

**Cam Weldon**  
Deputy City Manager &  
Chief Financial Officer

**Financial Planning Division**  
City Hall, 7<sup>th</sup> Fl.  
100 Queen St. West  
Toronto, ON M5H 2N2

**Josie La Vita**  
Director, Financial Planning

Tel: (416) 397-4229  
Fax: (416) 397-4465  
jlavita@toronto.ca

---

## **2012 BUDGET BRIEFING NOTE**

### **Advisability of Adopting a Multi-year Subsidy and Fare Strategy**

---

#### **Issue:**

Budget Committee, at its meeting of December 6, 2011, requested that the City Manager, Deputy City Manager and Chief Financial Officer and TTC Chief General Manager provide a Briefing Note to the wrap up meeting on the advisability of adopting a multi-year subsidy and fare strategy that would include a commitment to an operating subsidy of no less than \$404.1 million in each of 2012, 2013 and 2014 and annual fare increases of 10 cents in each of 2012, 2013 and 2014.

#### **Background:**

- Presently, the City of Toronto does not approve multi-year operating budgets and each year TTC must request funding based on estimated costs and ridership/revenue projections. This process creates difficulty for TTC and the City to plan for the appropriate provisions for TTC operations. TTC has experienced ridership growth and an increased need for City funding as fares do not fully cover transit costs. Therefore, TTC must request additional funding and fare increases each year to support the service required to accommodate ridership growth.

#### **Key Points:**

- If a multi-year subsidy and fare strategy was approved, TTC would have greater certainty regarding its ability to operate the level of service required to accommodate ridership growth.
- An approved schedule of fare increases would be beneficial to transit riders as well, as the customers would be able to better plan for the increase.
- In the absence of a fare strategy the additional funding required grows significantly as the projected shortfall increases from \$21 million in 2012 to \$142 million in 2014.
- Also, Wheel-Trans would be left with an \$8 million shortfall that cannot be covered as additional reductions are not feasible for Wheel-Trans.
- Preliminary multi-year outlooks for TTC exclusive of a 10 cent fare increase from 2012-2014 is reflected below:

- 2 -

**Multi-Year Outlook without Fare Increases  
2012-2014  
(Millions)**

	<b>2012 Budget</b>	<b>2013</b>	<b>2014</b>
Rides (without fare increases)	503	515	526
Revenues - Passenger	\$970	\$987	\$1,002
- Other	67	67	68
Total Revenues	1,037	1,054	1,070
Expenses	1,441	1,506	1,595
Total Subsidy Required	404	452	525
Total Subsidy Available	383	383	383
Additional Subsidy Required	21	69	142

- The City's 2012 available funding level for TTC is \$383.0 million in accordance with the 10% reduction target. This is below the level of \$404.1 million that is being identified in this motion and is reflective of the current level of funding requested by the TTC (before a 10 cent fare increase).
- If a fare strategy is implemented, a reduced level of City funding is required for 2012 and 2013 and the projected shortfall between available City funding and TTC requirements becomes more manageable, as in 2014 it is projected to be \$26 million rather than \$142 million noted above.
- The 2012 reduced funding of \$9 million would offset the 2012 Wheel-Trans pressure of \$8 million.
- Preliminary multi-year outlooks for TTC inclusive of a 10 cent fare increase and a stable City funding level of \$383 million each year from 2012-2014 is reflected in the table below:

**Multi-Year Outlook with Fare Increases and Stable Funding of \$383  
Million  
2012-2014  
(Millions)**

	<b>2012 Budget</b>	<b>2013</b>	<b>2014</b>
Rides (with annual 10 cent fare increases)	502	510	517
Revenues - Passenger	\$1,000	\$1,056	\$1,112
- Other	67	67	68
Total Revenues	1,067	1,123	1,180
Expenses	1,441	1,504	1,589
Total Subsidy Required	374	381	409
Total Subsidy Available	383	383	383
Additional Subsidy Required	(9)	(2)	26

- As per the briefing note request, preliminary multi-year outlooks for TTC inclusive of a 10 cent fare increase and a stable City funding level of \$404 million each year from 2012-2014 is reflected in the table below:

**Multi-Year Outlook with Fare Increases and Stable Funding of \$404**  
**Million**  
**2012-2014**  
**(Millions)**

	<b>2012 Budget</b>	<b>2013</b>	<b>2014</b>
Rides (with annual 10 cent fare increases)	502	510	517
Revenues - Passenger	\$1,000	\$1,056	\$1,112
- Other	67	67	68
Total Revenues	1,067	1,123	1,180
Expenses	1,441	1,504	1,589
Total Subsidy Required	374	381	409
Total Subsidy Available	404	404	404
Additional Subsidy Required	(30)	(23)	5

- The above forecasts reflected in each table assume the recommended service reductions included in TTC's 2012 Recommended Operating Budget are approved.
- The above costs and funding reflected in each table do not include provisions for the yet-to-be-determined collective bargaining agreement. Should the agreement require more than the available funding provisions from the City for the collective bargaining agreement, the TTC would have to find offsets.
- While staff supports a multi-year fare strategy, it would be difficult for the City to commit to a TTC multi-year subsidy level in the absence of multi-year targets for all other City services and firm targets for other major revenue sources such as the property tax. On January 9, staff will be bringing forward the 2013 and 2014 Outlook to Budget Committee at which time multi-year guidelines for financial planning could be considered by Committee.
- This longer term guidance would also facilitate more timely preparation and approval of Operating Budgets annually prior to the fiscal year and Council could focus more on service adjustments to meet these guidelines.

**Prepared by:** Gene Gallop, Senior Financial Planning Analyst, Financial Planning,  
(416) 397-4530, ggallop@toronto.ca

**Further Information:** Michael Roche, Chief Financial Officer, Toronto Transit Commission,  
(416) 393-3654, michael.roche@ttc.ca

**Date:** December 9, 2011