

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: November 21, 2012

SUBJECT: 2013 BUDGET UPDATE AND FARE INCREASE
CONFIRMATION

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

- 1) confirm the previous approval-in-principle for a 5-cent increase, effective January 1, 2013, in the price of a single adult token and a proportionate increase in all other fares, excluding cash fares, as set out in Appendix A, noting that the City of Toronto has now confirmed the level of transit operating subsidy that will be provided for 2013;
- 2) approve the 2013 TTC Operating Budget as summarized in Appendix B, noting that certain budget adjustments (detailed later in this report) have been made to balance the budget since the preliminary budget was approved on September 27, 2012;
- 3) approve the 2013 Wheel-Trans Operating Budget as summarized in Appendix C, noting that certain budget adjustments (detailed later in this report) have been made to balance the budget since the preliminary budget was approved on September 27, 2012;
- 4) approve the 2013-2022 TTC Capital Budget as summarized in Appendix D, noting that certain budget adjustments (detailed later in this report) have been made to balance the budget since the preliminary budget was approved on September 27, 2012; and
- 5) forward this report to the City of Toronto for submission into the City Budget process.

BACKGROUND

At its meeting of September 27, 2012, the Commission approved the 2013 TTC and Wheel-Trans Operating Budgets report which detailed the preliminary budgets, subsidy shortfalls and requested approval-in-principle for a 5-cent increase in the price of a single adult token and a proportionate increase in all other fares, excluding cash fares, subject to confirmation from the City of Toronto on the level of transit operating subsidy that will be provided in 2013. The Commission also approved the 2013-2022 TTC Capital Budget report which detailed the preliminary budget, including the addition of \$96 million for two ridership related amendment items for 24 additional buses and the addition of a temporary bus facility, subject to further discussion with the City of Toronto on the capital funding strategy to be employed to address the 10-year funding shortfall.

DISCUSSION

Subsequent to the September 27th Commission meeting, budget reviews and discussions continued with City staff and the Chair of the City's Budget Committee throughout the month of October. Specifically, CEO Andy Byford met with the Chair of the City Budget Committee, Councillor Mike Del Grande, for a detailed line-by-line review of the TTC's Operating Budget revenues and expenses spanning the period 2010 to 2015. TTC staff also met with City Manager Joe Pennachetti and his staff to review and explain the budget, confirm the City's subsidy level and set out the planned budget adjustments necessary to balance the budget based on the following subsidy amounts which are unchanged from the assumed levels noted in the September 27th Commission Report and flatlined to the 2012 budgeted level:

- TTC Operating Budget: \$410.951 million
- Wheel-Trans Operating Budget: \$ 96.823 million

Based on these funding levels, and as noted in the preliminary 2013 operating budgets approved by the Commission at its meeting of September 27, 2012, the following subsidy shortfalls must be addressed:

- TTC Operating Budget: approx. \$10 million
- Wheel-Trans Operating Budget: approx. \$0.120 million

Budget reviews and discussions also continued with City staff on the TTC 2013-2022 Capital Budget throughout the month of October. Since the preliminary approved budget reflected a ten-year funding shortfall of \$688 million (including amendments), staff further

met with City Manager Joe Pennachetti and his staff to identify a capital funding strategy to reduce and eliminate this funding shortfall and to allow the elements of the base capital program to proceed as required. As a result of these discussions, further budget adjustments have been agreed to on specific projects and on available funding sources assumed in the September 27th Commission Report. Based on these adjustments, the \$688 million funding shortfall has now been fully addressed, with the capital budget now going forward as revised on a fully funded basis over the next ten years.

Details regarding the necessary budget amendments to each of the preliminary budgets required to balance the budgets are explained below.

2013 TTC OPERATING BUDGET AMENDMENTS

1. Passenger Revenues: \$2 million increase

Based on year-to-date results, the current fare media mix has been slightly more favourable than previously anticipated and this is expected to continue into 2013.

2. Other Revenue: \$1 million increase

Anticipated increases in other revenues.

3. Other Employee Costs: \$2 million decrease

Certain healthcare benefits costs (e.g. prescription drugs) have been lower in 2012 and may be due to adjudication improvements by the TTC's new carrier, Manulife.

4. Workforce Gapping: \$3 million increase

While efforts are currently underway to improve the timeliness with which vacant positions are filled, at this time, we anticipate that reduced labour expenses due to gapping may be higher than originally planned.

5. Labour Rates: \$2 million decrease

A recent analysis of current Operator average wage rates indicates that the combination of higher Operator attrition in 2012 and increased new Operator hires in 2012 and 2013 is expected to result in an overall lower average Operator wage rate for 2013 than previously forecast.

Appendix B provides a summary of the amended 2013 TTC Operating Budget.

2013 WHEEL-TRANS OPERATING BUDGET AMENDMENTS

1. Other Employee Costs: \$0.100 million decrease

Certain healthcare benefits costs (e.g. prescription drugs) have been lower in 2012 and may be due to adjudication improvements by the TTC's new carrier, Manulife.

2. Workforce Gapping: \$0.060 million increase

While efforts are currently underway to improve the timeliness with which vacant positions are filled, at this time, we anticipate that reduced labour expenses due to gapping may be higher than originally planned.

3. Other Changes: \$0.040 million increase

A budgetary provision was added for contracted snow removal costs related to Wheel-Trans facilities.

Appendix C provides a summary of the amended 2013 Wheel-Trans Operating Budget.

2013-2022 TTC CAPITAL BUDGET AMENDMENTS

1. Project Adjustments: \$74 million decrease

After further discussion with City staff, project reductions within the ten-years were agreed to for the 198 Future Wheel Trans Buses project (\$34 million reduction in years 2020 & 2022) and for the T1/TR Yard Accommodation project (\$40 million reduction in years 2016 & 2017), noting that this scope was deferred beyond the year 2022.

2. Funding Amendments: \$613 million increase

City staff had advised of an updated level of Development Charge funding available to projects based on a further review with an additional \$79 million available to offset debt. Also, a further adjustment of \$534 million was identified in Asset Monetization/City Surplus (AM) funding available from the City to address flexibility in project funding for the effective funding of the entire base capital program.

Appendix D provides a summary of the amended 2013 – 2022 TTC Capital Budget.

FARE INCREASE

As noted in the preliminary budget report, a modest fare increase in line with the rate of inflation is required to balance the budget. With confirmation of the City's 2013 transit operating subsidy, the Commission is now in a position to finalize the 5-cent fare increase that it approved-in-principle on September 27, 2012. Because of the required lead times associated with acquiring newly priced fare media, distributing it throughout various sales channels, and communicating these changes to our customers, formal approval of the fare increase is required at this meeting. Deferring this approval until the last regularly scheduled Commission meeting of the year on December 19, would leave insufficient time to complete these critical tasks to facilitate a January 1, 2013 effective date.

CITY APPROVAL OF TTC'S BUDGETS

Based on the City's current 2013 budget timelines, the 2013 operating and capital budgets are expected to receive City of Toronto Council approval at its meeting of January 15 – 17, 2013.

November 12, 2012

Attachments:

Appendix A – Fare Schedule

Appendix B – 2013 TTC Operating Budget Summary

Appendix C – 2013 Wheel-Trans Operating Budget Summary

Appendix D – 2013 - 2022 TTC Capital Budget

2013 FARE SCHEDULE - \$0.05 INCREASE

	<u>CURRENT</u> <u>FARE</u>	<u>NEW</u> <u>FARE</u>
<u>Adult</u>		
- Cash	\$3.00	\$3.00
- Token	\$2.60	\$2.65
- PRESTO	\$2.60	\$2.65
- Weekly Pass	\$37.50	\$38.50
- Regular Metropass	\$126.00	\$128.50
- VIP Tier 1 (50 - 249)	\$113.50	\$115.50
- VIP Tier 2 (250 - 499)	\$112.50	\$114.25
- VIP Tier 3 (500 +)	\$111.50	\$113.00
- MDP	\$115.50	\$117.75
- Post-Secondary Metropass	\$104.00	\$106.00
 <u>Senior/Student</u>		
- Cash	\$2.00	\$2.00
- Ticket	\$1.75	\$1.80
- Weekly Pass	\$29.75	\$30.50
- Regular Metropass	\$104.00	\$106.00
- MDP	\$93.50	\$95.75
 <u>Child</u>		
- Cash	\$0.75	\$0.75
- Ticket	\$0.60	\$0.60
 <u>Other</u>		
- Day Pass	\$10.50	\$10.75
- GTA Weekly Pass:	\$54.00	\$55.00
- Downtown Express Sticker	\$37.00	\$37.75

APPENDIX B

**TORONTO TRANSIT COMMISSION
2013 OPERATING BUDGET**

(\$000s)

	2012	2013	2013 vs 2012
	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGET</u>
<u>REVENUES</u>			<u>CHANGE</u>
Passenger Revenues	1,003,600	1,063,000	59,400
Outside City Services & Charters	18,784	18,284	(500)
Advertising	25,250	26,035	785
Rent Revenue	9,189	10,522	1,333
Commuter Parking	11,146	10,190	(956)
Other Income	2,310	1,966	(344)
TOTAL REVENUES	<u>1,070,279</u>	<u>1,129,997</u>	<u>59,718</u>
<u>EXPENSES</u>			
CEO's Office	2,223	2,536	313
Strategy and Customer Experience Group	17,951	19,748	1,797
Engineering, Construction and Expansion	2,647	2,249	(398)
Corporate Services	81,802	87,049	5,247
Operations and Safety Group	861,879	902,659	40,780
Other Employee Costs *	262,400	278,340	15,940
Vehicle Fuel	97,953	97,177	(776)
Traction Power	39,236	39,817	581
Utilities	21,026	20,118	(908)
Depreciation	27,137	30,638	3,501
Taxes and Licences	3,099	3,505	406
Accident Claims & Insurance **	33,044	27,262	(5,782)
Non-Departmental Expenses/Cost Recoveries	30,833	29,850	(983)
TOTAL EXPENSES	<u>1,481,230</u>	<u>1,540,948</u>	<u>59,718</u>
Operating Subsidy Required	410,951	410,951	-
Operating Subsidy Available	<u>410,951</u>	<u>410,951</u>	-
SURPLUS / (SHORTFALL)	<u>-</u>	<u>-</u>	-

* City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits.

The budget for these expenses has been deducted to match the City's subsidy for the current year.

For 2013, the budget is \$17.360 million (\$13.680 million in 2012).

** City Council's approval of the 2010 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to accident claims.

The budget for these expenses has been deducted to match the City's subsidy for the current year.

For 2013, the budget is \$14 million (\$14 million in 2012).

2013 WHEEL-TRANS OPERATING BUDGET

	<u>2012 BUDGET</u>	<u>2013 BUDGET</u>	<u>2013 VS 2012 BUDGET CHANGE</u>
<u>EXPENSES</u>			
<u>CONTRACT SERVICES</u>			
Sedan Taxi	13,116,300	8,515,000	(4,601,300)
Accessible Taxi	<u>23,241,500</u>	<u>22,688,300</u>	<u>(553,200)</u>
SUB-TOTAL	36,357,800	31,203,300	(5,154,500)
<u>BUS OPERATION</u>			
Operators	23,938,500	24,981,000	1,042,500
Divisional Staff	545,400	560,700	15,300
Mobile Supervision	1,053,300	1,066,100	12,800
Equipment Maintenance	10,545,600	12,543,600	1,998,000
Fuel	4,518,200	4,896,500	378,300
Lakeshore Garage Costs	<u>1,221,500</u>	<u>1,254,400</u>	<u>32,900</u>
SUB-TOTAL	41,822,500	45,302,300	3,479,800
<u>ADMINISTRATION</u>			
General Superintendent's Office	739,200	688,400	(50,800)
Dispatch & Reservations	4,734,000	5,255,000	521,000
Accessible Services	340,100	447,200	107,100
Customer Service	<u>1,819,000</u>	<u>1,981,700</u>	<u>162,700</u>
SUB-TOTAL	7,632,300	8,372,300	740,000
NON-DEPARTMENTAL COSTS *	3,425,000	3,931,300	506,300
OTHER EMPLOYEE COSTS **	12,910,000	13,560,000	650,000
TOTAL EXPENSES	<u>102,147,600</u>	<u>102,369,200</u>	<u>221,600</u>
LESS: REVENUES	<u>5,324,600</u>	<u>5,546,200</u>	<u>221,600</u>
OPERATING SUBSIDY REQUIRED	96,823,000	96,823,000	-
OPERATING SUBSIDY AVAILABLE	<u>96,823,000</u>	<u>96,823,000</u>	-
SURPLUS (SHORTFALL)	<u>-</u>	<u>-</u>	<u>-</u>

* City Council's approval of the 2010 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to accident claims. The budget for these expenses has been deducted to match the City's subsidy for the current year. For 2013, the budget is \$350K (\$350K in 2012).

** City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. The budget for these expenses has been deducted to match the City's subsidy for the current year. For 2013, the budget is \$840K (\$640K in 2012).

APPENDIX D

TTC 2013-2017 CAPITAL PROGRAM REQUIREMENTS & SOURCES OF FUNDING							Assumptions: Expenditures based on preliminary 2013-2022 Capital Program - Approved with Amendments Commission Meeting September 27, 2012. Adjusted based on City Manager/TTC Staff Review for Project / Funding changes to address Funding Shortfall						
Based on TTC 2013-2022 Gross Budget - with Project Amendments													
5 millions	2012	2013	2014	2015	2016	2017	2012-2016	2013-2017	2018	2019	2020	2021	2022
PROPOSED BUDGET													
Council Approved 2012-2021 Gross Budget - Jan 17/12	1,080	1,041	815	696	702	507	4,334	3,762	431	330	317	355	-
Preliminary Request 2013-2022 Gross Budget - Amended November, 2012	1,034	879	1,070	827	784	674	4,594	4,234	577	522	403	336	384
CHANGE FROM APPROVED	(46)	(162)	255	130	82	167	260	473	147	192	87	(19)	384
Note: decision made August 30th to remove \$125.259 million from the 2022 approved project budget amounts and to push them to post-2022, resulting in an increased variance of the proposed from the approved 2013-2022 capital budget													
PROPOSED CURRENT BUDGET REQUEST													
State-of-Good-Repair / Safety	956	796	970	750	707	597	4,180	3,821	515	475	360	301	339
Legislative	31	33	53	44	53	63	214	245	55	44	40	33	43
Improvement	29	27	10	8	10	6	84	61	3	3	3	3	3
Capacity Enhancement	8	6	17	13	8	7	52	51	-	-	-	-	-
Expansion	10	17	20	12	6	2	65	56	2	-	-	-	-
Vehicles	519	276	337	220	223	266	1,574	1,321	201	174	84	35	48
Infrastructure / Other	515	603	733	607	561	408	3,020	2,913	376	348	319	301	337
Total Gross - Base Capital Program Request¹²	1,034	879	1,070	827	784	674	4,594	4,234	577	522	403	336	384
Proposed Capital Program Budget	1,034	879	1,070	827	784	674	4,594	4,234	577	522	403	336	384
Funding Sources													
Ontario Rolling Stock Infrastructure Funding ³	14	-	-	-	-	-	14	-	-	-	-	-	-
Golden Horseshoe Transit Investment Partnerships (GTIP/TTIP) ³	3	-	-	-	-	-	3	-	-	-	-	-	-
Provincial gas tax ⁴	75	71	71	71	71	71	357	353	71	71	71	71	71
Canada Strategic Infrastructure Fund (CSIF) ⁵	10	17	-	-	-	-	28	17	-	-	-	-	-
Capital Reserve ⁶	-	-	58	-	-	-	58	58	-	-	-	-	-
Metrolix Quick Wins ⁷	148	37	53	4	2	-	245	97	-	-	-	-	-
204 LRV Funding ⁸	46	37	44	45	37	41	208	203	37	21	-	-	-
Total Provincial Funding	296	162	225	119	110	111	913	729	108	92	71	71	71
Base Federal Gas Tax - 5 cent (population) ⁹	154	154	154	154	154	154	772	772	154	154	154	154	154
Canada Strategic Infrastructure Fund (CSIF) ⁵	18	1	-	-	-	-	19	1	-	-	-	-	-
Infrastructure Stimulus Funding (ISF) ¹⁰	0	-	-	-	-	-	0	-	-	-	-	-	-
Total Federal Funding	173	155	154	154	154	154	791	773	154	154	154	154	154
TTC internal (depreciation) ¹¹	28	31	32	32	29	23	151	147	24	27	28	28	28
Other Reserves / Funding Partners	-	-	-	-	-	-	-	-	-	-	-	-	-
Development charges ¹²	23	42	16	13	14	15	109	101	15	15	10	6	-
Total Other Funding	51	73	48	45	43	38	260	248	39	42	38	34	28
City Debt Target - CFO Recommended	353	417	390	280	282	205	1,721	1,574	148	82	65	106	120
City Carryforward - Deferred Debt Issued	195	60	-	-	-	-	249	60	-	-	-	-	-
Sub-Total City / Other Funding	593	660	438	325	325	244	2,231	1,882	187	125	102	140	148
City Funding - Reserve Funds (Asset Monetization) ¹³	-	-	42	48	70	85	245	245	114	116	60	-	-
Total City / Other Funding	638	610	690	553	520	408	3,011	2,781	301	240	162	140	148
Total Funding	1,107	927	1,070	827	784	674	4,715	4,282	563	487	387	355	373
Funding Shortfall/(Surplus)	(72)	(48)	(0)	(0)	0	(0)	(120)	(46)	14	35	16	(29)	12
Projected Shortfall - Updated October 31, 2012							(120)	(48)					

GROSS EXPENDITURES

FUNDING SOURCES

2012-2021	2013-2022
6,274	5,184
7,107	6,457
633	1,263
6,428	5,811
448	459
103	76
60	53
69	59
2,335	1,864
4,772	4,593
7,107	6,457
14	-
3	-
711	706
28	17
58	58
245	97
307	262
1,366	1,140
1,544	1,544
19	1
0	-
1,863	1,544
282	282
-	-
170	147
452	428
2,328	2,095
249	60
3,028	2,584
534	534
4,263	3,773
7,191	6,457
(64)	0
(84)	0