Transportation Implementation Strategy sets out to achieve the City's greenhouse gas emission and smog reduction targets by, among other things, creating a long-term vision of a sustainable transportation system which achieves the targeted emission levels and meets the economic needs of the City and by identifying and prioritizing short-term transportation projects that will accelerate the achievement of the City's sustainable transportation agenda. The TTC furthers these climate change goals by operating electrically-powered streetcars, subways and rapid transit as well as hybrid buses as a transportation alternative to automobile travel in the City of Toronto. The 2009 Recommended Operating Budget provides funding for the expanded operation of these environmentally sound modes of transit.

Green Initiatives: The 2009 Recommended Operating Budget provides \$0.875 million for green initiatives and sustainability, including the addition of one senior buyer to establish green procurement practices.

- ***Making streetcars and buses as speedy and reliable as the subway***

The 2009 Recommended Operating Budget includes funding of \$0.880 million for reliability improvements to the 501 Queen Street route and \$0.280 million to address the streetcar shortage on Queen St. As well, there is \$1.735 million to fund 20 additional Route Supervisors to deal with congestion and improve the flow of buses and streetcars on heavily traveled routes.

- ***Implementing Work Safe / Home Safe and the Health and Wellness Initiative***

In order to address the need for enhanced physical well-being of TTC staff, the TTC will be enhancing its Health and Wellness Initiative which started in 2008. Through the Health and Wellness Initiative the TTC is increasing its management of short term illness through early contact with absent employees. It is also acting to shorten long term absences by actively managing sick benefit claims. In order to make it easier for employees to return to work, the TTC is also creating more opportunities for alternative work for employees who have been off sick or injured. In 2009, funding of \$0.341 million is recommended to add five permanent positions for attendance management.

Through the Work Safe – Home Safe initiative, the TTC intends to create a safety culture among its workforce to reduce the rate of lost time injuries by at least 40% and possibly more than 60%. Part of the safety culture is also an initiative to significantly reduce outstanding health and safety work orders (up to a 50% reduction for some trades). There is \$3.655 million in funding included the 2009 Recommended Operating Budget for this program.

- ***Improving the Appearance of the System***

By adding 25 service people, bricklayers and carpenters in 2009, the TTC will be able to improve the appearance of the system by repairing scratchetti damage and rehabilitating subway station finishes. All subway station walls, floors and ceilings will be returned to a state of good repair. The TTC staff monitors system cleanliness and appearance and reports results to the Commission on a quarterly basis. There is \$2.235 million in funding recommended in 2009 for the Cleanliness and Appearance Initiative.

- ***Geospatial Information Systems Initiatives***

New vehicle notification, automated customer notification, e-commerce, and internet trip planning are the Geospatial Information Systems initiatives that will be implemented in 2009. There is \$0.448 million in funding recommended for 2009.

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	1,111,710.0	1,175,981.1	1,190,061.0	14,079.9	1.2
REVENUES	846,253.0	953,091.1	967,171.0	14,079.9	1.5
NET EXP.	265,457.0	222,890.0	222,890.0	0.0	0.0
Approved Positions	10,458.0	10,225.0	10,263.0	38.0	0.4

2008 Experience

The TTC's Period 11 (November 30, 2008) income statement projects year-end net expenditures of \$222.890 million. This is exactly on budget versus the Program's 2008 Approved Operating Budget of \$222.890 million net. The TTC is in the process of finalizing its 2008 year-end results and currently expects to be approximately \$0.100 million over budget at year-end.

In the TTC's Period 11 year-end projection, gross expenditures and revenue were both expected to be \$14.080 million over budget.

The increase in revenue is due to a number of factors:

- Projected year-end ridership is expected to be about 467 million, 3 million over the 2008 target of 464 million riders. Passenger revenue is expected to be \$9.600 million over budget for the year. This amount includes the impact of reduced counterfeiting as a result of the elimination of adult tickets and an adjustment for deferred revenue for old tickets which were partially offset by a loss in revenue due to the April strike, the downturn in the Toronto economy starting in the third quarter and the strike at York University.
- Advertising revenue was over budget by \$2 million.
- Other revenue was \$3.180 million over budget due to liquidated damages on the bus contract.

A number of factors have contributed to the year-end projected over-spending:

- Increased snow removal as a result of higher than normal snowfall in early 2008 (\$2.8 million).
- Increased overtime due to higher than expected absenteeism (\$5.0 million).
- Increased overtime as a result of higher than anticipated gapping (\$3.6 million).

- Unplanned bus axle repairs on the Orion V bus fleet (\$0.4 million).
- Additional structural/collision repair work on the bus fleet to address a shortage of vehicles available for service due to the late delivery of new buses, which were expected in 2007 (\$1.0 million).
- Unanticipated work required on subway vehicles and increased SRT maintenance (\$1.1million).

Impact of 2008 Operating Variance on 2009 Recommended Budget

The following 2008 Operating Variances are expected to impact the 2009 Recommended Operating Budget:

- The 2009 Recommended Operating Budget includes \$13.006 million gross due to the 9 million passenger increase in ridership from 464 million budgeted riders in 2008 to a budgeted 473 million riders in 2009.
- The TTC implemented a number of initiatives during 2008 which were not recommended for funding in the 2008 Approved Operating Budget. Four cleaners were hired to continue the cleanliness improvements begun in 2007. These positions will add \$0.250 million to the 2009 budget in addition to the \$1.985 million for 21 additional servicepersons and maintenance staff recommended in 2009. The Subway Zone Patrol Strategy was continued with the hiring of 15 Special Constables which were not recommended in the 2008 budget. A total of 15 Special Constable positions, 10 positions in the TTC's approved complement and 5 new positions from 2008, were vacant at the end of 2008. These positions have been gapped to the end of 2009 resulting in savings of \$1 million. The TTC's 2009 Recommended Operating Budget includes no new funding for Special Constables being recommended in 2009.
- Several in-year unbudgeted initiatives were also undertaken in 2008. These included the hiring of 6 Route Supervisors which cost \$0.245 million in 2008 and adds \$0.600 million in pressure in 2009 and the instituting of a pilot project with EMS to station paramedics at the Yonge-Bloor subway station on a trial basis which cost \$0.050 million in 2008 and adds \$0.200 million in 2009. The TTC Commission also made the decision to eliminate the extra fare on the downtown express bus route which will reduce 2009 revenue by \$0.100 million.
- Council's approval of the 2008 Operating Budget included a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. Consequently, in 2008, the \$17.6 million budget for these expenses has been deducted to match the City's budget subsidy for the current year. This expense will remain \$17.6 million in 2009.

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change		FY Incremental Outlook	
			2009 Recommended Base v. 2008 Appvd. Budget		2010	2011
	\$	\$	\$	%	\$	\$
GROSS EXP.	1,175,981.1	1,288,694.4	112,713.3	9.6	95,145.3	74,700.0
REVENUE	953,091.1	996,310.2	43,219.1	4.5	(91,000.0)	0.0
NET EXP.	222,890.0	292,384.2	69,494.2	31.2	186,145.3	74,700.0
Approved Positions	10,225.0	10,492.0	267.0	2.6		
NET TARGET		222,890.0				
\$ Over / (Under) Program Target		69,494.2				
% Over / (Under) Program Target		31.2%				

2009 Recommended Base Budget

The 2009 Recommended Base Budget gross expenditures of \$1.289 billion represent an increase of \$112.713 million or 9.6% over the 2008 Approved Operating Budget of \$1.176 billion. The 2009 Recommended Base Budget will maintain service levels offered in 2008, accommodate a budgeted ridership level of 473 million riders in 2009, and facilitate the full year cost of the 2008 RGS service improvements and the opening of the Mount Dennis bus garage. The \$112.713 million gross expenditure increase reflects:

- Annualized costs of prior year increases to service and the opening of the Mount Dennis bus garage of \$42.113 million.
- Inflationary increases that total \$43.806 million and include \$27.433 million in funding for the 2009 cost of living allowance (COLA) and the increased cost of diesel fuel (\$10.402 million).
- Other base changes such as increases in ridership in 2009, increased accident claims, depreciation and workforce changes account for \$26.794 million in increased gross expenditures.

The 2009 Recommended Base Budget reflects a \$43.219 million increase in revenue. Passenger revenue has increased by \$24.425 million resulting primarily from the 9 million passenger increase in ridership. Commuter parking revenue has increased by \$3.478 million due to the new policy of charging Metropass holders for parking as of April 1, 2009. Outside City service revenue has increased by \$1.773 million and advertising revenue has increased by \$0.600 million. The \$80.232

million in Provincial transit funding which was received in 2008 will not recur in 2009. This funding will be replaced by \$92 million in funding from closed capital accounts which will be allocated by the City to the TTC in 2009, representing an increase of \$11.768 million.

The 2009 Recommended Base Budget for the TTC is \$292.384 million net. This is \$69.494 million (31.2%) over the Program's net target of \$222.890 million, set at a 0% increase over the 2008 Approved Operating Budget, given that 2009 COLA costs are known and incorporated.

The 2009 Recommended Base Budget results in 10,492 approved positions. This is a 267 or 2.6% increase from the 2008 approved staffing complement.

The Program will continue to face mounting base pressures including rising salary, fuel, utility and accident claim costs. In the absence of significant incremental revenues, service efficiencies and/or major cost cutting measures, the TTC will be challenged to meet the City's affordability targets beyond 2009 while addressing service demands.

2009 Key Cost Drivers and Reduction Strategies

The additional \$69.494 million in net expenditures recommended for the Program in the 2009 Recommended Base Budget is needed to fund the annualized cost of 2008 approved new services, wage increases, non-salary economic factors, as well as other base changes. The recommended funding increase is required to cover the following key cost drivers:

- **Annualization of 2008 Service:** The introduction of new service and service levels part way through 2008 require funding of \$42.113 million to annualize these costs for the full 2009 year.
- **Cost of Living Increase:** The TTC's 2009 Recommended Operating Budget includes \$27.433 million for salary increases as a result of the latest collective bargaining agreement.
- **Fuel Costs:** \$10.402 million is recommended to cover increased diesel fuel costs due to the increase in the price of diesel. These costs are locked in for all of 2009 through the purchase of diesel future contracts.
- **Accident Claims:** An actuarial analysis of the TTC's accident claims in 2008 indicated that the TTC required additional reserves to be set aside for existing and future accident claims. Consequently, \$6.900 million to fund accident claims has been recommended for 2009.
- **Other Employee Costs:** As the number of TTC employees increases each year, the cost of benefits also increases, resulting in increased benefits costs of \$11.500 million for 2009.
- **Facilities Maintenance:** \$3.129 million is recommended to fund facilities maintenance costs including plant, equipment and structure due to the aging of TTC facilities.
- **Property Tax and Licences Increases:** MPAC assessed properties in 2008 which the TTC had expected to be tax exempt under the City of Toronto Act, has resulted in \$0.854 million in additional costs in 2009. Also, the assessments on the York Mills and Islington commuter parking lots have increased, adding \$0.575 million in 2009. As well, the increase in the size of

the bus fleet and the purchase of heavier vehicles has added \$0.031 million in costs, for a total increase of \$1.428 million.

- **Depreciation:** The TTC funds the purchase of some capital items such as non-revenue vehicles. In 2009, there is an additional \$2.800 million in depreciation expenses to reflect an increase in the net capital cost of TTC assets after deducting Federal, Provincial and Municipal contributions on subsidized capital assets.
- **Calendar Year Impact:** There are savings of \$2.078 million due to the reversal of funding for the extra working day in 2008.

Reduction Strategies

The TTC is currently \$79.165 million over its target of \$222.890 million, which was set at a 0% increase over the 2008 Approved Operating Budget. Without the \$92 million in funding from closed capital projects which replaces the \$80.232 million in 2008 Provincial funding, this increase would have been \$90.933 million. The \$90.933 million increase represents \$27.433 million in added costs due to the latest collective bargaining agreement and \$63.500 million in net expenditure increases. Any further reduction strategies would require a fare increase or significant reductions to service. A fare increase is not recommended for 2009.

2010 and 2011 Outlook: Net Incremental Impact

The 2010 Outlook reflects a net increase of \$188 million. For 2010, it is expected that ridership will stay flat at the 2009 level of 473 million riders due to the economic downturn. Collective bargaining agreements, other employee costs, service requirements, energy needs, inflationary increases and the operating impact of capital projects will continue to exert pressure in 2010. In 2010, there will also be an on-going impact of over \$11 million from increased growth in service. Given the volatility of fuel prices in 2008, it is difficult to predict future diesel rates. No funding for new service initiatives is included in the 2010 Outlook at this time. No fare increase is included in the 2010 Outlook.

The 2011 Outlook represents a net increase of \$75 million. As in 2010, other employee costs, service requirements, energy needs, inflationary increases and the operating impact of capital projects will continue to exert pressure in 2011. The impact of cost of living increases is not included in the 2011 Outlook after the end of the first quarter as the latest collective agreement expires on March 31, 2011. No funding for new service initiatives is included in the 2011 Outlook at this time. No fare increase is included in the 2011 Outlook.

Table 4
2009 New / Enhanced Service Priority Actions Summary
(In \$000s)

Description	2009 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2010	2011
	\$	\$	#	\$	\$
Enhanced Services:					
(a) Enhanced Services - Council Approved:					
(b) Enhanced Services - Program Initiated:					
Special Constables			5.0		
Route Supervisors	1,735.4	1,735.4	20.0	209.4	
Cleanliness Initiative	2,234.8	2,234.8	25.0	184.9	
Health and Wellness	340.5	340.5	5.0	169.1	
Structural Inspection Engineer	81.7	81.7	1.0	30.2	
Other Employee Costs	100.0	100.0		3.0	
Sub-Total Enhanced Services	4,492.4	4,492.4	56.0	596.6	0.0
New Services:					
(a) New Services - Council Approved:					
(b) New Services - Program Initiated:					
Health and Safety (Safety Culture Program)	3,655.2	3,655.2	27.0	498.7	
Emergency Medical Service	200.0	200.0			
Geospatial Information System Initiative	447.7	447.7	11.0	724.5	
Green Procurement Initiatives	875.0	875.0	1.0	34.9	
Sub-Total New Services	5,177.9	5,177.9	39.0	1,258.1	0.0
Total Recommended New / Enhanced Services	9,670.3	9,670.3	95.0	1,854.7	0.0

2009 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions – Program Initiated

- **Route Supervisors (Full year funding: \$1.945 million, 2009 funding: \$1.735 million, 2010 incremental funding: \$0.209 million)**

Funding of \$1.735 million is recommended for 20 Route Supervisor positions. TTC service has increased substantially as a result of the implementation of the multi-year Ridership Growth Strategy. Additional service has been facilitated through the hiring of hundreds of new operators. In 2000, there were 2,880 operators and 146 route supervisors which represents a ratio of 19.7 supervisors per operator. By 2008, the number of operators has grown to 3998, but the number of route supervisors have actually dropped to 143 for a ratio of 28.6 route supervisors per operator. Route supervisors are able to monitor the situation on the street and adjust service to deal with traffic congestion, construction or emergencies. Route supervisors are also able to deal face-to-face with operators thereby improving communications with TTC personnel who are driving TTC vehicles. The 20 additional route supervisors recommended in 2009 will reduce the ratio to a more manageable level.

- **Subway Zone Patrol Strategy – Special Constables (no funding in 2009)**

The TTC's Subway Zone Patrol initiative is a multi-year strategy to create teams of TTC Special Constables to patrol both the subway and surface routes to assist passengers, enhance safety and investigate property and personal injury crime on the TTC. The TTC intends to significantly increase the number of TTC security staff. However, in January 2009, the Toronto Police Service (TPS) received funding from the Federal government for 38 additional constables. The Police will use these constables for traffic enforcement to address the smoother flow of traffic which will aid the TTC's streetcars and buses. As well, these new constables will patrol the subway. The relative roles of Police Constables who patrol the subway and TTC Special Constables will be decided upon through discussions between the TPS and the TTC.

The 2009 Recommended staffing complement includes 20 Special Constables which were not recommended in the 2008 Approved Operating Budget. Of these 20 positions, 15 were filled in 2008, with the balance still vacant. There were also 10 vacancies in the Special Constables which were part of the complement prior to 2008. Funding to fill these vacant positions is not recommended, nor is funding for any additional Special Constables in 2009. It is recommended that Council authorize funding for the current complement of 102 Special Constables and that the TTC's approved complement be increased by 5.

- **Health and Wellness Initiative (Full year funding: \$0.510 million, 2009 funding: \$0.341 million, 2010 incremental funding: \$0.169 million)**

In order address the need for enhanced physical well-being of TTC staff, the TTC will be enhancing its Health and Wellness Initiative which started in 2008. Through the Health and Wellness Initiative the TTC is increasing its management of short term illness through early contact with absent employees. It is also acting to shorten long term absences by actively managing sick benefit claims. In order to make it easier for employees to return to work, the TTC is also creating more opportunities for alternative work for employees who have been off sick or injured. In 2009, funding of \$0.341 million is recommended to add five permanent positions for attendance management.

- **Structural Inspection Engineer (Full year funding: \$0.112 million, 2009 funding: \$0.082 million, 2010 incremental funding: \$0.030 million)**

The 2009 Recommended Operating Budget includes \$0.082 million for an additional Structural Inspection Engineer position effective January 2009 to monitor the TTC's subway structure. This added position requires incremental funding of \$0.030 million in 2010.

- **System Cleanliness/Appearance Initiative (Full year funding: \$2.420 million, 2009 funding: \$2.235 million, 2010 incremental funding: \$0.185 million)**

There will be 25 service people, bricklayers and carpenters added in 2009, including 4 who were hired in 2008 to improve the appearance of the system. All subway station walls, floors and ceilings will be returned to a state of good repair.

New Service Priority Actions – Program Initiated

EMS Paramedics at Yonge/Bloor Station (Full year funding: \$0.200 million, 2009 funding \$0.200 million)

Toronto Emergency Medical Services (EMS) ran a six month pilot project in conjunction with the TTC in 2008, stationing paramedics in the Yonge/Bloor subway station to attend to ill passengers and medical emergencies on the subway. This pilot project was very successful and EMS and the TTC have agreed to implement this service on a permanent basis. One of the positive outcomes of this new service priority action will be to reduce the time the Yonge subway line is out of service due to ill passengers or medical emergencies.

Geospatial Information Systems (GIS) Initiatives (Full year funding: \$1.172 million, 2009 funding: \$0.448 million, 2010 incremental funding: \$0.724 million)

With the beginning of the implementation of enterprise geospatial information, new vehicle notification, automated customer notification, e-commerce, and internet trip planning, in 2009, the TTC requires eight systems or technical analysts, one co-ordinator, one document support clerk and a website designer/editor for a total of eleven new permanent GIS positions which will be hired between January and October 2009. Therefore, \$0.448 million in funding is recommended for 2009 with \$0.724 million incremental impact in 2010.

Green Procurement Initiative (Full year funding: \$0.909 million, 2009 cost: \$.875 million, 2010 cost: \$0.034 million)

A new permanent Senior Buyer (Green Procurement) position for \$0.100 million is required to lead the TTC's initiative to be environmentally sensitive in its buying practices effective September 2008. This position was filled in 2008, although it was not recommended in the 2008 Approved Operating Budget. The TTC's Green Procurement initiative also includes \$0.225 million for a consultant on green procurement, \$0.350 million for the purchase of green power and \$0.200 million to proceed with Green Initiatives work.

Health and Safety Program (Full year funding: \$3.655 million, 2009 cost: \$0.499 million, 2010 cost \$4.154 million)

After two serious accidents on the subway system in recent years, the TTC awarded a contract to Behavioural Science Technology Inc. (BST) to provide sustainable safety culture services for a three year period. Through the Work Safe – Home Safe initiative, the TTC expects BST to create a safety culture among the TTC’s workforce to reduce the rate of lost time injuries by at least 40% and possibly more than 60%. Part of this initiative will also be a significantly reduction in the outstanding health and safety work orders. There is \$3.655 million in funding included the 2009 Recommended Operating Budget for this program.

2009 Budget Issues

2009 Recommended Operating Budget vs. Guideline

The 2009 Recommended Operating Budget is \$302.055 million net or \$79.165 million and 35.5% over the 2008 Approved Operating Budget of \$222.890 million. The TTC's target was set at a 0% increase over the 2008 Approved Operating Budget as the COLA was known. Budget Committee members and City staff have worked with TTC staff to reduce the financial pressures in the 2009 Recommended Operating Budget. The 2009 Recommended Operating Budget reflects \$36.9 million in cost reductions combined with \$13.7 million in revenue reductions, adjusting ridership estimates and other increases in part due to the economic downturn, and reducing other expenditure increases for improved service levels. Also, no fare increase is recommended for 2009 to provide riders with relief in this uncertain economy. The TTC's net expenditure includes the impact of the new collective bargaining agreement which was effective April 1, 2008 and includes annual cost of living allowance (COLA) increases of 3% for three years. This collective agreement added \$21 million in salary and benefit costs in 2008 and adds \$27 million in 2009.

Revenue Projections

In recent years, the actual annual ridership has been higher than budget projections. Actual ridership in 2007 was 6 million riders over budget and actual ridership in 2008 is estimated at 3 million riders over the budget of 464 million riders. Ridership is expected to increase by 6 million in 2009 to 473 million riders and fare revenue is expected to increase \$24 million. However, with the current economic downturn anticipated to significantly worsen in 2009, the impact on the economy of the City of Toronto is very uncertain. The most significant driver of TTC ridership is the level of employment, especially in the downtown financial district. If there are substantial layoffs in the financial sector in early 2009, TTC ridership could be considerably lower than budgeted, driving down revenues.

In order to reassess the budgeted service levels and associated costs and revenue in the TTC's 2009 Recommended Operating Budget, it is recommended that the Chief General Manager of the Toronto Transit Commission continue to monitor ridership levels and report back to the Budget Committee by June 2009 on any adjustments to ridership projections based on actual 2009 ridership and revenues to date, and that the TTC introduce mitigation strategies including service changes if experience indicates lower than budgeted ridership in 2009.

Fare Increase

The 2009 Recommended Operating Budget does not include a TTC fare increase for 2009. Fares have been frozen for 2009 as one of the City's key measures to provide the citizens of Toronto with relief during the economic downturn.

2009 Recommended Workforce Changes

The 2009 Recommended Operating Budget provides for an additional 362 positions. The workforce additions are detailed in the following chart:

2009 Recommended TTC Operating Workforce Additions	
2008 Approved Positions	10,225
Additional Resources Required for:	
Base Budget	
Service changes	222
Non-Service Related Training	7
Bringing IT Contractors In-house	9
Additional Staff for accident claims workload	9
Elimination of Adult Tickets	6
Mount Dennis Bus Garage	3
Bus Collision Work	3
Other net changes	<u>8</u>
Total Base Budget	267
New / Enhanced	
Route Supervisors (501 Queen Streetcar)	20
Health & Safety (Safety Culture Program)	27
System Cleanliness / Appearance	25
Special Constables (added in 2008)	5
Health & Wellness for Attendance Management Program	5
Geospatial Information System Initiatives	11
Senior Buyer - Green Procurement	1
Structural Inspection Engineer	<u>1</u>
Total New/Enhanced	95
Total New Positions	362
2009 Recommended Positions	10,587

The 2009 recommended new positions include the addition of 4 cleaner positions which were not recommended in the 2008 Approved Operating Budget, but which were hired in-year during 2008.

- ***Service Changes / Service Requirements for 473 Million Riders***

Additional resources are required to maintain service levels on buses, streetcars and subways within Commission-approved standards for acceptable passenger crowding. Funding of \$13.006 million is recommended to fund the necessary operations to service 473 million riders. This amount funds 242

new positions, including largely new operators, 4 trainers and 3 human resources personnel to deal with the impact of 9 million new riders.

- ***Route Supervisors***

Funding of \$1.735 million is recommended for 20 Route Supervisor positions. TTC service has increased substantially as a result of the implementation of the multi-year Ridership Growth Strategy. Additional service has been facilitated through the hiring of hundreds of new operators. In 2000, there were 2,880 operators and 146 route supervisors which represents a ratio of 19.7 supervisors per operator. By 2008, the number of operators have grown to 3998, but the number of route supervisors have actually dropped to 143 for a ratio of 28.6 route supervisors per operator. Route supervisors are able to monitor the situation on the street and adjust service to deal with traffic congestion, construction or emergencies. Route supervisors are also able to deal face-to-face with operators thereby improving communications with TTC personnel who are driving TTC vehicles. The 20 additional route supervisors recommended in 2009 will reduce the ratio to a more manageable level.

- ***Subway Zone Patrol Strategy – Special Constables***

The TTC's Subway Zone Patrol initiative is a multi-year strategy to create teams of TTC Special Constables to patrol both the subway and surface routes to assist passengers, enhance safety and investigate property and personal injury crime on the TTC. The TTC intends to significantly increase the number of TTC security staff. However, in January 2009, the Toronto Police Service received funding from the Federal government for 38 additional constables. The Police will use these constables for traffic enforcement to address the smoother flow of traffic which will aid the TTC's streetcars and buses. As well, these new constables will patrol the subway. The relative roles of Police Constables who patrol the subway and TTC Special Constables will be decided upon through discussions between the TPS and the TTC. The 2009 Recommended staffing complement includes 20 Special Constables which were not recommended in the 2008 Approved Operating Budget. Of these 20 positions, 15 were filled in 2008, with the balance still vacant. There were also 10 vacancies in the Special Constables which were part of the complement prior to 2008. Funding to fill these vacant positions is not recommended, nor is funding for any additional Special Constables in 2009. It is recommended that Council authorize funding for the current complement of 102 Special Constables.

- ***Non-Service Related Training***

The TTC requires one additional Chief Instructor and a Collector to back fill for others who are training, plus 5 Coach Technician Apprentices in anticipation of increased attrition in future years.

- ***Elimination of Adult Tickets***

The elimination of adult tickets in 2008 resulted in a significantly greater use of tokens. This in turn resulted in the need to transport greater and heavier loads of tokens. Consequently, the TTC hired five additional collectors and one additional vending machine attendant to handle the increased workload, although there was no funding in the 2008 Approved Operating Budget for these positions.

- *Other Workforce Changes*

Other planned workforce changes require 16 new positions, including three for the Mount Dennis bus garage and three for bus collision work.

Fuel Cost

There is \$10.402 million in incremental funding included in the 2009 Recommended Operating Budget for diesel fuel costs based on an increased fuel rate. The TTC has locked in diesel rates for all of 2009 by buying diesel fuel futures contracts. The 2009 diesel fuel rates at which the TTC has locked in are \$1.10 for the first quarter, \$0.95 for the second quarter, \$0.90 for the third quarter, and \$0.86 for the fourth quarter. This policy removes any risk of price or foreign exchange fluctuation.

Stable Provincial Funding

Funding received from the Provincial government is currently provided on an ad-hoc basis. For the past three years, there has been \$100 million in annual Provincial funding for the TTC and Wheel-Trans. Of the \$100 million in one-time 2008 funding, \$80.232 million was allocated to the TTC. This funding will not recur in 2009. The City has had to replace it with \$92 million in funding from closed capital accounts. While Provincial funding has made a significant contribution to the funding of TTC operations in the past, the ad-hoc nature of this funding creates uncertainty regarding budgeting and future year operations. The City's 2009 Recommended Operating Budget also includes \$238 million in one-time funding to offset capital debt service costs for transit projects which the City funds in its operating budget to repay interest and principal costs of borrowing debt for capital projects. The City and the TTC will continue to work toward obtaining long-term stable provincial funding that would return the Provincial funding percentage to 50% as it was until the mid-1990s.

Future Year Issues

The TTC's 2010 and 2011 Outlooks are based on the assumption that ridership will stay flat at the 2009 level of 473 million riders due to the current economic downturn. In 2010, the hours of operation and kilometers of service will grow by about 1% over the 2009 level of 8.3 million hours and 225 million kilometers. Collective bargaining agreements, other employee costs, service requirements, energy needs, inflationary increases and the operating impact of capital projects will continue to exert pressure in 2010 and 2011. In 2010, there will also be an on-going impact of over \$11 million from increased growth in service.

Given the volatility of fuel prices in 2008, it is difficult to predict diesel costs in 2010 and 2011. As well, no fare increase has been projected in the 2010 and 2011 Outlooks at this time. The impact of cost of living increases is not included in the 2011 Outlook after the end of the first quarter as the latest collective expires on March 31, 2011 and any further COLA increases are subject to future negotiations. No new service initiatives have been included in the 2010 and 2011 Outlook projections. Even with all of these exclusions, \$188 million in incremental pressure is projected for 2010 and \$74.700 million for 2011.

The TTC needs to develop a multi-year plan that addresses base budget pressures as well as manages the changes in the transit system that will be required as the economy and ridership change. In order to deal with these pressures, the TTC has been asked, as part of the administrative budget

review process, to develop a five year plan, to be revised annually. This five-year plan should be driven by ridership and service delivery requirements to account for expected salary, fuel, and general inflation costs, as well as the impact on ridership and revenue of implementing various options for a multi-year fare strategy.

It is recommended that the Chief General Manager of the Toronto Transit Commission report back to the Budget Committee in Spring 2009, with a five-year plan, driven by ridership and TTC service delivery plans that would include various options for a multi-year fare strategy.

The Toronto Transit Commission Pension fund Society (PFS) is currently subject to the solvency provisions of the Ontario Pension Benefits Act (PBA). The findings of the Ontario Expert Commission on Pensions have included substantial recommendations on the suitability of solvency funding as applied to plans such as the PFS, which, if adopted, could have the effect of exempting the PFS from the solvency funding requirements of the Pension Benefits Act. The PFS filed an actuarial report with the Financial Services Commission of Ontario as at January 1, 2008 and is not required to file again until January 1, 2011. Based on the current actuarial report as filed, no solvency funding payments are required. However, if no relief from the solvency requirements of the PBA are forthcoming by January 1, 2011, and if current market conditions persist, a dramatic increase in contributions will be required.

Outstanding Issues from 2008 and Prior Years

Bringing IT Contractors In-house

In recent years, the TTC's Information Technology Services Department (ITS) has been using contractors to augment skills needed for project-related work. It became apparent that using contractors is more expensive than hiring staff to work in-house, the same contractors were being re-hired from project to project, and important skills learned on projects were being lost whenever contractors left the TTC. ITS began bringing IT contractors in-house in 2008. This required an increase of 9 positions; however, it was expected to result in savings of \$0.180 million for 2008. The premise was that if this process was successful in 2008, it would continue in the future. The TTC has funding of \$0.703 million (\$1.018 million annually) for 9 additional positions in its 2009 Recommended Operating Budget for the second phase of bringing IT contractors in-house. In the 2008 Approved Operating Budget, the TTC was directed to report back to Budget Committee on this issue prior to the start of the 2009 Operating Budget process. However, the TTC did not report back to Budget Committee in 2008 on this issue as directed by Council.

It is recommended that the Chief General Manager of the Toronto Transit Commission report back to the Budget Committee prior to the start of the 2010 Operating Budget process on the success of the program to bring IT contractors in house.

Reporting Back on the Health and Wellness Program

In 2008, the TTC implemented a new Health and Wellness Program. The goal of this program is to reduce absenteeism due to sickness and to improve the general physical well-being of TTC staff. In the 2008 Approved Operating Budget, the TTC was directed to report back to Budget Committee on this issue prior to the start of the 2009 Operating Budget process. However, the TTC did not report back to Budget Committee in 2008 on this issue as directed by Council. It is recommended that the

Chief General Manager of the Toronto Transit Commission report back to the Budget Committee prior to the start of the 2010 Operating Budget process on the impact of the Health and Wellness Program on absenteeism and on associated savings

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	10,225.0	1,175,981.1	953,091.1	222,890.0	0.0	0.0
In-year approvals and technical adjustments Corporate adjustments						
2008 Approved Operating Budget	10,225.0	1,175,981.1	953,091.1	222,890.0	0.0	0.0
Prior year impacts		42,113.0	(80,231.5)	122,344.5	95,145.3	74,700.0
Zero base items						
Economic factors		43,805.8		43,805.8		
Adjusted Base Budget	10,225.0	1,261,899.9	872,859.6	389,040.3	95,145.3	74,700.0
Other base changes	481.0	63,084.5		63,084.5		
Base revenue changes			45,150.6	(45,150.6)	91,000.0	
Recommended Service Level Adjustments:						
Base changes	(214.0)	(36,290.0)	78,300.0	(114,590.0)		
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	267.0	26,794.5	123,450.6	(96,656.1)	91,000.0	0.0
2009 Recommended Base Budget	10,492.0	1,288,694.4	996,310.2	292,384.2	186,145.3	74,700.0
2009 Program Operating Target				222,890.0		
% Over (Under) Program Target				31.2%		
% Over (Under) 2008 Appvd. Budget				31.2%		

Appendix C

**Summary of 2009 Recommended New/Enhanced
Service Priority Actions**

Appendix D

Program Summary by Expenditure Category

CLUSTER: Agencies, Boards and Commissions							
PROGRAM: Toronto Transit Commission - Conventional Service							
	2008	2008	2009	Change from		2010	2011
	Approved	Projected	Recommended	2008 Approved		Outlook	Outlook
	Budget	Actuals	Budget	Budget	%		
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	869,583.8	882,760.0	952,522.5	82,938.7	9.5%	1,020,022.8	1,065,622.8
Materials and Supplies	213,688.3	215,193.0	238,736.4	25,048.1	11.7%	262,236.4	286,736.4
Equipment	17,900.0	18,100.0	20,700.0	2,800.0	15.6%	22,700.0	22,700.0
Services & Rents	41,761.2	38,000.0	42,000.0	238.8	0.6%	43,000.0	44,000.0
Contributions to Capital							
Contributions to Reserve/Res Funds							
Other Expenditures	33,047.8	36,008.0	41,375.8	8,328.0	25.2%	44,375.8	51,005.8
Interdivisional Charges			3,030.0	3,030.0		3,030.0	
TOTAL GROSS EXPENDITURES	1,175,981.1	1,190,061.0	1,298,364.7	122,383.6	10.4%	1,395,365.0	1,470,065.0
Interdivisional Recoveries							
Provincial Subsidies	80,231.5	80,231.5		(80,231.5)	(100.0%)		
Federal Subsidies							
Other Subsidies							
User Fees & Donations	872,859.6	886,939.5	904,310.2	31,450.6	3.6%	905,310.0	905,310.0
Transfers from Capital Fund			92,000.0	92,000.0	n/a		
Contribution from Reserve Funds							
Contribution from Reserve							
Sundry Revenues							
TOTAL REVENUE	953,091.1	967,171.0	996,310.2	43,219.1	4.5%	905,310.0	905,310.0
TOTAL NET EXPENDITURES	222,890.0	222,890.0	302,054.5	79,164.5	35.5%	490,055.0	564,755.0
APPROVED POSITIONS	10,225.0	10,263.0	10,587.0	362.0	3.5%		

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2008	Proposed Withdrawals (-) / Contributions (+)		
			2009	2010	2011
		\$	\$	\$	\$
TTC Stabilization Fund	XR1506	24,666.4			
Total Reserve / Reserve Fund Draws / Contributions		24,666.4	0.0	0.0	0.0