Analyst Briefing Notes

Budget Committee - February 16, 2010

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Executive Summary

The 2010 Operating Budget Analyst Briefing Notes pertain to both the Toronto Transit Commission (TTC) Conventional Service and Wheel-Trans Operating Budgets.

- The TTC Commission provides transit service in the City of Toronto through its two service areas: TTC Conventional service and Wheel-Trans paratransit service.
  - The TTC operates bus, streetcar, subway and Scarborough rapid transit services using over 2,400 vehicles throughout the City of Toronto carrying about 462 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.
- Wheel-Trans uses 198 specially equipped low-floor buses plus accessible and contracted taxi services to provide transportation to persons with disabilities, based on the individual's physical functional mobility. Wheel-Trans is budgeting to provide 2.5 million rides in 2010.
- The TTC has set the following service objectives for the TTC Conventional Service for 2010:
  - Maintain existing service standards while accommodating ridership growth through continuation of the Ridership Growth Strategy (RGS), including running all service from 6 am to 1 am to align with subway hours of service.
  - Address the need for enhanced safety and physical well-being of TTC staff through the Health and Safety Initiative and Work Safe – Home Safe.
  - Lower the absenteeism rate through the Attendance Management program.
  - Continue to improve the cleanliness of the subway system.
- Wheel-Trans' 2010 service objectives are highlighted below:
  - Maintain the unaccommodated rate at the budgeted level of 2%.
  - Move the bus modal split to 47%.
  - Increase contract service.
  - Integrate service with the conventional TTC system.
  - Lower call wait times while demand increases.
  - Migrate customers from telephone trip booking to on-line trip booking.
- The TTC's major accomplishments in 2009 include meeting the service requirements for a record 471 million riders, reducing the number of lost time injuries by over 25% and increasing the cleanliness of the subway system.

- In 2009, Wheel-Trans dramatically improved on-time bus performance, receiving fewer complaints, transitioning to new taxi services, acquiring GPS / Automated Vehicle Location (AVL) technology, and the establishing guiding principles and values for the organization.

- In 2009, the TTC's Preliminary Year-end Variance report shows the TTC's year-end net expenditures being $394.341 million, $0.286 million, or 0.1%, over budget. This unfavourable variance is due mainly to revenue being $18.0 million under budget as a result of a lower than anticipated average fare, lower than budgeted ridership, and other revenue being lower than budgeted. Revenue is almost completely offset by expenditures which are under budget by $17.7 million due to lower energy costs, and lower accident claims costs due to a subsidy receivable set up by the City.

  - The variance will impact the 2010 Recommended Operating Budget as the average fare has been reduced in 2010 to reflect the actual experience in 2009 resulting in a budgeted reduction of $12.125 million in passenger revenue for 2010.

- For 2009, Wheel-Trans is projecting a year-end net expenditure of $75.741 million which will be $0.600 million under the 2009 Approved Operating Budget. Expenditures will be $0.2 million under budget, due mainly to lower accident claims costs and revenue will be $0.4 million over budget resulting from more passengers being carried on contracted taxis at a higher average fare.

  - The 2010 Recommended Operating Budget for Wheel-Trans will build on all of the initiatives that were in place in 2009, meeting increased service demand while keeping the primary service measure, the unaccommodated rate, at its traditional target rate of 2%, and ensuring that, even with increased service demand, on-time service delivery will continue to improve in 2010.

TTC Conventional

Table 1: 2010 Recommended Budget – TTC Conventional

	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
(In $000s)	$	$	$	$	$	$	%	$	$
GROSS EXP.	1,298,364.7	1,280,635.0	1,361,639.6	9,280.1	1,370,919.7	72,555.0	5.6	72,750.0	79,000.0
REVENUE	904,310.2	886,294.0	941,115.2	0.0	941,115.2	36,805.0	4.1	0.0	0.0
NET EXP.	394,054.5	394,341.0	420,524.4	9,280.1	429,804.5	35,750.0	9.1	72,750.0	79,000.0
Approved Positions	10,587.0	10,770.0	10,491.0	69.0	10,560.0	(27.0)	(0.3)	N/A	N/A

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	467,351.8	429,804.5	(37,547.3)	520,399.1
PROGRAM REDUCTION ($)	(19,702.7)	(52,226.0)	(32,523.3)	(19,702.7)
PROGRAM REDUCTION (%)	(5.0)	(13.3)	(8.3)	(5.0)

- The 2010 Recommended Operating Budget for the TTC of $1.371 billion gross and $429.804 million net is $35.750 million, or 9.1%, over the 2009 Approved Operating Budget. Approval of the 2010 Recommended Operating Budget achieves Program reductions of $52.226 million or

13.3% of the 2009 Approved Operating Budget. These reductions are $32.523 million or 8.3% greater than the reduction target for the TTC.

- It should be noted that $48.400 million, or 92.7% of this reduction has been achieved from the Commission-approved 25 cent TTC fare increase implemented on January 3, 2010.

- The 2010 Recommended Operating Budget is comprised of $420.524 million base funding and funding of $9.280 million, gross and net, for new/enhanced service priorities. Approval of the 2010 Recommended Operating budget will result in the Program's staff complement decreasing by 27 or 0.3% from 10,587 to 10,560 approved positions.

  - The change in positions in 2010 is comprised of: a reduction of 142 positions due to a decrease in passengers as a result of the 2010 fare increase and a rationalization of operations, partially offset by an increase of 115 positions for new/enhanced service priorities.

- The TTC 2010 Recommended Operating Budget results in incremental future year net costs of $72.750 million in 2011 and $79.0 million in 2012.

  - For 2011, it is expected that ridership will stay flat at the 2010 level of 462 million riders due to the economic downturn. The 2011 Outlook includes increases for benefits, other employee costs, service requirements, energy needs, and inflationary increases which will continue to exert pressure in 2011. 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 on March 31, 2011. As well, no estimate for new service initiatives is included in the 2011 Outlook. The 2011 incremental revenue is projected to stay flat at $941 million, in line with flat ridership. Therefore, the total additional pressure for 2011 is $72.750 million.

  - The 2012 Outlook includes $79.0 million in incremental gross expenditures with no incremental revenue, as the TTC ridership is expected to stay flat due to the current economic downturn. The 2012 outlook does not include the impact of the cost of living increase in 2012. Inflationary pressures for energy, other employee costs and materials and services account for the $79.0 million increase.

  - No fare increase has been projected in the Outlook for either 2011 or 2012.

  - The TTC has not presented viable 2011 reduction options which achieve the Program's 2011 reduction target of $19.703 million. Given the significant pressure in the Program's 2011 Outlook, it will be necessary for the TTC to review additional reduction options for consideration with the 2011 Operating Budget.

- The 2010 Recommended Base Budget provides funding for the following key cost drivers

  - Collective Bargaining Agreement increase in salaries and benefits due to the latest collective bargaining agreement of $31.100 million.

  - Inflationary and usage increases for diesel fuel of $5.981 million.

  - Increased vehicle maintenance and facilities maintenance costs of $5.294 million and $3.524 million, respectively.

- Increased funding for depreciation of $3.500 million.

- The cost drivers noted above will be partially offset by an increase to commuter parking revenue of $2.022 million as a result of the annualization of new parking charges implemented in 2009.

- There is no direct Provincial funding for transit operating costs assumed in this budget.

- The Program's 2010 Recommended Operating Budget includes service change savings of $52.226 million for 2010 that will result in $2.450 million in incremental savings in 2011. The service actions include $3.826 million in service efficiencies and $48.400 million in revenue changes. The service efficiency savings and revenue changes include:

  - Passenger revenue increases due to the January 2010 fare increase of $48.400 million.

  - 142 positions reduced primarily as a result of decreased ridership due to the January 2010 fare increase and a rationalization of operations.

- Funding of $9.280 million is recommended for New / Enhanced initiatives including:

  - 16 additional System Cleanliness/Appearance Initiative positions requiring 2010 funding of $2.000 million and 2011 incremental funding of $1.000 million

  - 13 additional Health and Safety Initiative and Work Safe – Home Safe positions requiring 2010 funding of $2.305 million and 2011 incremental funding of $0.800 million

  - 5 additional Attendance Management (Health and Wellness) Initiative positions requiring 2010 funding of $2.130 million and 2011 incremental funding of $0.700 million

  - 5 additional Route Supervisor positions requiring 2010 funding of $0.344 million and 2011 incremental funding of $0.060 million

  - 6 additional Information Technology Services positions requiring 2010 funding of $0.460 million and 2011 incremental funding of $0.040 million

  - 8 additional Pass Vending Machine Maintenance positions requiring 2010 funding of $0.510 million and 2011 incremental funding of $0.065 million

  - 2010 funding of $0.675 million and 2011 incremental funding of $0.375 million for a new Fitness for Duty initiative

  - 11 General Divisional Clerk positions in the Bus and Rail Transportation divisions (no additional 2010 or 2011 funding recommended)

  - 5 new positions in the CGM's Office, Engineering, and Legal and Claims requiring 2010 funding of $0.379 million and other net increases of $0.477 million are required as well.

- The following key program issues have been identified during the 2010 Operating Budget process:
  - Accident claims costs continue to escalate, although, in 2010, the City has agreed to set up a $25.750 million subsidy receivable for the TTC to cover future year accident claims costs.
  - There is the possibility that if the TTC Pension Fund Society is not given relief from the solvency requirements of the Pension Benefits Act by January 1, 2011, and if current market conditions persist, a dramatic increase in contributions to the pension fund by employees and the TTC/City will be required.
  - The TTC and the City will continue to pursue the traditional 50% Provincial transit operating funding.
- The 2010 Recommended Operating Budget for the TTC provides funding to:
  - Maintain existing service standards while accommodating ridership of 462 million riders in 2010 even with slower surface vehicle speeds caused by road congestion and construction:
  - Provide 224 million kilometres and 8.3 million hours of service, which are 0.3% and 0.8%, respectively, greater than budgeted in 2009.
  - Run all TTC service from 6 am until 1 am from Monday to Friday.
  - Reduce the absenteeism rate at targeted locations.
  - Increase the Route Supervisor / Operator ratio from 1:29 in 2008 to 1:20 in 2012
  - Increase the end-of-year subway station cleanliness rating of 59% in 2007 to a cleanliness rating of 80% in 2012.

Wheel-Trans

Table 1: 2010 Recommended Budget – Wheel-Trans

	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
(In $000s)	$	$	$	$	$	$	%	$	$
GROSS EXP.	80,169.1	79,989.7	87,433.2	0.0	87,433.2	7,264.1	9.1	9,399.6	5,978.2
REVENUE	3,827.7	4,248.3	4,757.3	0.0	4,757.3	929.6	24.3	330.6	288.9
NET EXP.	76,341.4	75,741.4	82,675.9	0.0	82,675.9	6,334.5	8.3	9,069.0	5,689.3
Approved Positions	462.0	462.0	530.0	0.0	530.0	68.0	14.7	62.0	30.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	**79,424.3**	**82,675.9**	**3,251.6**	**84,676.3**
PROGRAM REDUCTION ($)	**(3,817.1)**	**(400.0)**	**3,417.1**	**(3,817.1)**
PROGRAM REDUCTION (%)	**(5.0)**	**(0.5)**	**4.5**	**(5.0)**

- The 2010 Recommended Operating Budget for Wheel-Trans of $87.433 million gross and $82.676 million net is $6.335 million or 8.3% over the 2009 Approved Operating Budget. The 2010 Recommended Operating Budget achieves Program reductions of $0.400 million or 0.5% of the 2009 Approved Operating Budget. These reductions are $3.417 million or 4.5% less than the 2010 reduction target of $3.817 million, or 5%, for Wheel-Trans.

- The 2010 Recommended Operating Budget for Wheel-Trans has no funding for new/enhanced service priorities. Approval of the 2010 Recommended Operating budget will result in the Program's staff complement increasing by 68 or 14.7% from 462 to 530 approved positions.

  - The recommended increase in positions in 2010 is comprised of: an increase of 54 operator, 2 reservationist, 1 mobile supervisor, 1 shift foreperson, 5 coach technician, and 4 service positions to accommodate growth in demand and also to facilitate a shift in the modal split to more bus service, as per the collective bargaining agreement, plus one Senior System Analyst position for work transferred to Wheel-Trans.

- The 2010 Recommended Operating Budget for Wheel-Trans results in incremental future year net costs to the Program of $9.1 million in 2011 and $5.7 million in 2012.

- The 2011 Outlook reflects a $9.4 million incremental increase in gross expenditures primarily the result of increasing demand of 5.5% over 2010 service levels, increasing the bus modal split to 50% in compliance with the Collective Bargaining Agreement; complying with AODA legislation and accommodating all trips requested within a 3-hour notice as well as moving to a 24-hour operating service; annualized impact of April 1, 2010 wage increase and inflationary pressures for energy, maintenance of a larger bus fleet, and for contracted services. With the implementation of a new scheduling system and equipping buses with AVL and GPS technology, savings of $1.0 million dollars will be realized due to increased vehicle productivity. The 2011 incremental revenue is projected to increase by $0.3 million in line with ridership and current fare structure. The total additional pressure for 2011 is $9.1 million.

- The 2012 Outlook includes $6.0 million in increased costs, the result of a continuing 5.9% increase in demand with ridership levels to 2.8 million trips, and maintaining the same modal split as in 2011. The 2012 Outlook does not provide for a wage and benefit increase, but provides for inflationary increases for materials and contracted services. The 2012 incremental revenue is projected to increase by $0.3 million in line with ridership and current fare structure. The total additional pressure for 2012 is $5.7 million.

  - No fare increase or cost of living adjustment has been projected in the Outlook for either 2011 or 2012.

  - Wheel-Trans has not presented any reduction options to achieve the Program's 2011 reduction target of $3.817 million. It will be necessary for Wheel-Trans to review additional reduction options for consideration with the 2011 Operating Budget.

- The 2010 Recommended Base Budget provides funding for the following key cost drivers:

  - 3% cost of living adjustment adding $1.600 million to salaries and benefits.

  - Increased service to meet expected demand adding $4.200 million to the base budget to maintain a budgeted unaccommodated rate of 2%.

- Additional maintenance costs of $0.800 million to keep the remaining aging ELF vehicles road-worthy.
- Inflation increases of $0.700 million for non-labour costs.
- Passenger revenue increases of $0.530 million due to increased ridership.

- The cost drivers noted above will be partially offset by an additional $0.400 million in Wheel-Trans' fare revenue as a result of the January 2010 fare increase.

- The following key program issues have been identified during the 2010 Operating Budget process:
  - Trip demand is increasing as the population of Toronto ages, requiring an increased workforce which is causing budget pressures in 2010, 2011 and 2012
  - Accident claims costs continue to escalate, although, in 2010, the City has agreed to set up a $0.325 million subsidy receivable for Wheel-Trans to cover future year accident claims costs.

- The 2010 Recommended Operating Budget for Wheel-Trans provides funding for the Program to:
  - Manage receipt of the 110 new Friendly accessible buses being delivered in 2009-2010.
  - Carry 118,700 more passengers, increasing from 2,374,700 in 2009 to 2,493,400 in 2010, including 1,057,400 bus trips, 100,600 community bus trips, 899,700 trips by accessible taxi and 435,700 sedan taxi trips.
  - Provide 55,400 more hours of service increasing from 707,200 in 2009 to 762,600 in 2010.
  - Manage a registrant base that will grow to 39,400.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2010 Recommended Operating Budget for the TTC of $1.371 billion gross and $429.804 million net, comprised of the following service:

Service:	Gross ($000s)	Net ($000s)
TTC Conventional Service	1,370,920	429,804
Total Program Budget	1,370,920	429,804

2. City Council approve the 2010 Recommended Operating Budget for Wheel-Trans of $87.433 million gross and $82.676 million net, comprised of the following service:

Service:	Gross ($000s)	Net ($000s)
Wheel-Trans	87,433	82,676
Total Program Budget	87,433	82,676

3. the Chief General Manager of the Toronto Transit Commission report to Budget Committee by June of 2010 on any adjustments to ridership projections or passenger revenue based on actual 2010 ridership and revenues to date, and that the TTC identify mitigation strategies including service changes if experience indicates lower than budgeted ridership in 2010;

4. The information contained in Confidential Attachment II remain confidential until the outcome of Council's decision has been communicated to the Union and affected staff;

5. the Chief General Manager of the Toronto Transit Commission report to Budget Committee in the Spring of 2010 with five-year ridership and service delivery plans for the TTC and Wheel-Trans that will include various options for a multi-year fare strategy;

6. the Chief General Manager of the Toronto Transit Commission report back to the Budget Committee prior to the start of the 2011 Operating Budget process on the impact of the Health and Wellness Program on absenteeism and associated savings;

7. the Chief General Manager of the TTC report back to Budget Committee prior to the start of the 2011 Operating Budget process on the impact of the Health and Safety Initiative and the Work Safe – Home Safe program;

8. a long-term TTC subsidy receivable of $25.750 million be created, representing the value of expected future TTC accident claim expenses and a long-term Wheel-Trans subsidy receivable of $0.325 million be created representing the value of expected future Wheel-Trans accident claim expenses;

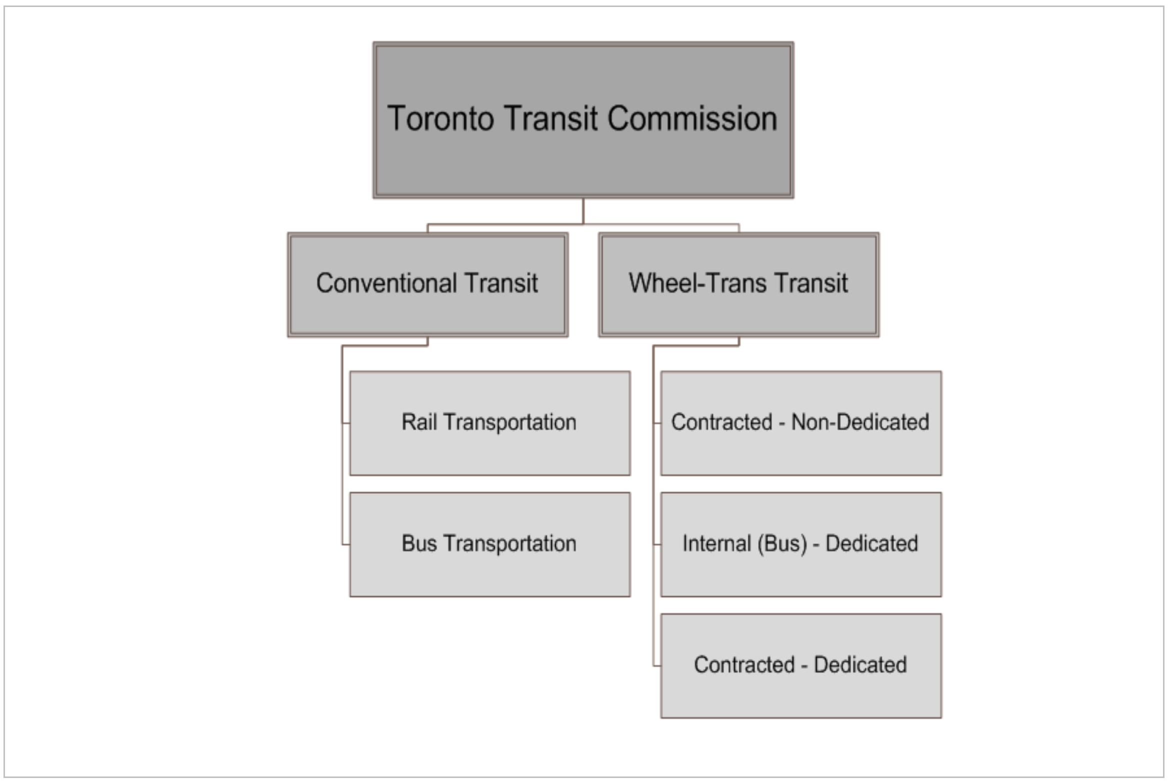
9. the Chief General Manager of the Toronto Transit Commission and the Deputy City Manager and Chief Financial Officer continue discussions on partnering with the Province for permanent sustainable funding in order to return the TTC's provincial funding share to 50%, as it was prior to downloading; and,

10. the Chief General Manager of the Toronto Transit Commission report back to Budget Committee by March 5, 2010 with the 2011 incremental impact of 2010 service efficiencies and program summary amounts by expenditure category which comprise Appendix D of the Analyst Notes.

Mission Statement

The TTC is committed to providing safe, reliable, courteous and efficient transit services to the public utililizing buses, streetcars, RT vehicles (rapid transit), and subways and efficient para-transit services using accessible buses, and contracted accessible minivans and sedans.

Program Map



TTC Conventional

The TTC is the third largest transit authority in North America, based on ridership, after New York City and Mexico City. The TTC carries about 462 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, in 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.

- ***Rail Transportation:***

The TTC provides streetcar, subway and Scarborough Rapid Transit (SRT) service using a fleet of 248 streetcars, 113 subway trains, and 28 SRT trains. Service in 2010 is budgeted to be 78.6 million kilometres hours for the subway system, 4.4 million kilometres hours for the SRT and 13.7 million kilometres for streetcars.

- ***Bus Transportation:***

The TTC provides local bus service throughout the City of Toronto using a fleet of 1,744 buses. Bus service is budgeted to be 127.1 million kilometres in 2010.

Service Objectives

The TTC has set the following service objectives for 2010:

- Maintain existing service standards while accommodating ridership of 462 million riders in 2010 even with slower surface vehicle speeds caused by road congestion and construction:

  The TTC's 2010 Recommended Operating Budget provides for 224 million kilometres and 8.3 million hours of service, which are 0.3% and 0.8%, respectively, greater than budgeted in 2009. All TTC service will run from 6 am until 1 am from Monday to Friday.

- Address 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 recommended funding of $2.305 million for the Health and Safety Initiative and the Work Safe-Home Safe Initiative in 2010.

- Attendance Management:

  The TTC is committed to lowering the absenteeism rate at targeted locations. This will be accomplished through early intervention when employees report sick, case management and accommodation for alternate work for employees who have been absent due to sickness or injury. Funding of $2.130 million is recommended for Attendance Management in 2010.

- Subway Station Cleanliness Improvement:

  The TTC is in the fourth year of a six year plan to improve the cleanliness of subway stations, including cleaning and repairing floors, ceilings, walls and escalators. Funding of $2.000 million is recommended for Subway Station Cleanliness in 2010.

Wheel-Trans

Wheel-Trans provides door-to-door accessible transit service in Toronto. Transportation services are provided within the City of Toronto boundaries, to the airport, and to established boundary transfer points in order to co-ordinate trips with specialized transit services to and from the Greater Toronto Area (GTA).

Wheel-Trans' accessible transit service facilitates the mobility of 39,400 active registrants, people who would otherwise have great difficulty accessing work, school, medical services or shopping outside of their homes. This allows many of these people to remain in their own homes rather than having to live in an institutional setting. This enhances their quality of life and reduces the impact on social services in the City of Toronto. Services are provided through accessible buses and contracted accessible minivans and sedan taxis. It is expected that, in 2010, 2.5 million rides will be provided.

Wheel-Trans delivers three services: bus service, dedicated contract services and non-dedicated contract services, as set out in the Program Map.

- Bus Service:

  By the end of 2010 Wheel-Trans will have a fleet of 198 large capacity buses which can accommodate non-ambulatory trips and customers with oversized mobility devices. In 2010, based on expected demand, 1,057,400 trips are budgeted for Wheel-Trans buses and 100,600 trips for community buses.

- Dedicated and Non-Dedicated Contract Service:

  Wheel-Trans uses contracted sedan and accessible taxis to provide door-to-door service seven days per week. In 2010, based on expected demand, 899,700 accessible taxi and 435,700 sedan taxi trips are budgeted.

Service Objectives

Wheel-Trans has set the following service objectives for 2010:

- Maintain 2009 service levels:

  Wheel-Trans will maintain current service levels by implementing a new accessible bus fleet, migrating customers to the TTC conventional transit system, by using numerous technological innovations and through improving telephone reservation response times.

- Migrate customers to new booking technology:

  One way of improving the reservations response time and reducing the length of call wait is to migrate customers from telephone trip booking to on-line trip booking. Wheel-Trans plans to educate and encourage the estimated 40% of its customers who have internet access to move from booking their trips by phone to booking their trips on-line.

- Integrate service with the Conventional TTC system:

  Wheel-Trans staff will continue to encourage customers to take advantage of conventional fixed-route accessible transit service by making it convenient and advantageous for customers to book their trips to accessible subway stations.

- Improve accessible taxi service:

  New contracts with taxi companies for the provision of accessible taxi and sedan service went into effect in January 2009. Wheel-Trans intends to raise the quality of accessible taxi service by closely monitoring the service provided to assure that it meets the improved standards for contracted service providers initiated in 2009.

2009 Accomplishments

TTC Conventional

The TTC's major accomplishments in 2009 are highlighted below. The TTC:

- Met the service requirements for a record 471 million riders.
- Reduced the number of lost time injuries by over 25%.
- Increased the cleanliness of the subway system as measured by on-going internal TTC cleanliness audits.

Wheel-Trans

Wheel-Trans' achieved the following major accomplishments in 2009:

- Dramatically improved on-time bus performance.
- Reduced complaints from 1.0 per 1000 customers carried in 2008 to 0.7 per 1000 customers carried in 2009.
- Transitioned to new taxi services.
- Acquired of GPS / AVL technology to facilitate real-time vehicle arrival notification.
- Established guiding principles and values for the organization

Table 2: 2009 Budget Variance Review

TTC Conventional

	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
(In $000s)	$	$	$	$	%
GROSS EXP.	1,194,974.0	1,298,364.7	1,280,635.0	(17,729.7)	(1.4)
REVENUES	972,015.0	904,310.2	886,294.0	(18,016.2)	(2.0)
NET EXP.	222,959.0	394,054.5	394,341.0	286.5	0.1
Approved Positions	10,225.0	10,587.0	10,770.0	183.0	1.7

*Projected Actuals Based on the Preliminary 2009 Year-end Variance Report

2009 Budget Variance Analysis

The TTC's Preliminary 2009 Year-end Variance Report shows that at year-end the TTC was $0.300 million net or 0.1% over the 2009 Approved Operating Budget of $394.055 million net.

The primary variance drivers impacting the TTC's projected unfavourable variance are noted below:

- Ridership is projected to be 471 million riders, 2 million riders below the 2009 budget of 473 million riders. The average fare was $1.78 for the year, two cents less than the budget of $1.80, as a result of a larger percentage of passengers purchasing the Metropass and other passes. The combination of fewer riders and lower average fare will result in a passenger revenue shortfall of $17.3 million. The variance is also driven by $0.7 million less than expected in other revenue, primarily lower interest earnings due to lower than expected interest rates.

- Unanticipated costs of $3.7 million, primarily for emergency flood and mould remediation and restoration in the Inglis Building, and more overtime due to road construction. These over-expenditures are partially offset by $12.2 million in savings from lower energy costs due to lower market rates and a $9.2 million reduction in accident claim expenses for the year owing to the establishment by the City of a long-term subsidy receivable.

Impact of 2009 Operating Variance on the 2010 Recommended Budget

- The 2010 Recommended Operating Budget has been reduced to reflect the actual experience in 2009 resulting in reduced passenger revenue in 2010 of $12.125 million based on the average fare experience in 2009.

Table 2: 2009 Budget Variance Review

Wheel-Trans

	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
(In $000s)	$	$	$	$	%
GROSS EXP.	74,196.0	80,169.1	79,989.7	(179.4)	(0.2)
REVENUES	23,275.0	3,827.7	4,248.3	420.6	11.0
NET EXP.	50,921.0	76,341.4	75,741.4	(600.0)	(0.8)
Approved Positions	455.0	462.0	462.0	0.0	0.0

*Projected Actuals Based on the Preliminary 2009 Year-end Variance Report

2009 Budget Variance Analysis

- For 2009, Wheel-Trans is projecting a year-end net expenditure of $75.741 million which is $0.600 million under budget.
  - Gross expenditures will be $0.2 million under budget due mainly to lower than anticipated accident claim costs as a result of a subsidy receivable set up by the City, offset by higher service costs due to increased ridership.
  - Wheel-Trans revenue will be $0.4 million higher than anticipated in 2009 due to more passengers being carried on contracted taxis at a higher average fare.

[redacted]

Table 3: 2010 Recommended Base Budget

TTC Conventional

(In $000s)	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
					2011	2012
	$	$	$	%	$	$
GROSS EXP.	1,298,364.7	1,361,639.6	63,274.9	4.9	72,750.0	79,000.0
REVENUE	904,310.2	941,115.2	36,805.0	4.1		
NET EXP.	394,054.5	420,524.4	26,469.9	6.7	72,750.0	79,000.0
Approved Positions	10,587.0	10,491.0	(96.0)	(0.9)	N/A	N/A

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	467,351.8	420,524.4	(46,827.4)	520,399.1
PROGRAM REDUCTION ($)	(19,702.7)	(52,226.0)	(32,523.3)	(19,702.7)
PROGRAM REDUCTION (%)	(5.0)	(13.3)	(8.3)	(5.0)

Table 3a: Program Reduction Requirements ($000s)

(In $000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	394,054.5	
Pressures Reported with 2010 / 2011 Outlook	**93,000.0**	**72,750.0**
Pressures Not Reported with 2010 / 2011 Outlook	0.0	0.0
5% Reduction Target	**(19,702.7)**	**(19,702.7)**
Additional Pressures not in 2010 Reported Outlook	0.0	**TBD**
Program Reduction Target	**(19,702.7)**	**(19,702.7)**
Net Budget Target	**467,351.8**	**520,399.1**

2010 Recommended Base Budget

The 2010 Recommended Base Budget of $420.524 million net represents a $26.470 million or 6.7% increase over the TTC's 2009 Approved Operating Budget of $394.055 million. The 2010 Recommended Base Budget includes $78.696 million in recommended base budget increases, which have been offset by a decrease of $52.226 million arising mainly from the January 2010 fare increase and service efficiencies.

The 2010 Recommended Base Budget of $420.524 million net incorporates a Program reduction of $46.828 million, or 8.3%, of its 2009 Approved Operating Budget which is over the TTC's 2010 Operating Budget reduction target of $19.703 million, or 5%, comprised primarily of revenue changes, as well as service efficiencies.

Approval of the 2010 Recommended Base Budget will result in the Program's total staff complement decreasing from 10,587 to 10,491 approved positions as a result of a reduction of 142 positions due to service reductions to meet reduced ridership and rationalization of operations, offset by increases of 46 positions in other areas of the Program.

Wheel-Trans

Table 3: 2010 Recommended Base Budget

Wheel-Trans

	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
					2011	2012
(In $000s)	$	$	$	%	$	$
GROSS EXP.	80,169.1	87,433.2	7,264.1	9.1	9,399.6	5,978.2
REVENUE	3,827.7	4,757.3	929.6	24.3	330.6	288.9
NET EXP.	76,341.4	82,675.9	6,334.5	8.3	9,069.0	5,689.3
Approved Positions	462.0	530.0	68.0	14.7	62.0	30.0

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	79,424.3	82,675.9	3,251.6	84,676.3
PROGRAM REDUCTION ($)	(3,817.1)	(400.0)	3,417.1	(3,817.1)
PROGRAM REDUCTION (%)	(5.0)	(0.5)	4.5	(5.0)

Table 3a: Program Reduction Requirements ($000s)

(In $000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	76,341.4	
Pressures Reported with 2010 / 2011 Outlook	**6,900.0**	**9,069.0**
Pressures Not Reported with 2010 / 2011 Outlook	0.0	0.0
5% Reduction Target	**(3,817.1)**	**(3,817.1)**
Additional Pressures not in 2010 Reported Outlook	0.0	**TBD**
Program Reduction Target	**(3,817.1)**	**(3,817.1)**
Net Budget Target	**79,424.3**	**84,676.3**

2010 Recommended Base Budget

The 2010 Recommended Base Budget of $82.676 million net represents a $6.335 million or 8.3% increase over Wheel-Trans' 2009 Approved Operating Budget of $76.341 million. The 2010 Recommended Base Budget includes $6.735 million in base budget increases, which have been marginally offset by $0.400 million, or 0.5%, in increased revenue. This budget reduction is $3.417 million, or 4.5%, below Wheel-Trans' 2010 Operating Budget target of $3.817 million, or 5%.

Approval of the 2010 Recommended Base Budget will result in the Program's total staff complement increasing from 462 to 530 approved positions as a result of the addition of 68 positions to accommodate increased demand for service and to increase the number of operators as the new vehicles come on stream. In 2009, the complement of operators was reduced to facilitate a temporary shift to contracted taxis until the new fleet arrived in 2010.

2010 Base Budget Key Cost Drivers

TTC Conventional

The 2010 Recommended Base Budget provides funding for the following key cost drivers:

- Cost of Living Adjustment (COLA) increase of 3%: The TTC's 2010 Recommended Operating Budget includes $31.100 million for salary increases as a result of the latest collective bargaining agreement.

- Fuel Costs: $3.375 million is recommended to cover increased diesel fuel costs due to the increase in the price of diesel. These costs are not locked in, but at some point in 2010, the TTC may follow its usual practice of locking in costs through the purchase of diesel future contracts. The diesel cost increase of $5.981 million is offset by a reduction of $2.606 million in the cost of natural gas due to the current low market price.

- Other Employee Costs: As the number of TTC employees increases each year, the cost of wage rate progression and benefits also increase, resulting in increased benefits costs of $13.947 million for 2010.

- Vehicle Maintenance: $5.294 million is recommended to fund increased vehicle maintenance costs due to new buses coming off warranty and having more complicated systems, such as kneeling capability, security cameras, bike racks and advanced electronic systems.

- Facilities Maintenance: $3.524 million is recommended to fund facilities maintenance costs including plant, equipment and structure due to the aging of TTC facilities.

- Depreciation: The TTC funds the purchase of some capital items such as non-revenue vehicles. In 2010, there is an additional $3.500 million in depreciation expenses to reflect an increase in the net capital cost of TTC assets after deducting Federal, Provincial and Municipal contributions on funded capital assets. This brings the budgeted depreciation for 2010 to $24 million.

- The above pressures have been partially offset by recommended service and revenue changes totaling $52.226 million in 2010 and resulting in incremental savings of $2.450 million in 2011.

Wheel-Trans

- The additional $6.335 million in expenditures recommended for the Program's 2010 Recommended Base Budget is needed to fund the cost of 2010 service, wage increases, non-salary inflationary increase, as well as other base changes. The recommended funding increase is required to cover the following:

  - 3% Cost of Living Adjustment (COLA), adding $1.600 million to salaries and benefits.

  - Increased service to meet expected demand adding $4.200 million to the base budget to maintain a budgeted unaccommodated rate of 2%.

  - Additional maintenance costs of $0.800 million to keep the remaining aging ELF vehicles road-worthy.

  - Inflationary increases of $0.700 million for non-labour costs.

- These pressures have been partially offset by $0.929 million in increased revenue from the January 2010 fare increase ($0.400 million) and from increased ridership ($0.529 million).

2010 Service Changes

TTC Conventional

The Program's 2010 Recommended Base Budget which includes service change savings of $52.226 million will result in incremental savings of $2.450 million in 2011, resulting from service review actions. The recommended service changes are comprised of $3.826 million in 2010 efficiency savings arising from service review actions and $48.400 million in increased revenue.

The recommended service changes are summarized below:

Revenue Changes

- The January 2010 fare increase provides $48.400 million in increased revenue.

Service Efficiencies

- Service efficiencies to accommodate a reduction in 11 million riders due to the fare increase and rationalization of operations result in savings of $3.826 million and the reduction of 142 positions. Refer to Confidential Attachment II.

Wheel-Trans

The Program's 2010 Recommended Base Budget includes $0.400 million in increased revenue as a result of the 2010 fare increase, effective January 3, 2010.

2011 and 2012 Outlook: Net Incremental Impact

TTC Conventional

Approval of the 2010 Recommended Base Budget for the TTC will result in a 2011 incremental cost increase of $72.750 million and a 2012 incremental cost increase of $79.000 million to maintain the 2010 level of service and staff complement. Future year costs are primarily attributed to the following:

- For 2011, it is expected that ridership will stay flat at the 2010 level of 462 million riders due to the economic downturn. The 2011 Outlook includes increases for the following expenditures: salaries and benefits ($32.750 million), energy costs ($15 million), inflation ($3 million), accident claims ($5 million), depreciation ($4 million), added service to maintain 2010 service standards ($10 million) and other costs ($3 million). The 2011 incremental revenue is projected to stay flat at $941 million in line with flat ridership. Therefore, the total additional pressure for 2011 is $72.750 million.

- 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. Given the volatility of fuel prices in recent years, it is difficult to predict future diesel rates. As well, no estimate for new service initiatives nor fare increase is included in the 2011 Outlook.

- The 2010 Recommended Operating Budget will result in 2011 incremental service change savings of $2.450 million to assist the TTC in achieving their 2011 reduction target of $19.703 million.

- The 2012 Outlook represents a net increase of $79 million. As in 2011, other employee costs, service requirements, energy needs, and inflationary increases will continue to exert pressure in 2012. The impact of cost of living increases is not included in the 2012 Outlook and no funding for new service initiatives or a fare increase is included in the 2012 Outlook.

Wheel-Trans

- Wheel-Trans' net Outlook for 2011 is projected to be $9.069 million. Funding will be required to meet expected increases in demand of 5.5% with passenger demand increasing from 2.446 million trips in 2010 to over 2.580 million trips in 2011 and increasing to 2.732 million trips in 2012. A modal split of 50.1% on bus service will be required in 2011 as per the current collective agreement with Local 113, ATU. The 2% unaccommodated rate will decrease to .5% in 2011 to comply with AODA legislation. In 2011, the impact of the current collective bargaining agreement is included only for the first quarter. No impact for the next collective bargaining agreement is included in the 2012 outlook. No fare increase is assumed for 2011 and 2012.

- Wheel-Trans' net Outlook for 2012 is $5.689 million with the majority of costs allocated to meeting the increasing trip demand of 5.9% over 2011. The 2012 Outlook is based upon continuing with the same service design as in 2011, building upon technology improvements to book and schedule trips to improve productivity and efficiency, and integrating more trips with the conventional Accessible Transit Network. As in 2011, Wheel-Trans will accommodate as many trips within its service window during its 24-hour operation.

[redacted]

Table 4: 2010 Recommended Service Change Summary
(In $000s)

TTC Conventional

TTC Conventional	2010 Recommended Service Changes				Net Incremental Impact	
Description	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	$	$	#	$	# Pos
Base Change Summary		**0.0**	**0.0**	0.0%	**0.0**	**0.0**
Service Efficiencies:						
Position reductions	(142.0)	(3,826.0)	(3,826.0)	-1.0%	(2,450.0)	
Revenue Changes:						
Fare Increase			(48,400.0)	-12.3%		
Minor Service Level Changes:						
Major Service Level Changes:						
Sub-Total Service Changes	**(142.0)**	**(3,826.0)**	**(52,226.0)**	-13.3%	**(2,450.0)**	**0.0**
Total Changes	**(142.0)**	**(3,826.0)**	**(52,226.0)**	-13.3%	**(2,450.0)**	**0.0**

2010 Recommended Service Changes

The budgetary impact of changes for TTC Conventional is included in the 2010 Recommended Base Budget, with savings of $52.226 million in 2010 and that will result in incremental savings of $2.450 million in 2011. Approval of the recommended service efficiencies and revenue change will result in a reduction of 142 approved positions.

Service Changes

The following 2 recommended service changes, included in TTC 2010 Recommended Base Budget, resulting in 2010 savings of $52.226 million net, are discussed below.

Revenue Changes

The TTC instituted a fare increase on January 3, 2010 of 25 cents on an adult token. This revenue increase will result in increased budgeted fare revenue of $48.4 million in 2010.

Service Efficiencies

The TTC will be adjusting service to meet the reduced level of demand due to the fare increase and also will be rationalizing operations. These service efficiencies will allow the TTC to reduce, 142 positions in 2010 for a savings of $3.826 million in 2010 and annualized savings of $2.450 million in 2011. Refer to Confidential Attachment II.

Table 4: 2010 Recommended Service Change Summary
(In $000s)

Wheel-Trans

Description	2010 Recommended Service Changes				Net Incremental Impact	
	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	$	$	#	$	# Pos
Base Change Summary				0.0%	**0.0**	**0.0**
Service Efficiencies:						
Revenue Changes:						
Fare Increase			(400.0)	-0.5%		
Minor Service Level Changes:						
Major Service Level Changes:						
Sub-Total Service Changes	**0.0**	**0.0**	**(400.0)**	-0.5%	**0.0**	**0.0**
Total Changes	**0.0**	**0.0**	**(400.0)**	-0.5%	**0.0**	**0.0**

Service Changes

The recommended service change, included in the Wheel-Trans 2010 Recommended Base Budget, generates 2010 net revenue of $0.400 million, as a result of the TTC-instituted fare increase on January 3, 2010 of 25 cents on an adult token.

Table 5: 2010 New / Enhanced Service Priority Actions: Summary

(In $000s)

TTC Conventional

Description	2010 Recommended			Net Incremental Impact			
	Gross Exp.	Net Exp.	New Positions	2011		2012	
	$	$	#	$	# Pos	$	# Pos
Enhanced Services:							
(a) Enhanced Services - Council Approved							
(b) Enhanced Services - Program Initiated							
Subway Stn. Cleanliness/Appearance	2,000.0		16.0	1,000.0			
Health & Safety Initiative.	2,305.1		13.0	800.0			
Attendance Management	2,130.0		5.0	700.0			
Route Supervisors	343.8		5.0	60.0			
Sub-Total Enhanced Services	**6,778.9**	**0.0**	**39.0**	**2,560.0**	**0.0**	**0.0**	**0.0**
New Services:							
(a) New Services - Council Approved							
(b) New Services - Program Initiated							
ITS Requirements	460.0		6.0	40.0			
Additional Pass Vending Machines	510.0		8.0	65.0			
Fitness for Duty	675.0			325.0			
Divisional Support			11.0				
Other	856.2		5.0	-			
Sub-Total New Services	**2,501.2**	**0.0**	**30.0**	**430.0**	**0.0**	**0.0**	**0.0**
Total Enhanced/New Services	**9,280.1**	**0.0**	**69.0**	**2,990.0**	**0.0**	**0.0**	**0.0**

2010 Recommended New / Enhanced Service Priority Actions

Enhanced Service Priority Actions

Program Initiated

- **System Cleanliness/Appearance Initiative (2010 funding: $2.000 million, 2011 incremental funding: $1.000 million)**

  2010 is the fourth year of a six year plan. For 2010, funding of $2.000 million is recommended to add 16 building service, elevator mechanic, bricklayer and labourer positions to improve the appearance of the subway system. All subway station walls, floors, ceilings and escalators will be returned to a state of good repair.

- **Health and Safety Initiative and Work Safe – Home Safe (2010 funding: $5.548 million, 2011 incremental funding: $0.800 million)**

  The Work Safe – Home Safe program was created 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 number of lost time injuries by at least 40% and possibly more than 60%. Lost time injuries decreased by 25% by the end of 2009. Part of this initiative will also significantly reduce the outstanding health and safety work orders. There is $3.243 million in funding included in the 2010 Recommended Operating Budget for a performance payment to BST if the target of 60% lost time injury reduction is achieved (or a smaller performance payment if the reduction is between 40% and 60%). There is also $0.200 million in funding for 2 additional in-house Work Safe – Home Safe trainers.

  The TTC's 2010 Recommended Operating Budget includes funding for 11 positions to address particular health and safety issues. Funding of $0.749 million is recommended for 7 Divisional Clerk positions to handle the increased weight of vaults (fare boxes) due to the switch from tickets to tokens, 1 Fire Prevention Inspector to reduce the backlog of fire alarm deficiencies and 2 positions to increase track and structure inspections and maintenance. As well, there is $1.356 million in funding in 2010 for non-salary costs as part of this program

  It is recommended that the Chief General Manager of the TTC report back to Budget Committee prior to the start of the 2011 Operating Budget process on the outcomes of the Health and Safety Initiative and the Work Safe – Home Safe program, savings realized from the program and the actual payout to BST.

- **Attendance Management (Health and Wellness) Initiative (2010 funding: $2.130 million, 2011 incremental funding: $0.700 million)**

In order address the need for enhanced physical well-being of TTC staff, the TTC will be enhancing its Attendance Management / Health and Wellness Initiative program with incremental funding of $2.130 million in 2010. Through the Health and Wellness Initiative, which started in 2008, 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, there is $1.850 million in increased funding is recommended for 2010 to facilitate the TTC creating more opportunities for alternative work for employees who have been off sick or injured. In 2010, funding of $0.352 million is also recommended to add five permanent positions for attendance management.

- **Five Route Supervisor Positions (2010 funding: $0.344 million, 2011 incremental funding: $0.060 million)**

  Funding of $0.344 million is recommended for an additional 5 Route Supervisor positions. TTC service has increased substantially as a result of the implementation of the multi-year Ridership Growth Strategy. Additional service has required 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 operators per supervisor. By 2009, the number of operators had grown to 3855, but the number of route supervisors had actually dropped to 143 for a ratio of 26.96 route operators per supervisor. 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 addition of five route supervisor positions recommended in 2010 is part of a four year strategy that will reduce the ratio to a more manageable level by 2012 of 1:20, bringing the total number of routed supervisors to 195.

New Service Priority Actions

Program Initiated

- **ITS Requirements (2010 funding: $0.460 million, 2011 incremental funding: $0.040 million)**

  To meet the requirements of the Information Technology Services department, $0.530 million is recommended for one Mobile Communications Advisor to support the increase in wireless devices, one System Analyst for ongoing support and maintenance of Internet Trip Planning, Next Vehicle Arrival, Next Train Arrival and Enterprise Geospatial Information System initiatives, and four Information Security Analyst positions to continue the monitoring and maintenance of policies, standards, procedures and security methodologies to protect the Commission's information assets.

- **Additional Pass Vending Machines (2010 funding: $0.510 million, 2011 incremental funding: $0.065 million)**

  The TTC will be adding 50 pass vending machines to subway stations to bring the total deployed to 60 by the end of 2010. Funding of $0.589 million is recommended in 2010 for 8 Plant Maintenance and Revenue Operations positions to service these new pass vending machines.

- **Fitness for Duty (2010 funding: $0.675 million, 2011 incremental funding: $0.375 million)**

  In 2010, the TTC will be testing employees for their fitness for duty. Funding of $0.675 million is included in the 2010 Recommended Operating Budget for laboratory services, supervisory staff training, technical consultants and outside counsel.

- **Divisional Support (no additional 2010 or 2011 funding required)**

  Funding for 11 General Divisional Clerk positions in the Bus and Rail Transportation divisions was approved in 2009. However, the headcount of 11 was eliminated in 2009 in the expectation that new computer software would alleviate the need for these positions. Experience in 2009 has shown that these clerk positions are still required, so the 11 positions are being reinstated to the TTC's complement in 2010.

- **Other Positions (2010 funding: $0.379 million, no 2011 incremental funding)**

  Funding of $0.379 million for five new positions is recommended for 2010. These five positions include a Communications Advisor in the Corporate Communications area of the CGM's Office, a Design Technologist, in the Engineering Branch, to facilitate more design work being done in-house, rather than by consultants, an Electrical Designer, in the Engineering Branch, for one-time work orders, many of which are safety related, and two Court Advocates, in Legal and Claims, to provide employees who are victims of violent crime with support and guidance throughout the legal proceedings.

[redacted]

2010 Budget Issues

TTC Conventional

Ridership

- Actual TTC ridership in 2009 was 471 million, representing a 4 million rider increase over the 2008 actual ridership, but a 2 million rider decrease from the 2009 budget of 473 million riders. The ridership did not meet budget in 2009 due to the economic down turn. The TTC's 2010 Recommended Operating Budget forecasts a decrease of 9 million riders from the 2009 actual experience and an 11 million rider decrease from the 2009 budget for a total of 462 million riders in 2010.

Revenue Changes

- The TTC's 2010 Recommended Operating Budget reflects a new revenue increase of $36.805 million due to the following factors: The fare increase implemented by the Commission in January 2010 results in $48.400 million in additional fare revenue in the TTC's 2010 Operating Budget. This fare revenue increase is partially offset by a decline in passenger revenue of $12.125 million due to a 2.5 cent reduction in the average fare which is a continuation of the lower average fares experienced in 2009 as more passengers purchased the Metropass and other passes.

- Advertising revenue will decrease by $0.750 million due to less demand for advertising space due to the economic downturn.

- Commuter parking revenue will increase by $2.022 million due to the annualized 2009 parking charge increases, and

- Other revenue, primarily interest income, will decline by $0.742 million due to lower interest rates.

Accident Claims

The TTC's costs associated with the adjudication and settlement of accident claims have escalated considerably in recent years. In 2010, these costs will increase by $19.2 million. However, the City of Toronto, in recognition that approximately half of the annual accident claims costs for the TTC relate to non-cash expenses that are expected to be paid out in future years, has agreed to provide the TTC with a long-term subsidy receivable for non-cash expenses in the amount of $25.750 million. When this amount is reduced from the TTC's 2010 budget, budgeted accident claims costs are reduced by $6.650 million from the amount budgeted in 2009.

It is recommended that a long-term TTC subsidy receivable of $25.750 million be created, representing the value of expected future TTC accident claim expenses. It is also recommended that a long-term Wheel-Trans subsidy receivable of $0.325 million be created, representing the value of expected future Wheel-Trans accident claim expenses.

Stable Provincial Funding

Funding received from the Provincial government is currently provided on an ad-hoc basis. From 2006 to 2008, $100 million in annual funding was received from the Provincial government for the TTC and Wheel-Trans. This funding did not recur in 2009. The City replaced it in 2009 with $92 million in funding from closed capital accounts. The City's 2009 Approved Operating Budget also included $238 million in one-time Provincial funding to offset capital debt service costs for transit projects which the City funds in its operating budget to repay the interest and principal costs of debt for capital projects. There is no Provincial funding or funding from City reserves allocated to the TTC's 2010 Recommended Operating Budget. While the Province has made a significant contribution to the funding of TTC operations in the past, the ad-hoc nature of this funding creates uncertainty regarding planning and budgeting for future year transit operations.

It is recommended that the Chief General Manager of the Toronto Transit Commission and the 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.

Wheel-Trans

Increased Trip Demand

Wheel-Trans will continue to be faced with a significant increase in demand for service. The demand for service in 2010 is projected to increase by 5% to 2.5 million trips from 2.3 million trips budgeted in 2009. The demand will be fueled by a 13% increase in active registrants to a total of 39,400. Added service will increase operating pressure by $4.7 million in 2010. This trend will not only continue in the future, but will accelerate as the "baby boom" cohort ages. The current trend is unsustainable for Wheel-Trans. The Program is faced with the need to change its method of service delivery and to seek efficiencies in the way it runs its operation.

At the same time, Wheel-Trans is committed to maintaining its service standards. The target for the unaccommodated rate (the number of passengers who requested a ride but were not able to be accommodated due to capacity constraints) was 2% in 2009 and the 2010 Recommended Operating Budget maintains the 2% target, which will translate into 50,000 passengers being unaccommodated during 2010.

Wheel-Trans will meet increased demands by implementing its new scheduling system, AVL technology and improved telephone booking performance. Wheel-Trans will also be increasing the use of buses in 2010 as its new buses are delivered and the bus fleet is expanded from 147 to 198 vehicles.

Workforce Increases

The Wheel-Trans complement will increase from 462 budgeted in 2009 to 530 in the 2010 Recommended Operating Budget. Of these new staff positions, 54 will be operators, as Wheel-Trans increases its use of buses and moves toward its traditional modal split. In 2009, Wheel-Trans reduced its operator workforce and increased usage of contract taxis and vans for one year until new buses could start to replace old ELF buses which were no longer roadworthy. Some of the new operator positions will be used to provide additional trips, especially during peak periods. Five coach technician positions will be added to address the remaining aging fleet of ELF buses and four service person positions will service the new, larger bus fleet. One Mobile Supervisor and one shift foreperson position are also required, as well, two additional Reservation positions are required in order to reduce the lengthy wait times that customers were experiencing in 2009 in order to book trips plus one Senior Systems Analyst for work assigned to Wheel-Trans. However, in order for the Wheel-Trans service to be sustainable over the long term, Wheel-Trans needs to find ways to avoid growing its staff complement each year.

2011 and Future Year Issues

Pension Funding

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 is forthcoming by January 1, 2011, and if current market conditions persist, a dramatic increase in contributions will be required.

Outstanding Issues from 2009 and Prior Years

Five Year Business Plan for TTC Conventional and Wheel-Trans Services

Given the significant annual increases in the TTC's base budget, the TTC must 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 directed by Council, 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 to the Budget Committee in Spring 2010, with a five-year plan, driven by ridership and TTC service delivery plans that would include various options for a multi-year fare strategy.

For Wheel-Trans, collective bargaining agreements, until March 2011, compliance with AODA legislation in 2011, other employee costs, service requirements, expansion energy needs, and inflationary increases will continue to exert pressure in 2011 and 2012. In order to meet the increasing demands for accessible transit service from an aging population, while at the same time balancing trip availability with service quality, Wheel-Trans will continue efforts to increase the efficiency of its service including increased use of computer technology. Nonetheless pressure will continue for increased funding in future years.

Wheel-Trans must develop a multi-year plan that addresses base budget pressures as well as manages the changes in the para-transit system that will be required as the economy and ridership change. In order to deal with these pressures, Wheel-Trans has been directed by Council 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 to the Budget Committee in Spring 2010, with a five-year plan for Wheel-Trans, driven by ridership and service delivery plans that would include various options for a multi-year fare strategy.

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. ITS began bringing IT contractors in-house in 2008. 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 or in 2009 on this issue as directed by Council.

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. As part of the 2008 Operating Budge process, the TTC was directed by City Council 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 or in 2009 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 2011 Operating Budget process on the impact of the Health and Wellness Program on absenteeism and on associated savings.

Appendix A

2010 Recommended Base Budget Changes vs. 2009 Approved Budget

TTC Conventional Service	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
(In $000s)		$	$	$	$	$
2009 Council Approved Operating Budget	**10,587.0**	**1,298,364.7**	**996,310.2**	**302,054.5**	**0.0**	**0.0**
Technical Adjustments			(92,000.0)	92,000.0		
In-Year Budget Adjustments				0.0		
2009 Approved Operating Budget	**10,587.0**	**1,298,364.7**	**904,310.2**	**394,054.5**	**0.0**	**0.0**
Prior Year Impacts:						
Annualizations from Prior Year				0.0		
Reversals from Prior Year				0.0		
Operating Impacts of Capital				0.0		
Zero Base Items		3,242.7		3,242.7		
Economic Increases:						
Salary		38,094.0		38,094.0	28,000.0	30,000.0
Non Salary		12,609.0		12,609.0	18,000.0	19,000.0
Adjusted Base Budget	**10,587.0**	**1,352,310.4**	**904,310.2**	**448,000.2**	**46,000.0**	**49,000.0**
Base Expenditure Changes	46.0	13,155.2		13,155.2	29,200.0	30,000.0
Base Revenue Changes			(11,595.0)	11,595.0		
2010 Base Budget Prior to Service Changes	**10,633.0**	**1,365,465.6**	**892,715.2**	**472,750.4**	**75,200.0**	**79,000.0**
Recommended Service Changes:						
Service Efficiencies	(142.0)	(3,826.0)		(3,826.0)	(2,450.0)	
Revenue Changes			48,400.0	(48,400.0)		
Minor Service Level Changes				0.0		
Major Service Level Changes				0.0		
Total Recommended Base Changes	**(142.0)**	**(3,826.0)**	**48,400.0**	**(52,226.0)**	**(2,450.0)**	**0.0**
2010 Recommended Base Budget	**10,491.0**	**1,361,639.6**	**941,115.2**	**420,524.4**	**72,750.0**	**79,000.0**

2010 Recommended Base Budget Changes vs. 2009 Approved Budget

Wheel-Trans	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
(In $000s)		$	$	$	$	$
2009 Council Approved Operating Budget	**462.0**	**80,169.1**	**3,827.7**	**76,341.4**	**0.0**	**0.0**
Technical Adjustments				0.0		
In-Year Budget Adjustments				0.0		
2009 Approved Operating Budget	**462.0**	**80,169.1**	**3,827.7**	**76,341.4**	**0.0**	**0.0**
Prior Year Impacts:						
Annualizations from Prior Year				0.0		
Reversals from Prior Year				0.0		
Operating Impacts of Capital				0.0		
Zero Base Items				0.0		
Economic Increases:						
Salary		1,600.0		1,600.0		
Non Salary		700.0		700.0		
Adjusted Base Budget	**462.0**	**82,469.1**	**3,827.7**	**78,641.4**	**0.0**	**0.0**
Base Expenditure Changes	68.0	4,964.1		4,964.1		
Base Revenue Changes			529.6	(529.6)		
2010 Base Budget Prior to Service Changes	**530.0**	**87,433.2**	**4,357.3**	**83,075.9**	**0.0**	**0.0**
Recommended Service Changes:						
Service Efficiencies				0.0		
Revenue Changes			400.0	(400.0)		
Minor Service Level Changes				0.0		
Major Service Level Changes				0.0		
Total Recommended Base Changes	**0.0**	**0.0**	**400.0**	**(400.0)**	**0.0**	**0.0**
2010 Recommended Base Budget	**530.0**	**87,433.2**	**4,757.3**	**82,675.9**	**9,069.0**	**5,689.3**

Appendix B

Summary of Service Changes

Appendix C

Summary of 2010 Recommended New/Enhanced Service Priority Actions

Appendix D

Program Summary by Expenditure Category

TTC Conventional

TBD

CLUSTER: Agencies, Boards and Commissions
PROGRAM: Wheel-Trans

	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	$	$	$	$	%	$	$
Salaries and Benefits	42,043.2	41,355.3	47,243.5	5,200.3	12.4%	55,940.1	58,714.4
Materials and Supplies	11,033.7	10,228.9	12,772.4	1,738.7	15.8%	14,400.4	15,642.9
Equipment				0.0	n/a		
Services & Rents	26,395.0	27,764.3	27,025.8	630.8	2.4%	26,037.3	27,898.7
Contributions to Capital				0.0	n/a		
Contributions to Reserve/Res Funds				0.0	n/a		
Other Expenditures	697.2	641.2	391.5	(305.7)	(43.8%)	455.0	555.0
Interdivisional Charges				0.0	n/a		
TOTAL GROSS EXPENDITURES	80,169.1	79,989.7	87,433.2	7,264.1	9.1%	96,832.8	102,811.0
Interdivisional Recoveries				0.0	n/a		
Provincial Subsidies				0.0	n/a		
Federal Subsidies				0.0	n/a		
Other Subsidies				0.0	n/a		
User Fees & Donations	3,827.7	4,248.3	4,757.3	929.6	24.3%	5,087.9	5,376.8
Transfers from Capital Fund				0.0	n/a		
Contribution from Reserve Funds				0.0	n/a		
Contribution from Reserve				0.0	n/a		
Sundry Revenues				0.0	n/a		
TOTAL REVENUE	3,827.7	4,248.3	4,757.3	929.6	24.3%	5,087.9	5,376.8
TOTAL NET EXPENDITURES	76,341.4	75,741.4	82,675.9	6,334.5	8.3%	91,744.9	97,434.2
APPROVED POSITIONS	462.0	462.0	530.0	68.0	14.7%	592.0	622.0

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name (In $000s)	Reserve / Reserve Fund Number	Balance as of December 2009	Proposed Withdrawals (-) / Contributions (+)		
			2010	2011	2012
		$	$	$	$
TTC Stabilization Reserve Fund	XQ1056	24,666.4			
Total Reserve / Reserve Fund Draws / Contributions		**24,666.4**	**0.0**	**0.0**	**0.0**