City Budget 2012

Toronto Transit Commission Operating Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Operating Budget pays the day-to-day operating costs for City services.

2012 Operating Budget

2012 OPERATING BUDGET ANALYST BRIEFING NOTES
BUDGET COMMITTEE NOVEMBER 28, 2011

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PART I: RECOMMENDATIONS

2012 Recommended Operating Budget
Toronto Transit Commission – Conventional Service
(In $000s)

	2011		2012 Recommended Operating Budget			Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget		FY Incremental Outlook	
	2011 Appvd. Budget	2011 Projected Actual	2012 Rec. Base	2012 Rec. New/Enhanced	2012 Rec. Budget			2013	2014
(In $000s)	$	$	$	$	$	$	%	$	$
GROSS EXP.	1,435,892.1	1,446,904.0	1,440,847.5	0.0	1,440,847.5	4,955.4	0.3	65,452.5	89,000.0
REVENUE	1,006,781.4	1,020,231.0	1,036,338.5	408.0	1,036,746.5	29,965.1	3.0	17,353.5	15,500.0
NET EXP.	429,110.7	426,673.0	404,509.0	(408.0)	404,101.0	(25,009.7)	(5.8)	48,099.0	73,500.0
Approved Positions	10,706.0	10,706.0	10,513.0	0.0	10,513.0	(193.0)	(1.8)	0.0	0.0

Target Comparison	10% Reduction Target*	2012 Rec.'d Reduction	2012 10% Reduction vs. 2012 Rec'd Reduction	Target %
2012 Reductions	(85,473.4)	(64,408.0)	**(21,065.4)**	**7.5%**

*The 2012 reduction target totals $85.5 million and is comprised of $46.1 million, which represents the 10% reduction, as well as $39.4 million, which represents the estimated 2012 increase in costs from the 2011 budget.

2012 Recommended Operating Budget
Toronto Transit Commission – Wheel-Trans
(In $000s)

	2011		2012 Recommended Operating Budget			Change - 2012 Recommended Operating Budget v. 2011 Appvd. Budget		FY Incremental Outlook	
	2011 Appvd. Budget	2011 Projected Actual	2012 Rec. Base	2012 Rec. New/Enhanced	2012 Rec. Budget			2013	2014
(In $000s)	$	$	$	$	$	$	%	$	$
GROSS EXP.	96,622.4	95,492.5	95,206.7	0.0	95,206.7	(1,415.7)	(1.5)	(179.9)	8,808.4
REVENUE	5,610.9	5,214.6	5,324.6	0.0	5,324.6	(286.3)	(5.1)	(137.2)	498.0
NET EXP.	91,011.5	90,277.9	89,882.1	0.0	89,882.1	(1,129.4)	(1.2)	(42.7)	8,310.4
Approved Positions	532.0	529.0	529.0	0.0	529.0	(3.0)	(0.6)	0.0	0.0

Target Comparison	10% Reduction Target*	2012 Rec.'d Reduction	2012 10% Reduction vs. 2012 Rec'd Reduction	Target %
2012 Reductions	(16,001.2)	(8,000.0)	**(8,001.2)**	**5.0%**

*The 2012 reduction target totals $16.0 million and is comprised of $9.1 million, which represents the 10% reduction, as well as $6.9 million, which represents the estimated 2012 increase in costs from the 2011 budget.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. City Council approve the 2012 Recommended Operating Budget for Toronto Transit Commission Conventional Service of $1.441 billion gross and $404.101 million net, comprised of the following service:

Service(s)	Gross ($000s)	Net ($000s)
Conventional Service	1,440,847.5	404,101.0
Total Program Budget	1,440,847.5	404,101.0

2. the Chief General Manager of the Toronto Transit Commission and the City Manager 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-1990s.

3. the Chief General Manager of the Toronto Transit Commission report back to Budget Committee by its final wrap-up meeting of January 9, 2012 with options to reduce the TTC Conventional operating budget by a further $21.065 million, such as a $0.10 fare increase or additional reductions to service.

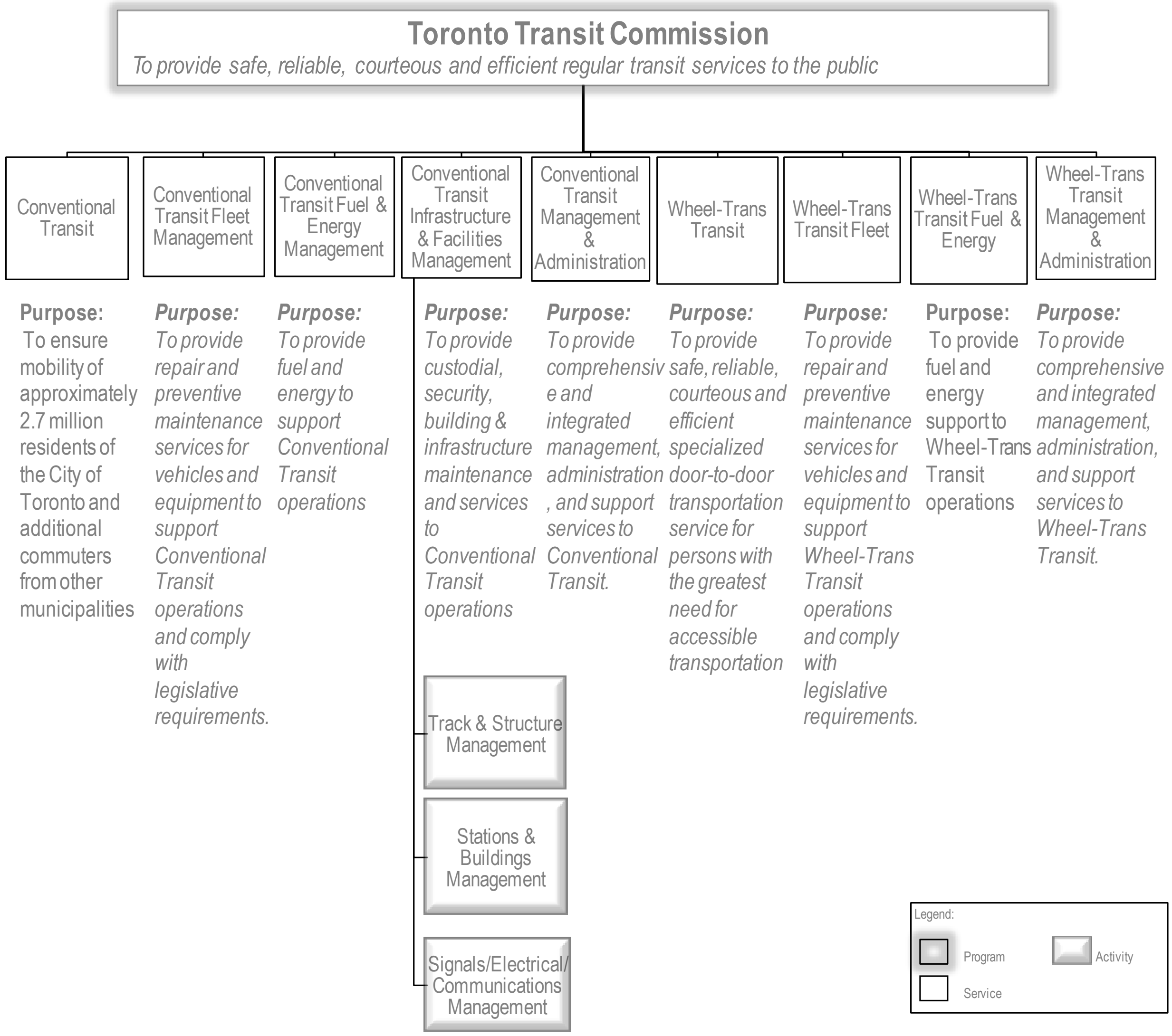
4. City Council approve the 2012 Recommended Operating Budget for Wheel-Trans of $95.207 million gross and $89.882 million net, comprised of the following service:

Service(s)	Gross ($000s)	Net ($000s)
Wheel-Trans	95,206.7	89,882.1
Total Program Budget	95,206.7	89,882.1

5. the Chief General Manager of the Toronto Transit Commission report back to the Budget Committee by its final wrap-up meeting of January 9, 2012 with options to reduce the Wheel-Trans operating budget by a further $8.001 million, such as a $0.10 fare increase or additional reductions to service.

PART II: 2012 SERVICE OVERVIEW AND PLAN

Program Map and Service Profiles



Conventional Transit
- Transit Rider
- Businesses
- Employers
- Neighbouring Municipalities
- All individuals in the City of Toronto

Conventional Transit Fleet Management
- TTC Conventional Transit
- Transit Rider

Conventional Transit Infrastructure &Facilities Management
- TTC Conventional Transit
- Transit Riders

Conventional Transit Management & Administration
- Conventional Transit
- Conventional Transit Fleet Management
- Conventional Transit Fuel & Energy Management
- Conventional Transit Infrastructure & Facilities Management
- Transit Rider

Wheel-Trans Transit
- Wheel-Trans Transit Rider
- Businesses
- Employers
- Neighbouring Municipalities
- All individuals in the City of Toronto

Wheel-Trans Transit Fleet
- TTC Wheel-TransTransit

Conventional Transit Fuel & Energy Management
- TTC Conventional Transit
- Transit Rider

Wheel-Trans Transit Fuel & Energy
- Wheel-Trans Transit

Wheel-Trans Management & Administration
- Wheel-Trans Transit
- Wheel Transit Fleet Management
- Wheel Transit Fuel & Energy Management

2012 Recommended Service Levels

The Toronto Transit Commission's 2012 Service Types are detailed in the chart below:

Service	Activity	Type	Sub-Type
Conventional Transit			
		Bus Service	
		Rail Service	Subway
			Streetcar
			Scarborough Rapid Transit (SRT)
		Streetcar Charter	
Conventional Transit Fleet Management	Conventional Fleet Acquisition	Buses	
		Streetcars	
		Subway Cars	
		Light Rail	
		Railyard Equipment	
		Non-Revenue Light Duty Vehicles	
	Conventional Fleet Maintenance	Buses	
		Streetcars	
		Subway Cars	
		Light Rail	
		Railyard Equipment	
		Non-Revenue Light Duty Vehicles	
	Conventional Fleet Disposal	Buses	
		Streetcars	
		Subway Cars	
		Light Rail	
		Railyard Equipment	
		Non-Revenue Light Duty Vehicles	
	TTC Driver & Operator Safety		
Conventional Transit Fuel& Energy Management	Conventional Fuel & Energy Acquisition	Natural Gas	
		Diesel	
		Gasoline	
		Hydro	
	Conventional Fuel & Energy Distribution	Natural Gas	
		Diesel	
		Gasoline	
	Track & Structure Management	Tunnels	
		Bridges	
		Rail	
		Right-of way	
	Stations & Stops Management	Custodial Care	
		Safety & Security	
		Facilities Maintenance	
	Signals/Electrical/ Communications	Signals	
		Switches	
Conventional Transit Management & Administration		CGM	
		Corporate Communications	
		Human Resources	
		Human Rights & Internal Audit	
		Finance	
		ITS	
		Marketing & Customer Service	
		Materials & Procurement	
		Legal & Claims	
		Pension Fund Society	
		Property Development	
		Revenue Operations	
		Safety and Non-Departmental	

The Toronto Transit Commission has approved the following service objectives for its Conventional Service in 2012:

Maintain most of existing service standards:

- The TTC will maintain existing service standards for most service, including rapid transit and peak period streetcars, while accommodating ridership of 503 million riders in 2012 even with slower surface vehicle speeds caused by road congestion and construction.

Enhance Customer Service:

- The TTC is committed to enhancing its customer service. This will be accomplished through two new initiatives in 2012 including the implementation of the Customer Liaison Panel and a series of regular town hall meetings. The former is a customer-focused committee that will be made up of Commissioners, TTC staff and customers. The latter will be designed to hear from TTC customers about their experiences, concerns and suggestions for improvement.

The TTC has established the following service objectives for its Wheel-Trans service in 2012:

Maintain 2011 service levels, excluding ineligible dialysis trips:

- Wheel-Trans will maintain current service levels by implementing a relatively 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.

Make use of technology to improve productivity:

- Wheel-Trans productivity per vehicle will increase as a result of the implementation of a new scheduling system and the use of vehicle tracking using automatic vehicle location technology.

2012 Service Deliverables

TTC Conventional Service

The 2012 Recommended Operating Budget of $1.441 billion gross and $404.101 million for the TTC provides funding for its conventional service to:

- Provide transit service to 503 million riders representing a 6 million or 1.2% increase over 2011.
- Provide 226.4 million kilometers, an increase of 0.2% and 8.3 million hours of service, unchanged from 2011.
- Run most TTC service from 6 am until 1 am from Monday to Friday.
- Maintain the Next Vehicle Arrival System text messaging service for all surface vehicles.
- Reduce the absenteeism rate across the organization.

Wheel-Trans

The 2012 Recommended Operating Budget of $95.207 million gross and $89.882 million net for Wheel-Trans provides funding to:

- Manage receipt of the 73 new accessible buses that are being delivered in 2012.
- Carry 55,300 fewer passengers, decreasing from 2.951 million in 2011 to 2.896 million in 2012, including 1,202,200 bus trips, 100,000 community bus trips, 1,165,000 trips by accessible taxi and 428,900 sedan taxi trips.
- Manage a registrant base that will grow to 43,000.
- Maintain an unaccommodated rate of 2%.

PART III: RECOMMENDED BASE BUDGET

2012 Recommended Base Budget
TTC Conventional Service
(In $000s)

(In $000s)	2011 Appvd. Budget	2012 Recommended Base	Change 2012 Recommended Base v. 2011 Appvd. Budget		FY Incremental Outlook	
					2013	2014
	$	$	$	%	$	$
GROSS EXP.	1,435,892.1	1,440,847.5	4,955.4	0.3	65,452.5	89,000.0
REVENUE	1,006,781.4	1,036,338.5	29,557.1	2.9	17,353.5	15,500.0
NET EXP.	429,110.7	404,509.0	(24,601.7)	(5.7)	48,099.0	73,500.0
Approved Positions	10,706.0	10,513.0	(193.0)	(1.8)	0.0	0.0

Target Comparison	10% Reduction Target*	2012 Rec.'d Reduction	2012 1Rec'd Reduction vs. 2012 10% Reduction Target	Target %
2012 Reductions	(85,473.4)	(64,408.0)	**(21,065.4)**	**7.5%**

*The 2012 reduction target totals $85.5 million and is comprised of $46.1 million, which represents the 10% reduction, as well as $39.4 million, which represents the estimated 2012 increase in costs from the 2011 budget.

2012 Recommended Base Budget

- The 2012 Recommended Base Budget of $404.509 million net includes recommended budget reductions of $64.000 million net or the equivalent of 14.9% of the TTC's 2011 Approved Net Operating Budget, which is $21.473 million or 25.1% less than the TTC's 2012 reduction target of $85.473 million.
  - The recommended budget reductions totaling $64.000 million, above, reduce expenditures in TTC's base budget and does not account for the new recommended Parking Lot fee that will generate additional net revenues of $0.408 million in 2012, which is considered a new/enhanced service/fee.
  - At its June 2011 TTC Commission meeting, the TTC reported a 2012 incremental operating budget pressure of $39.4 million (excluding new/enhanced service priority actions), resulting in a 2012 estimated net operating budget of $468.5 million. These forecasted pressures reflected anticipated key cost drivers, including:

- $31.2 million for increased diesel fuel costs;
- increased costs of $19.3 million for service increases to accommodate ridership growth; and
- $8.6 million for increased benefits costs.

➢ The 2012 forecasted net Operating Budget of $468.5 million forms the foundation from which TTC must reduce costs.

➢ The 2012 budget reduction target for TTC totals $85.5 million and is comprised of $46.1 million, which represents the 10% reduction, as well as $39.4 million, which represents the estimated 2012 increased pressures from the 2011 Approved Operating Budget which are also to be offset.

➢ At its September 2011 TTC Commission meeting, TTC reported reductions of $64.0 million to the 2012 forecasted net Operating Budget of $468.5 million that results in a 2012 Recommended Base Budget of $404.5 million net. These reductions entail base expenditure decreases of $7.0 million, service efficiency savings of $43.0 million and a major service change savings of $14.0 million, such as:

- diesel fuel savings of $15.0 million;
- workforce reduction savings of $14.0 million; and
- net savings of $14.0 million from loading standard adjustments.

- The 2012 Recommended Base Budget of $1.441 billion gross and $404.509 million net represents a $24.602 million or 5.7% decrease from the 2011 Approved Operating Budget of $429.111 million net.
- The 2012 Recommended Operating Budget for the TTC includes a net reduction of 193 permanent positions arising from corporate restructuring and a reversal of Ridership Growth Strategy loading standards while providing service for 503 million riders in 2012. The total TTC Operating Budget staff complement will decrease from 10,706 to 10,513 positions.

  ➢ TTC's total staff complement, including capital positions, will decrease from 12,559 to 12,355 positions, which includes a net reduction of 11 capital positions.

- Approval of the 2012 TTC Operating Budget will reduce the 2011 approved staffing complement as highlighted on page 11.

2012 Recommended Base Budget
Wheel-Trans
(In $000s)

(In $000s)	2011 Appvd. Budget	2012 Recommended Base	Change 2012 Recommended Base v. 2011 Appvd. Budget		FY Incremental Outlook	
					2013	2014
	$	$	$	%	$	$
GROSS EXP.	96,622.4	95,206.7	(1,415.7)	(1.5)	(179.9)	8,808.4
REVENUE	5,610.9	5,324.6	(286.3)	(5.1)	(137.2)	498.0
NET EXP.	91,011.5	89,882.1	(1,129.4)	(1.2)	(42.7)	8,310.4
Approved Positions	532.0	529.0	(3.0)	(0.6)	0.0	0.0

Target Comparison	10% Reduction Target*	2012 Rec.'d Reduction	2012 1Rec'd Reduction vs. 2012 10% Reduction Target	Target %
2012 Reductions	(16,001.2)	(8,000.0)	**(8,001.2)**	**5.0%**

*The 2012 reduction target totals $16.0 million and is comprised of $9.1 million, which represents the 10% reduction, as well as $6.9 million, which represents the estimated 2012 increase in costs from the 2011 budget.

2012 Recommended Base Budget

- The 2012 Recommended Base Budget of $89.882 million net includes recommended reductions of $8.0 million net or the equivalent of 8.8% of the 2011 Approved Net Operating Budget. This is $8.001 million or 50% below the Wheel-Trans' 2012 reduction target of $16.001 million net.
  - At its June 2011 TTC Commission meeting, Wheel-Trans reported a 2012 operating budget pressure of $6.9 million, which resulted in a 2012 forecasted net operating budget of $97.9 million. These pressures included major costs such as $4.5 million for increased contracted taxi services to meet an anticipated 7% growth in demand.
  - The 2012 forecasted net operating budget of $97.9 million forms the foundation from which Wheel-Trans must reduce costs.
  - Wheel-Trans' 2012 reduction target totals $16.0 million and is comprised of $9.1 million, which represents the 10% reduction, as well as $6.9 million, which represents the estimated 2012 increase in costs from the 2011 Approved Operating Budget which are also to be offset.

- At its September 2011 TTC Commission meeting, Wheel-Trans reported reductions of $8.0 million to the 2012 forecasted net operating budget of $97.9 million that result in a 2012 Recommended Base Budget of $89.882 million net. These reductions included major decreases such as:
    - $5.0 million in savings from the elimination of ineligible dialysis trips;
    - diesel fuel savings of $0.659 million; and
    - workforce reduction savings of $0.389 million.

- Recommended service changes of $8.0 million include service efficiency savings of $3.0 million net and a major service level change savings of $5.0 million net.
- The 2012 Recommended Base Budget of $95.207 million gross and $89.882 million net represents a $1.130 million or 1.2% decrease from the 2011 Approved Operating Budget of $91.012 million net and will maintain an unaccommodated rate of 2%.
- The 2012 Recommended Operating Budget for Wheel-Trans includes a reduction of 3 vacant positions. The total Wheel-Trans Operating Budget staff complement will decrease by 3 to 529 approved positions.
    - Wheel-Trans' total staff complement, including capital positions, will decrease from 540 to 537 positions.
- Approval of the 2012 Wheel-Trans Operating Budget will reduce the 2011 approved staffing complement as highlighted below:

2012 Recommended Staff Complement - Base Budget Summary

Changes	TTC Staff Complement	Wheel-Trans Staff Complement
2011 Approved Positions	10,706.0	532.0
- 2011 In-year Adjustments		
2011 Approved Staff Complement	**10,706.0**	**532.0**
2012 Recommended Staff Complement Changes		
- 2012 Base Budget Changes	128.0	
- 2012 Service Changes	(321.0)	(3.0)
Total Recommended Positions	**10,513.0**	**529.0**

2012 Recommended Service Change Summary
TTC Conventional Service
(In $000s)

Description	2012 Recommended Service Changes				Net Incremental Impact			
	Position Changes	Gross Expense	Net Expense	% of 2012 Budget Reduction Target	2013		2014	
	#	$	$	%	$	# Pos.	$	# Pos.
Base Changes:								
Base Expenditure Changes								
Legal Expense Savings, Capitalization of Overhead, Maintenance Efficiencies etc.		(5,000.0)	(5,000.0)	(1.2%)				
Reduce Non Labour Expenses		(2,000.0)	(2,000.0)	(0.5%)				
Base Expenditure Changes		(7,000.0)	(7,000.0)	(1.6%)				
Sub-Total Base Budget Changes		(7,000.0)	(7,000.0)	(1.6%)				
Service Efficiencies								
Diesel Fuel Savings		(15,000.0)	(15,000.0)	(3.5%)				
Advertising Revenue Increase			(5,000.0)	(1.2%)				
Workforce Reductions	(150.0)	(14,000.0)	(14,000.0)	(3.3%)	(2,000.0)			
Reductions in Absenteeism and Overtime Requirements		(5,000.0)	(5,000.0)	(1.2%)				
Benefits Expense Reduction		(2,000.0)	(2,000.0)	(0.5%)				
Increased Workforce Gapping		(2,000.0)	(2,000.0)	(0.5%)				
Sub-Total Service Efficiencies	(150.0)	(38,000.0)	(43,000.0)	(10.0%)	(2,000.0)			
Revenue Adjustments:								
Parking Lot Fee after 3pm			(408.0)	(0.1%)				
Sub-Total Revenue Adjustments			(408.0)	(0.1%)				
Major Service Impact:								
Core Service Review - Reverse RGS Peak/Off-peak Load Standard Improvements	(171.0)	(21,200.0)	(14,000.0)	(3.3%)				
Sub-Total Major Service Impacts	(171.0)	(21,200.0)	(14,000.0)	(3.3%)				
Total Service Changes	**(321.0)**	**(66,200.0)**	**(64,408.0)**	**(15.0%)**	**(2,000.0)**			

2012 Recommended Service Changes

Base Expenditure Changes

Base Budget Reductions

- The 2012 Recommended Operating Budget for the TTC Conventional Service includes base budget expenditure reductions resulting in a gross expenditure savings of $7.000 million in the 2012 Recommended Operating Budget arising from:
  - Adjusted forecast of 2012 legal cost requirements ($2.1 million)
  - Recovering overhead costs from applicable capital projects, where appropriate ($1.9 million)

- Non-labour spending reduction for promotional campaigns/activities, contracted security services and supplies ($2.0 million)

Service Efficiencies

Diesel Fuel Price Savings

- Purchases of diesel fuel at spot market prices (daily price offered) are forecasted to be below the original 2012 budgeted rate of $1.35 per litre. The budget has been adjusted to $1.21 per litre which is reflective of the current market and includes a detergent additive for the hybrid bus fleet, generating savings of $15.0 million. TTC included a budget pressure for 2012 of $31.2 million, which is partially offset by this reduction.

Workforce Reductions

- A reduction of 150 approved positions, effective February 1, 2012, is recommended. This efficiency measure results in the reduction of management, professional, supervisory and clerical positions via department-wide restructuring that will use the involuntary separation program for implementation. This measure will achieve a savings of $14.0 million in 2012 and additional savings of $2.0 million in 2013.

Reduction in Absenteeism and Overtime Requirements

- The TTC's Attendance Management Strategy identifies non-compliance with TTC's At Work program and policies and takes disciplinary action when necessary. TTC's current average number of absent days per employee (both unionized and non-unionized) is about 14. TTC will target a lower average number of absent days per employee and this efficiency measure will save $5.0 million in 2012.

Advertising Revenues

- It is anticipated that a new advertising contract will provide $5.0 million of additional advertising revenues per year. The current multi-year advertising contract expires at the end of 2011 and has provided the TTC with approximately $20 million in revenue in 2011. The new multi-year advertising contract that takes effect January 1, 2012, will provide $25.2 million in revenue in 2012.

Benefits Expense Reduction

- TTC's original 2012 benefits cost estimates totaled $8.6 million. TTC anticipates a reduction of $2.0 million from the original estimate arising from a review of actual 2011 experiences and 2012 projected requirements.

Increased Workforce Gapping

- TTC will delay hiring of non-operator positions to achieve a savings of $2.0 million in 2012. Based on recent workforce gapping levels, additional savings, beyond those already incorporated into the preliminary budget, are recommended.

Revenue Adjustments

Proposed New Parking Lot Fee after 3PM

- This new fee proposal is considered under new/enhanced services/fees and is described under that section further below.

Major Service Impacts

Reverse Ridership Growth Strategy (RGS) Peak/Off-peak Load Standard Improvements

- Effective January 1, 2012, TTC will be reversing service improvements implemented by the Ridership Growth Strategy to surface vehicles, causing more crowding and offering less-frequent service on approximately 50 routes during peak periods and 60 routes during off-peak periods. During peak periods, the crowding standards for buses will be increased by approximately 10 percent. At off-peak times, the crowding standards for bus and streetcar routes will be increased for frequent service by about 25 percent.
  - Currently, the average number of customers per bus during peak periods is 49 and during off-peak periods is 36. For streetcars during off-peak periods the average is 51.5.
  - The average number of customers per bus during peak periods will be 54 and during off-peak periods will be 45.5. For streetcars during off-peak periods the average will be 64.5.
  - The recommended changes are detailed in the chart below:

TTC Vehicle Crowding Standards:

Targeted average number of customers per vehicle during the busiest 60 minutes

New 2012 Standards **[shown in bold]** compared to current more-comfortable "RGS" Standards [shown as ( )]

	Peak Periods		Off-Peak Periods		
			Service less frequent than once every 10 minutes	Service once every 10 minutes or more frequent	
	New	Old	**New**	**New**	Old
Buses					
Orion VII 12-metre low-floor bus (38 seats)	**55**	(50)	**38**	**48**	(38)
Orion VII 12-metre low-floor bus (36 seats)	**53**	(48)	**36**	**45**	(36)
New Flyer D40LF 12-metre bus	**52**	(47)	**35**	**44**	(35)
High-floor lift-equipped 12-metre bus	**57**	(51)	**36**	**45**	(36)
Streetcars					
Standard 15-metre streetcar (CLRV)	**74**		**42**	**53**	(42)
Articulated 23-metre streetcar (ALRV)	**108**		**61**	**76**	(61)
Rapid Transit					
Train (6 cars, H- or T- series)	**1,000**			**500**	
Train (6 cars, TR-series)[1]	**1,080**			**540**	
Train (4 cars, T-series)	**670**			**330**	
Train (4 cars, S-series)	**220**			**130**	

[1] Subject to confirmation after more in-service experience

- It is forecasted that this service change will result in a ridership and revenue loss of 3.7 million passengers and $7.2 million respectively. This initiative will allow the existing network to be maintained in full by not eliminating routes or reducing hours of operation. This initiative will achieve a 2012 gross expenditure savings of $21.2 million and a net savings of $14.0 million arising from the reduction of 171 permanent positions that will be achieved through attrition.

- This recommended service change is consistent with the findings of the Core Service Review:

  - "Consider rolling back some of the service improvements implemented under the Ridership Growth Strategy, including changes to the crowding standard."

2012 Recommended Service Change Summary
Wheel-Trans
(In $000s)

Description	2012 Recommended Service Changes				Net Incremental Impact			
	Position Changes	Gross Expense	Net Expense	% of 2012 Budget Reduction Target	2013		2014	
	#	$	$	%	$	# Pos.	$	# Pos.
Service Efficiencies								
Diesel Fuel Price Savings		(659.0)	(659.0)	(0.7%)				
Reduction of 3 Positions	(3.0)	(389.0)	(389.0)	(0.4%)				
Maintenance Efficiencies		(1,952.0)	(1,952.0)	(2.1%)				
Sub-Total Service Efficiencies	(3.0)	(3,000.0)	(3,000.0)	(3.3%)				
Major Service Impact:								
Core Service Review - Elimination of Dialysis Trips		(5,000.0)	(5,000.0)	(5.5%)				
Sub-Total Major Service Impacts		(5,000.0)	(5,000.0)	(5.5%)				
Total Service Changes	**(3.0)**	**(8,000.0)**	**(8,000.0)**	**(8.8%)**				

2012 Recommended Service Changes

Service Efficiencies

Diesel Fuel Price Savings, Reduction of 3 Positions and Maintenance Efficiencies

- Wheel-Trans will achieve diesel fuel price savings of $0.659 million and reduce 3 vacant positions for a savings of $0.389 million. A new trip scheduling system will improve routing and productivity and the new bus fleet will improve reliability and reduce maintenance costs generating an additional savings of approximately $2.0 million.

Major Service Impacts

Elimination of Dialysis Trips

- Currently, Wheel-Trans provides service to approximately 800 ambulatory dialysis customers (who do not require accessible transportation) that take an average of six trips per week or 250,000 trips per year at a cost of $5 million.
- The exemption from Wheel-Trans eligibility criteria afforded to ambulatory dialysis patients will be discontinued beginning January 1, 2012, in order to preserve service for riders who meet the eligibility criteria. This recommendation is supported by the Advisory Committee on Accessible Transportation (ACAT). Wheel-Trans staff will continue to explore potential Provincial funding sources to cover the cost of these trips. A 2012 savings of $5 million will result from this service change.

- This recommended service change is consistent with the findings of the Core Service Review, namely:
  - "Review eligibility criteria for Wheel Trans participants to make it stricter, thereby lowering total demand."

2013 and 2014 Outlook:

TTC Conventional

- Approval of the 2012 Recommended Operating Budget for TTC will result in estimated incremental net pressures of $48.099 million in 2013 and $73.500 million in 2014.
  - Incremental gross expenditures of $65.453 million in 2013 and $89.000 million in 2014 are projected for TTC primarily as a result of service adjustments to maintain service standards and to meet the ridership forecast of 515 million in 2013 and 526 million in 2014, inflationary increases for energy and other costs, increased maintenance costs associated with the new fleet and actual or anticipated contractual commitments.
  - These costs will be somewhat offset by $17.354 million in 2013 and $15.500 million in 2014, in revenues to be generated from transit fares based on the forecasted increase in ridership.

Wheel-Trans

- Approval of the 2012 Recommended Operating Budget for Wheel-Trans will result in estimated incremental net reduction of ($0.043) million in 2013 and increased costs of $8.310 million in 2014.
  - Reduced gross expenditures of $0.180 million in 2013 and increased expenditures of $8.808 million in 2014 are projected for Wheel-Trans.
  - As a result of ambulatory dialysis customers no longer being transported by Wheel-Trans, 800 customers who account for approximately 250,000 trips annually will no longer be accommodated. This will slightly reduce the rate of registrant growth from the normal level of 11% to 9% in 2013; however, will grow to 10% in 2014 with the changes that result from the AODA legislation. The registration base for 2012 will grow to 43,000 and continue to grow to 47,800 in 2013 and 52,500 in 2014. This change will also reduce the annual average trips per customer from 71 to 66.
  - Also contributing to lower costs in 2012, Wheel-Trans staff will initiate a project to integrate customers into the conventional transit system and expect to divert approximately 20,000 trips. This will continue to grow with approximately 140,000 trips in 2013 and 147,000 trips in 2014 diverted to conventional transit. This project

will benefit Wheel-Trans in managing the demand for service as the major changes resulting from AODA take effect in 2014.

- The unaccommodated rate will remain at 2% for 2012 and 2013, however in 2014 the changes in legislation requires that all trips requested three hours prior to the closing of the booking office must be accommodated. This will result in a substantial increase in demand combined with a lowering of the unaccommodated rate to 0.5%
- All of these changes will result in a 3.4% decrease in demand for service in 2013 from 2,857,000 trips to 2,759,300 trips with an increase of 11.1% in 2014 to 3,065,500 trips.
- During 2012, the scheduling system and vehicle tracking system will be integrated improving productivity. In 2013 the full year impact will be realized boosting bus productivity from 2.37pph to 2.42pph or the ability to carry approximately 25,000 trips with the same resources. In 2014 it is expected that productivity gains will be offset by increasing congestion with productivity remaining at 2.42pph.

PART IV: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2012 Recommended New/Enhanced Service Priority Actions
(In $000s)

TTC Conventional Service

Description	2012 Recommended			Net Incremental Impact			
				2013		2014	
	Gross Exp.	Net Exp.	New Position				
	$	$	#	$	# Pos	$	# Pos
New Services:							
(a) New Fees							
Parking Lot Fee after 3pm		(408.0)					
Sub-Total New Services		**(408.0)**					
Total Enhanced/New Services		**(408.0)**					

2012 Recommended New/Enhanced Service Priority Actions

New Fees

Parking Lot Fee After 3 P.M.

- The TTC operates 30 commuter parking lots, with a total capacity of approximately 14,000 spaces. Currently, eight lots charge for parking during the hours of 5:00 a.m. to 2:00 a.m. and the other 20 lots do not charge after 3:00 p.m. Two lots (Yorkdale and Don Mills) are an exception as they provide free shopping mall parking after 9:30 a.m.
- The TTC will implement the charging of a $2.00 fee after 3:00 p.m., Monday to Friday (excluding weekends and statutory holidays), effective January 1, 2012 at the 20 lots that currently do not charge after 3:00 p.m.
- This new fee will generate an additional $0.948 million in revenue; however the net revenue has been adjusted downward by $0.540 million to $0.408 million to account for a projected loss in ridership usage.

PART V: ISSUES FOR DISCUSSION

2012 and Future Year Issues

2012 Issues

TTC Conventional

Reduction Target

- The 2012 Recommended Operating Budget includes budget reductions totaling $64.4 million, achieving 7.5% of the reduction target set for TTC. TTC's target totals $85.5 million and is comprised of $46.1 million, which represents the 10% reduction, as well as $39.4 million, which represents the estimated 2012 budget pressure to be offset. As well, Wheel-Trans' 2012 Recommended Operating Budget includes budget reductions totaling $8.0 million, achieving 5.0% of its reduction target. Wheel-Trans' target totals $16.0 million and is comprised of $9.1 million, which represents the 10% reduction, as well as $6.9 million, which represents the estimated 2012 increase in costs from the 2011 Approved Operating Budget. Together, TTC and Wheel-Trans are short of the reduction targets by $29.1 million.
- TTC has presented other reduction options to the TTC Commission at its meeting of September 16, 2011. They include:
  - ➢ A standard 10 cent fare increase, effective January 1, 2012, that could be applied to adult token fares and a pro-rata increase added to all other fare media, noting that all January passes would be sold at the new rates. On an annual basis, this would generate approximately $30 million in additional revenue.

    and
  - ➢ The elimination of certain time periods of operation on poor performing routes similar to the route changes that took effect in May 2011. Approximately 325 time periods of service would be eliminated on approximately 80 routes. Approximately 6.2 million annual passenger-trips would lose the services they now use. This change would affect customers using the least busy off-peak routes and would result in a net operating budget savings of $20.9 million per year. Along with the route changes, TTC would have to find an additional $8.2 million to fund the remaining shortfall as Wheel-Trans cannot absorb any further reductions.
- TTC staff advise that if a 10 cent fare increase is not implemented each year, additional funding required from the City would grow from the current $21 million shortfall in 2012 to $207 million by 2015 given anticipated cost and ridership demand increase. With a

standard 10 cent fare increase each year, the additional City funding required is estimated at $26 million in 2014 and $46 million in 2015.

- City staff support a 10 cent fare increase in 2012 in order to achieve a balanced budget and a 10 cent fare increase has been incorporated in the 2012 Recommended Operating Budget for the City.
- City staff also recommend a multi-year fare strategy that supports increased costs to service a growing ridership.
- It is recommended that the TTC report back to Budget Committee no later than its final wrap-up meeting of January 9, 2012 with the recommended adjustments to meet the combined reduction targets for TTC and Wheel-Trans.

Ridership and Revenue

- Actual TTC ridership in 2011 is projected to be 497 million, representing a 20 million rider increase over the 2010 actual ridership, and a 10 million rider increase from the 2011 budgeted ridership of 487 million riders. Although the economic environment remains uncertain and there is the potential for a 10 cent fare increase, TTC is expecting ridership growth in 2012.
- TTC is confident in their ridership projections. As in 2010, ridership grew despite an economic recession and a 25 cent fare increase. The TTC's 2012 Recommended Operating Budget forecasts an increase of 6 million riders from the 2011 projected actual and a 16 million rider increase from the 2011 budget for a total of 503 million riders in 2012. If a 10 cent fare increase is recommended, TTC projects ridership to be 502 million in 2012.
- The TTC's 2012 Recommended Operating Budget reflects a revenue increase from 2011 of $29.965 million due to the following factors:
  - Farebox revenues are expected to increase by $22.350 million based on ridership growth, the current fare structure and mix as well as the recommended change in loading standards.
  - Advertising revenue will increase by $5 million due to the award of a new advertising contract.
  - Commuter parking revenue will increase by $1.676 million due to increased usage of parking lots by additional riders as well as a new fee for parking at certain lots after 3:00 p.m., and
  - Other revenue will increase by $0.939 million, including rent and revenue from services provided to municipalities outside Toronto.

Collective Bargaining Settlement Funding

- The current collective bargaining agreement between TTC and its unions expired March 31, 2011. A new agreement has yet to be finalized and therefore the budget impact of a new collective bargaining agreement is not yet known. Given this fact, provisions for the imminent CBA are not included in TTC's 2012 Recommended Operating Budget and would constitute an additional budget pressure for 2012 and 2013, based on a three year contract that would be effective April 1, 2011.

Pension Solvency Funding

- The Toronto Transit Commission Pension Fund Society (TTCPFS) had been subject to the solvency provisions of the Ontario Pension Benefits Act (PBA). The potential impact to 2012 and beyond for a decade had been estimated at approximately $45 million per year in increased funding for the TTC to ensure provisions were available in the event that the pension program was wound up. The City's 2012 Outlook pressure of $774 million included an estimated $42 million for the cost.
- TTC has lobbied the Provincial government for years to obtain a pension solvency funding exemption. Following the Province granting that exemption to the five JSPPs (Jointly Sponsored Pension Plans), which included OMERS, the TTCPFS took steps to change its status to a JSPP earlier this year. Following that, the Province recognized the TTCPFS as a JSPP and extended the same pension solvency funding relief to it. This removed the potential $45 million plus pension solvency payments that the TTC would otherwise have had to start making beginning in 2012.

Vehicle Crowding Standards

- Since the 1970s, the TTC has used Commission-approved Vehicle Crowding Standards to determine the amount of service and, therefore, capacity to be provided on each of its routes and services. These standards have evolved over many years of testing, and they allow the TTC to strike the best possible balance between the need to operate efficient and cost-effective services and the need to provide customers with a reasonable level of comfort when they are travelling on TTC services.
- The Vehicle Crowding Standards are calculated based on the number of seats in any particular type of vehicle, supplemented by an allocation of a certain percentage of the standing area in that vehicle for customers standing.
- The standards are intended to represent the average number of customers on a vehicle, at the busiest point on the route, during the busiest hour of operation. For customers, the standards are intended to achieve three objectives:
  1. to provide a reasonable level of comfort by not having an undue level of crowding on the vehicle;

2. to ensure that customers can move with reasonable ease to/from the vehicle's doors; and
3. to reserve an amount of standing space to accommodate a "surge" of passengers such as when a theatre lets out or when a shopping mall closes.

- There has been a consistent pattern that, when the average number of customers per vehicle on any route exceeds the applicable standards, the number of crowding complaints increases markedly, indicating that the standards achieve the intended balance between cost-effectiveness and comfort.
- As part of the TTC's Ridership Growth Strategy, the vehicle crowding standards were made more comfortable (less crowded) in order to make TTC services more attractive. These lower crowding standards were implemented in 2004-2005, for off-peak services only, on bus and streetcar routes, and in 2008, for peak services on bus routes (lower peak standards on streetcars were not possible due to a shortage of streetcars). The standards resulted in increased service on busy routes, a more-comfortable environment for customers, and shorter waiting times, all of which attracted more people to TTC services.
- In response to the financial challenges being experienced by the City of Toronto and the TTC, the vehicle crowding standards are being returned to their previous higher crowding standards, effective January 2012.
  - During peak periods, the crowding standards for buses will be increased by approximately 10 percent.
  - At off-peak times, the crowding standards for bus and streetcar routes will be increased for frequent service by about 25 percent.

Voluntary/Involuntary Separation Program

- In order to reduce TTC's headcount, restructure the organization and implement efficiencies, the TTC is instituting a Voluntary Separation Program (VSP), similar to the City's VSP program as well as an involuntary separation initiative for certain employees. The results of the programs will not be final until January 2012.
- TTC will assess the VSP positions in order to realize opportunities for matching staff that are involuntarily separated reducing the magnitude of separation payouts.
- TTC projects that $10.0 million will be required for separation payouts and will be funded by the 2011 surplus generated mostly from increased ridership revenue. The Workforce Reductions will realize a savings of $14.0 million.

Contracting Out Opportunities

- TTC is currently reviewing many services within the organization for possible alternative delivery opportunities. These services include station services, building services, print and signage shops, bus servicing lines, non-revenue vehicle maintenance and miscellaneous trades (sheet metal, blacksmith, welding, upholstery and woodworking).

- TTC unions have been notified of this initiative and work is underway to assess these opportunities including preparation for the competitive tendering of this work. It is estimated that these opportunities will not be realized until sometime in 2013.

Core Service Review Approvals

- At its meeting of September 26 and 27, 2011 City Council approved the report 'Core Service Review – Final Report to Executive Committee' from the City Manager. The City Manager was directed to review efficiency related opportunities for various program areas to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budgets.
- The following reviews were recommended for TTC Conventional:
  - ➢ Consider rolling back some of the service improvements implemented under the Ridership Growth Strategy, including changes to the crowding standard. Also consider reducing/eliminating the Blue Night Network or making it a premium service by raising fares.
  - ➢ Review service levels of support activities to conventional transit.
  - ➢ Consider use of more external suppliers for aspects of facility and vehicle maintenance.
- While Council received the recommendation "Consider rolling back some of the service improvements implemented under the Ridership Growth Strategy, including changes to the crowding standard. Also consider reducing/eliminating the Blue Night Network or making it a premium service by raising fares," the TTC Commission has recommended the service change involving the reversal of Ridership Growth Strategy peak/off-peak loading standard improvements, which will save $14 million and reduce 171 positions and has been incorporated into TTC's 2012 Recommended Operating Budget. The TTC Commission has not recommended the elimination of the Blue Night Network or the increasing of fares for this service.
- Other Core Service Review recommendations, as noted above, are currently being considered by the TTC but will not be implemented or finalized until sometime during 2012. The reduction from contracting out is not finalized nor reflected in the 2012 Recommended Operating Budget. This initiative is discussed above in the section "Contracting Out Opportunities."

- The following reviews were recommended for Wheel-Trans:
  - With conventional transit becoming significantly more accessible, the role and service levels should be continuously reviewed. Consider potentially developing individual plans for riders to use conventional services for their needs, relying less on Wheel-Trans.
- While Council received the recommendation "With conventional transit becoming significantly more accessible, the role and service levels should be continuously reviewed. Consider potentially developing individual plans for riders to use conventional services for their needs, relying less on Wheel-Trans," the TTC Commission has recommended the service change involving the elimination of dialysis trips, which will save $5 million and has been incorporated into Wheel-Trans' 2012 Recommended Operating Budget.

Service Efficiency Study

- At its meeting of April 12, 2011, City Council approved the report from the City Manager titled 'Service Review Program, 2012 Budget Process ad Multi-Year Financial Planning Process,' dated March 8, 2011. The report directed that, in addition to other reviews, a service efficiency review be undertaken for TTC and Wheel-Trans. The service efficiency review is pending. The City Manager will report to Standing Committee and/or City Council or through the City's operating budget processes.
- Through the Service Efficiency Study, the City is looking for ways to improve the business model used by the TTC and Wheel-Trans that can help maximize the savings that can be realized from its operation on a sustainable basis.

Stable Provincial Funding

- Funding received from the Provincial government is currently provided on an ad-hoc basis. For 2007 and 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 was no Provincial funding or funding from City reserves allocated to the TTC's 2010 or 2011 Recommended Operating Budget and there is no Provincial funding being utilized in the TTC's 2012 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 City Manager 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-1990s.

Wheel-Trans

Increased Trip Demand

- In June 2011, Wheel-Trans projected a significant increase in demand for service in 2012 by 7% to 3.1 million trips from 2.9 million trips budgeted in 2011. The demand was to be fueled by a 16% increase in active registrants to a total of 52,000. Added service was projected to increase the Wheel-Trans Operating Budget by $4.5 million in 2012.
- In September 2011, the Commission approved the elimination of dialysis trips for those passengers that are not eligible for accessible transportation. This change in Wheel-Trans service will reduce total demand in 2012 by 250,000 passengers to a total projected passenger trips in 2012 of 2.896 million. This represents a decrease in total demand from 2011 of 55,900 passengers and will reduce the increase in service costs to $3.659 million in 2012. Even though total trips are decreasing from 2011, if the dialysis trips are discounted from last year, trip demand is actually increasing. Excluding dialysis trips, trips are estimated at 2.701 million for 2011 and are projected to be 2.896 million in 2012, reflecting an increase of 195,000 trips. 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 for those who require accessible transportation. 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 2011 and the 2012 Recommended Operating Budget maintains the 2% target, which will translate into 57,142 passengers being unaccommodated during 2012 based on a demand of 2.857 million trips (not including non-registered Community Bus trips).
- 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 2012 as its new buses are delivered and the bus fleet is expanded from 125 to 198 vehicles.

Service Ratio

- Wheel-Trans is currently operating at the optimal levels with roughly 60 percent of the delivery of service contracted to accessible taxis or sedan taxis. The other 40 percent of service is delivered by Wheel-Trans buses.
- Wheel-Trans customers use a variety of mobility devices in order to travel within the community. These range from canes and walkers to large wheelchairs and scooters. To accommodate the various types of devices plus an assortment of trip times and distances, Wheel-Trans uses three types of vehicles:
    1. buses,
    2. accessible taxis, and
    3. sedan taxis.
- Each of these vehicles has different capabilities of accommodating customers and their mobility devices. Wheel-Trans' operated buses are capable of carrying all types of mobility devices. Accessible taxis are capable of transporting customers with small wheelchairs and scooters plus ambulatory customers using mobility devices such as canes and walkers. Sedan taxis are used to provide transportation to ambulatory customers using mobility devices such as canes, walkers, and small folding wheelchairs. Many scooters, large wheelchairs, and a few other devices can only be transported on Wheel-Trans buses. By virtue of the large physical dimensions of the devices, they will not fit into accessible taxis.
- In 2012, it is estimated that 283,000 trips or 10% of all trips will require a Wheel-Trans bus based on the nature of their mobility devices. The random nature of the travel patterns and times that these customers travel requires a bus fleet in the order of 130. The capacity of the bus allows it to also accommodate other customers with similar travel patterns at little additional cost.
- An additional 709,000 trips or 25% of requested trips can be accommodated in this manner, increasing the total percentage of customers carried to 35%.
- In addition, Wheel-Trans operates Zone Services which are buses operating in a particular confined geographical area linking up major travel destinations (e.g. hospitals, malls, etc.). These buses are extremely productive and operate at a lower cost per trip than contracted taxi service. In 2012, it is projected that these vehicles will carry 229,000 customers or 8% of the demand, bringing the total to 43% of customers carried on Wheel-Trans buses.

Future Year Issues

Accessibility for Ontarians with Disabilities Act (AODA) Requirements for 2014

- Wheel-Trans will continue to see an increase in demand each year resulting in increased budget pressures. Additionally, Wheel-Trans will be subject to new AODA (Accessibility for Ontarians with Disabilities Act) requirements effective 2014, which will exert more strain on the budget and service delivery. As a result of this legislation, service will be extended to a 24-hour operation, accommodating all trips requested within 3 hours of notice which will decrease the unaccommodated rate to 0.5% from 2% and increase the cost of service.

Issues Referred to the 2012 Operating Budget Process

Core Service Review – KPMG Opportunities Related to Service Efficiencies (Appendix E)

- At its meeting of September 26, 2011 Council approved the report entitled, EX10.1 Core Service Review - Final Report to Executive Committee, and requested the City Manager to review the remaining efficiency related opportunities as set out in Appendix E- KPMG Opportunities Related to Service Efficiencies, to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budget. Listed below are those opportunities for TTC and Wheel-Trans.
  - *For TTC Conventional Services, Council referred the following opportunities:*
    - Consider use of contractors for delivery of some TTC services.
    - Consider use of more external suppliers for aspects of facility and vehicle maintenance.
    - Consider opportunities to integrate administration and back office services with City shared services group.
- As discussed above, TTC is reviewing opportunities for contracting out various operations and this will be considered during the 2013 budget process. With regard to the shared services recommendation, the City will be reviewing opportunities to integrate administrative and back office services with City Shared Services Group, where appropriate.
  - *For Wheel-Trans Services, Council referred the following opportunities:*
    - Involve more private sector operators in the delivery of Wheel-Trans service and seek the proper contractor/city employee ratio.
    - Review eligibility criteria for Wheel-Trans participants to make it stricter, thereby lowering total demand.

- As noted above, the TTC Commission has recommended a change to its Wheel-Trans service that will reduce demand, namely, the proposed elimination of dialysis trips. For 2012, Wheel-Trans staff will also be encouraging 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.

Transfer of Responsibility for Public Transit Safety and Security from the TTC to the Toronto Police Service

- During the 2010 Operating Budget process, City Council approved the following:
  1. the TTC reduce its transit security by 42 positions, inclusive of 31 Special Constable positions, effective September 1, 2010, leaving a total TTC transit security complement of 90 positions.
  2. the TTC wind down its special constable status/authorities within the Investigative Services and System Security Sections and work with TPS in 2010 to determine the appropriate powers and authorities to safely and effectively conduct TTC bylaw and fare enforcement functions within the modified Transit Patrol Section by the end of 2011.
  3. the TTC establish a service level agreement with TPS to ensure TTC transit policing and security requirements are met.
  4. the TTC report back, as part of the 2011 Operating Budget process, on required staffing levels and cost savings expected from these changes in transit security function.
- The TTC agreed to reduce its Special Constable function by 32 positions, while leaving the rest of the Special Constable Service unchanged. In October, 2010, the Toronto Police Services Board (TPSB) approved the TPS assuming responsibility for all transit policing in Toronto. The TPSB also approved the TPS no longer certifying TTC security personnel as special constables.
- It was recommended that the TTC reduce its budgeted complement by 10 to account for the additional Special Constable positions that were not reduced in 2010. The TTC should also report back through the 2011 Operating Budget process on the impact on the TTC's 2011 Operating Budget of the recent TPS decisions on Special Constables and associated cost savings to be expected from changes in the TTC transit security function.
- TTC still did not reduce its budgeted complement by 10 in its 2011 Operating Budget submission as per Council's recommendations and City Council approved the following:
  - Direct the TTC to reduce its transit security by 10 positions by year-end 2011, leaving a total TTC Transit Security Complement of 90 positions effective January 1, 2012, and that an additional $1.200 million in annualized savings that were to be achieved as a

result of Council approved changes to the Special Constables Program be provided for 2012 as part of the 2012 Operating Budget process.

- Direct the TTC to provide additional payroll savings arising from Council approved changes to the roles, responsibilities and transit security functions of the TTC, as part of the 2012 Operating Budget process.

- In 2011, TTC reduced its transit security complement by 10 positions, but its 2011 Operating Budget had not accounted for the associated savings. Savings of $1.150 million have now been incorporated in the 2012 Recommended Operating Budget for this purpose.

Appendix 1

2011 Performance

2011 Key Accomplishments:

In 2011, the Toronto Transit Commission achieved the following:

- ✓ Moved a record ridership of 497 million
- ✓ Service levels provided to the public were at an all time high
- ✓ Continued roll-out of e-alerts, internet trip planner and new vehicle arrivals notification
- ✓ Operated 35 new 40' diesel buses; 11 new Toronto Rockets trains; and 15 new Wheel-Trans buses.

In 2011, Wheel-Trans accomplishments included the following:

- ✓ Accommodated an additional 201,000 passengers
- ✓ Continued to implement technological innovations

2011 Budget Variance Analysis

2011 Budget Variance Review
(In$000s)

(In $000s)	2009 Actuals	2010 Actuals	2011 Approved Budget	2011 Projected Actuals*	2011 Appvd. Budget vs Projected Actuals Variance	
	$	$	$	$	$	%
GROSS EXP.						
TTC Conventional	1,328,740.0	1,374,464.0	1,436,439.6	1,446,904.0	10,464.4	0.7
Wheel-Trans	79,968.9	88,666.7	96,622.4	95,492.5	(1,129.9)	(1.2)
	1,408,708.9	1,463,130.7	1,533,062.0	1,542,396.5	9,334.5	(0.4)
REVENUES						
TTC Conventional	886,407.0	987,500.0	1,007,328.9	1,020,231.0	12,902.1	1.3
Wheel-Trans	4,220.3	5,099.2	5,610.9	5,214.6	(396.3)	(7.1)
	890,627.3	992,599.2	1,012,939.8	1,025,445.6	12,505.8	(5.8)
NET EXP.						
TTC Conventional	442,333.0	386,964.0	429,110.7	426,673.0	(2,437.7)	(0.6)
Wheel-Trans	75,748.6	83,567.5	91,011.5	90,277.9	(733.6)	5.9
	518,081.6	470,531.5	520,122.2	516,950.9	(3,171.3)	5.3
Approved Positions						
TTC Conventional	10,325.0	10,710.0	10,706.0	10,706.0	0.0	0.0
Wheel-Trans	454.0	531.0	532.0	529.0	0.0	0.0
	10,779.0	11,241.0	11,238.0	11,235.0		

* Based on the Third Quarter Operating Budget Variance Report.

2011 Experience

- It is currently projected that the TTC and Wheel-Trans combined net expenditures will be $3.2 million or 0.6% under budget at year-end. This favourable year-end variance reflects a projected TTC ridership level of 497 million riders, compared to the budgeted ridership of 487 million riders.
- As a result, passenger revenue is projected to be $14.7 million higher than budgeted revenues.
- Lower capital expenditures and a reassessment of IT project expenditures previously capitalized have led to a reduction of $6.9 million in depreciation charges.
- Based on a recent actuarial valuation utilizing case reserve and payment data to September 2011, projected 2011 cash payments for accident claims are expected to exceed budget by $5.0 million.
- Increases in salaries and benefits costs are primarily due to the corporate restructuring and staff reductions incorporated into the 2012 TTC Operating Budget. Preliminary estimates for severance costs associated with both the voluntary and involuntary separations are in the order of $10 million.

Appendix 2

2012 Recommended Operating Budget by Expenditure Category and Key Cost Drivers

Program Summary by Expenditure Category
(In $000s)

Category of Expense	2009 Actual	2010 Actual	2011 Budget	2011 Projected Actual	2012 Recommended Budget	2012 Change from 2011 Approved Budget		2013 Outlook	2014 Outlook
	$	$	$	$	$	$	%	$	$
Salaries and Benefits	975,747.0	1,051,229.0	1,054,625.0	1,065,838.0	1,038,454.1	(16,170.9)	(1.5%)		
Materials and Supplies	233,660.0	234,362.0	266,621.3	269,521.0	287,711.4	21,090.1	7.9%		
Equipment	22,937.0	10,752.0	26,400.0	19,500.0	27,137.1	737.1	2.8%		
Services & Rents	41,200.0	42,800.0	48,100.0	48,100.0	48,100.0	0.0	0.0%		
Contributions to Capital									
Contributions to Reserve/Res Funds									
Other Expenditures	55,196.0	35,321.0	36,843.5	40,643.0	36,142.6	(700.9)	(1.9%)		
Interdivisional Charges			3,302.3	3,302.0	3,302.3	-	0.0%		
TOTAL GROSS EXPENDITURES	1,328,740.0	1,374,464.0	1,435,892.1	1,446,904.0	1,440,847.5	4,955.4	0.4%	1,506,300.0	1,595,300.0
Interdivisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	886,407.0	987,500.0	1,006,781.4	1,020,231.0	1,036,746.5	29,965.1	3.0%	1,054,100.0	1,069,600.0
Transfers from Capital Fund									
Contribution from Reserve Funds									
Contribution from Reserve									
Sundry Revenues									
TOTAL REVENUE	886,407.0	987,500.0	1,006,781.4	1,020,231.0	1,036,746.5	29,965.1	3.0%	1,054,100.0	1,069,600.0
TOTAL NET EXPENDITURES	442,333.0	386,964.0	429,110.7	426,673.0	404,101.0	(25,009.7)	(2.7%)	452,200.0	525,700.0
APPROVED POSITIONS	10,325.0	10,710.0	10,706.0	10,706.0	10,513.0	(193.0)	(1.8%)	0.0	0.0

2012 Key Cost Drivers

TTC Conventional

Salaries and Benefits

- Salaries and benefits comprise the largest expenditure category and account for 72.1% of the total expenditures, followed by materials and supplies at 20.0%, services and rents at 3.3%, and other expenditures at 2.5%
- TTC's actual annual salary and benefits costs have increased by 7.7% in 2010, they are projected to increase by 1.4% in 2011 and are budgeted to decrease by 1.5% in 2012. While there is a declining rate of increase, salaries and benefits include the following key cost drivers:

- **TTC Workforce Reductions**: Salary and benefit costs have historically increased along with increases in service to accommodate ridership growth and increases to wages and benefit costs. Even though ridership is projected to increase in 2012, salaries and benefits are decreasing mainly due to TTC's initiatives for corporate restructuring and the reversal of RGS peak/off-peak loading standard improvements that will reduce salaries and benefits in 2012 by $14 million and $15 million respectively. These reductions are partially offset mainly by the cost increases for additional service required to carry increased ridership.

- **Other Employee Costs**: As the number of TTC employees has increased each year, the cost of wage rate progression and benefits has also increased. Even though TTC's positions are being reduced in 2012, there are increased benefits costs of $6.615 million for staff that are being retained.

- **Increased Service for Ridership Growth**: $8.738 million is included in 2012 to fund the service increase due to a projected growth in ridership of 16 million from the 2011 budget.

Materials and Supplies

- Inflationary increases and fluctuations in diesel fuel costs are continuing to result in significant increases in material and supplies expenses. These costs, which represent 20.0% of TTC's gross expenditures, increased by 0.3% in 2010, costs are projected to increase by 15.0% in 2011 and are budgeted to increase by 7.9% or $21.090 million in 2012 due to:

  - **Fuel and Energy Costs**: There is a $16.223 million increase in diesel fuel costs in the 2012 budget on the basis of higher expected diesel prices in 2012.

  - **Vehicle Maintenance**: $3.275 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.

Revenue

- Actual revenues increased by 11.4% in 2010, 3.3% in 2011 and are budgeted to increase by 3.0% or $29.965 million in 2012. The increase in 2012 arises from the following key drivers:

  - **Fare Revenue**: The expenditure pressures have been partially offset by fare revenues of $22.350 million net. TTC estimates that, in 2012, $29.550 million in increased revenues will be generated due to ridership growth and the current fare structure and mix; however this will be partially offset by a loss of $7.2 million in passenger revenues due to the expected loss of ridership from the reversal of the RGS loading standard improvements.

- **Advertising Revenue:** TTC has entered into a new advertising contract effective January 1, 2012 that guarantees $5 million of additional revenues from 2011.

Program Summary by Expenditure Category
(In $000s)

Category of Expense	2009 Actual	2010 Actual	2011 Budget	2011 Projected Actual	2012 Recommended Budget	2012 Change from 2011 Approved Budget		2013 Outlook	2014 Outlook
	$	$	$	$	$	$	%	$	$
Salaries and Benefits	41,208.1	45,232.5	49,355.4	50,411.2	50,225.8	870.4	1.8%		
Materials and Supplies	9,721.5	9,199.4	12,641.6	12,154.0	10,990.9	(1,650.7)	(13.1%)		
Equipment									
Services & Rents	28,701.1	33,708.3	34,131.4	32,405.6	33,458.0	(673.4)	(2.0%)		
Contributions to Capital									
Contributions to Reserve/Res Funds									
Other Expenditures	338.2	526.5	494.0	521.7	532.0	38.0	7.7%		
Interdivisional Charges									
TOTAL GROSS EXPENDITURES	79,968.9	88,666.7	96,622.4	95,492.5	95,206.7	(1,415.7)	(1.6%)	95,026.8	103,835.2
Interdivisional Recoveries									
Provincial Subsidies									
Federal Subsidies									
Other Subsidies									
User Fees & Donations	4,220.3	5,099.2	5,610.9	5,214.6	5,324.6	(286.3)	(5.1%)	5,187.4	5,685.4
Transfers from Capital Fund									
Contribution from Reserve Funds									
Contribution from Reserve									
Sundry Revenues									
TOTAL REVENUE	4,220.3	5,099.2	5,610.9	5,214.6	5,324.6	(286.3)	(5.6%)	5,187.4	5,685.4
TOTAL NET EXPENDITURES	75,748.6	83,567.5	91,011.5	90,277.9	89,882.1	(1,129.4)	4.0%	89,839.4	98,149.8
APPROVED POSITIONS	454.0	531.0	532.0	529.0	529.0	(3.0)	(0.6%)	0.0	0.0

Wheel-Trans

- The reduction of $1.416 million in expenditures recommended for Wheel-Trans' 2012 Recommended Operating Base Budget is comprised of 2012 service changes, wage increases, non-salary economic factors, as well as other base changes. The recommended funding reduction covers the following:
  - Increases for wage progression and benefits adding $0.670 million to salaries and benefits.
  - Increased service to meet expected demand adding $3.659 million to the base budget.
  - Increases for diesel fuel for higher prices adding $0.741 million.
  - Cost of Living increases for contracted taxi service contracts adding $0.975 million.

- These pressures have been more than offset by $2.366 million due to a reduction in the purchase of bus parts associated with the arrival of new buses and by $4.952 million from the reduction in service from eliminating ineligible dialysis trips.

Appendix 3

Summary of 2012 Recommended Service Changes

Appendix 4

Summary of 2012 Recommended New/Enhanced Service Priority Actions

Appendix 5

Inflows/Outflows to/from Reserves & Reserve Funds

Program Specific Reserve/Reserve Funds

Reserve / Reserve Fund Name (In $000s)	Reserve / Reserve Fund Number	Description	Projected Balance as of December 31, 2011	2013	2014
			$	$	$
TTC Stabilization Reserve Fund	XQ1056	Projected Beginning Balance	24,666.0	24,666.0	24,666.0
		Proposed			
		Withdrawals (-)			
		Contributions (+)			
Balance at Year-End			**24,666.0**	**24,666.0**	**24,666.0**

There are currently no projected contributions or withdrawals from the TTC Stabilization Reserve Fund in 2012 or future years.