



STAFF REPORT ACTION REQUIRED

2016 TTC and Wheel-Trans Operating Budgets: Impact of TTC Budget Committee Recommendations

Date:	November 23, 2015
To:	TTC Board
From:	Chief Executive Officer

Summary

This report is seeking approval of the 2016 TTC and Wheel-Trans Operating Budgets which requires decisions regarding potential 2016 service initiatives and a fare increase.

The report provides a brief history of how the budget shortfall has been reduced by \$42 million, from the \$95 million presented to the TTC Budget Committee on September 15, 2015 to \$53 million, as reported to the TTC Budget Committee on November 9, 2015. It then outlines how that \$53 million shortfall increased to the current shortfall of \$58 million after service-related changes were approved by the TTC Budget Committee on November 9.

The report also shows a number of potential fare increase scenarios (effective January 2016) and, after accounting for the TTC Budget Committee's November 9th recommendation to freeze current Metropass pricing, how much City of Toronto operating subsidy would be needed on top of a fare increase to balance the 2016 TTC operating budget.

Recommendations

It is recommended that the Board:

- (1) Approve the 2016 TTC Operating Budget as discussed in this report;
- (2) Approve any additional 2016 service improvement initiatives;
- (3) Recommend a fare increase scenario effective January, 2016;
- (4) Approve the 2016 Wheel-Trans Operating Budget as discussed in this report; and,

- (5) Forward this report to the City of Toronto for submission into the City Budget process and confirmation of the 2016 operating subsidy levels.

Decision History

The newly-established TTC Budget Committee met five times over the course of the summer to review the TTC's three budgets: TTC Operating Budget, Wheel-Trans Operating Budget and the 10-Year Capital Budget.

The following reports (links provided) were presented to the TTC Budget Committee on November 9, 2015.

1. Presentation: 2016 TTC and Wheel-Trans Operating Budgets
(http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Budget/2015/November_9/Reports/2016_TTC-W-T_Op_Budgets.pdf)

3. Proposed Service Improvements for the 2016 Operating Budget
(http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Budget/2015/November_9/Reports/Proposed_Service_Improve-2016_Op_Bgt-TTC_Bgt%20Cmt-BR%2017594.pdf)

4. Earlier Subway Service on Sunday Mornings
(http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Budget/2015/November_9/Reports/Earlier_Subway_Service-Sunday-TTC_Bgt_Cmt-BR%2017646.pdf)

November 9, 2015 - TTC Budget Committee Decisions:

Information in the three reports noted above and all of the TTC Budget Committee approved motions dealing with the 2016 TTC and Wheel-Trans Operating Budgets are dealt with collectively in this report, as set out below.

Budget Committee Decisions - Fare Scenarios:

- The TTC Budget Committee recommends the TTC Board approve a freeze for Metropass rates for 2016;
- The TTC Budget Committee requests the TTC and City Manager report back to the Board in Q2 2016 on setting a new per rider subsidy formula to index the City's subsidy to the TTC's ridership;
- The TTC requests the Province to:

- a) Increase transit funding to the City of Toronto and the TTC so the per ride subsidy for the TTC is \$1.00 in 2017;
- b) Increase the subsidy amount thereafter to get to a subsidy level of \$1.30 per ride for the TTC with the Province and City equally sharing costs;
- c) Address the added operating cost pressures on the TTC that the opening of new lines places, and develop a formula to attach additional operating funds to expansion projects:

E.g.

	2015	2016	2017	2018	2019	2020
Per ride subsidy	\$0.89	\$0.89	\$1.00	\$1.10	\$1.20	\$1.30
City	100%	90%	80%	70%	60%	50%
Province	0%	10%	20%	30%	40%	50%

- The TTC requests that the City of Toronto direct any Gas Tax top-up funding from the federal government to the TTC;
- The Budget Committee requests TTC staff report back to the TTC Budget Committee with a list of SOGR projects to be considered for submission to the federal government's new infrastructure funding programs;
- That staff report to the Board on the cost to the rider of increasing the Adult Metropass only to achieve an equity of trip multiples with Student/ Senior Metropasses;
- That staff report to the Board on a multi-year outlook on workforce changes that can be expected based on Ridership Growth, System Expansion, Vehicle and Mode Changes. Such a report to include an explanation of how workforce changes are adjusted in-year based on actuals.
- Request the Province through Metrolinx to use the 2 billion savings from the Eglinton Crosstown project to:
 - a) Subsidize 53 million required to avoid a fare increase
 - b) Fund SOGR projects currently unfunded
 - c) Contribute to TTC expansion projects; and
 - d) Report back through the TTC and the City's budget process.
- Report back quarterly in 2016 on progress on the Council approved Transit Fare Equity Policy development.

Budget Committee Decisions - Service Improvement Initiatives:

- Increase bus service reliability;
- Increase streetcar service reliability;
- Include new and enhanced express bus service;
- The Budget Committee recommends the TTC Board endorse the implementation of earlier Sunday subway service for 2016 and approve the implementation of earlier service on connecting bus and streetcar routes.
- That a decision on removing the Park Lawn Streetcar Loop from the TTC's Capital Budget be deferred until the City reports back on the reset Waterfront transit.

Issue Background

2016 TTC Operating Budget

In preparing the 2016 TTC Operating Budget submission, TTC staff, working with the TTC Budget Committee, have established a budget designed to achieve the following objectives:

1. Complete the rollout of the service increases approved in 2015;
2. Achieve the City's 2% efficiency target through: (a) locking in low diesel fuel prices saving \$14 million, (b) rebuilding ALRV streetcars rather than CLRVs reducing operating costs saving almost \$4 million, (c) freezing overtime costs despite the 2% CBA mandated wage increase starting in April 2016 and (d) implementing an across-the-board \$10 million cut in departmental non-labour costs;
3. Accommodate an expected record ridership of 555 million passenger trips, marking the 12th consecutive year of record ridership levels.
4. Recognize both the magnitude of the service increases approved in 2015 and the broader fiscal pressures facing the City.

The following table outlines the history of the 2016 TTC Operating Budget shortfall through the TTC budget process:

	\$Millions
Budget Shortfall – September 15/15	95
Subsequent Budget Cuts	<u>(42)</u>
	53
TTC Budget Committee Recommended 2016 Service Initiatives	<u>5</u>
Current Budget Shortfall – November 23/15	<u>58</u>

Details on each of these items are contained below:

The September 15th budget shortfall was as follows:

Expenditure net increases	\$101 million
Less: revenue increases (before any fare increase)	(\$ 15 million)
Plus: loss of 1-time 2015 draw from Stabilization Reserve Fund	\$ 9 million
Net	<u>\$95 million</u>

Explanations for the net increase in expenditures are listed below:

Expenditure Changes: +\$101M

Annualization of Prior Year Actions/Decisions:

- Service – maintain existing, annualize current, growth to 555M	\$46M
- Leasing Requirements	17M
- CBA	10M
- Reliability Centered Maintenance	8M
- POP Fare Inspectors – Deferred from 2015	2M
- Annualization of 2015 workforce changes	<u>5M</u>

Total Annualization of Prior Year Actions/Decisions: 88M

Inflationary Increases:

- Other Employee Costs	10M
- Traction Power & Utilities (Hydro, Natural Gas, Water)	7M
- Accident Claims & Insurance	4M
- Material Price Inflation	<u>3M</u>

Total Inflationary Increases: 24M

- Presto Commissions	4M
- Diesel Hedging	(13M)
- Other	<u>(2M)</u>

TOTAL \$101M

At its meeting of November 9, 2015, the TTC Budget Committee received a report which detailed how the 2016 TTC Operating Budget pressure (i.e. shortfall) had been reduced from the previously reported \$95 million to \$53 million; a reduction of \$42 million –

calculated using the 2015 budgeted level because the City has yet to advise what the 2016 subsidy level will be.

Expenditure Reductions:

Leasing Requirements	(5.2)	cancelled Concord Garage acquisition
	(9.3)	deferred 250 Bus Garage until later in 2016
	<u>(0.5)</u>	other changes
	<u>(15)</u>	
Departmental Non-labour Reduction	(10)	across-the-board cut based on recent experience
Accident Claims	(3.5)	flatlined to 2015 budget
Service	(3)	refined calculation
Hydro	(2)	reduced volume
Employee Benefits	(1)	actuarial projection re: reduced WSIB long-term liability
Diesel	(1)	reflects reduced futures price for unhedged volume
Leap Year	(1)	1-time draw from TTC Stabilization Reserve
Contribution to Capital	(5)	all 50 new buses to be received in 2015, rather than phase in
Other/Rounding	<u>(0.5)</u>	
TOTAL	<u>\$42</u>	

The net impact of these reductions is a \$59.9 million or 3.5% increase in operating expenses for 2016, compared to the 2015 budget. Of this increase, \$30.3 million is due to the annualization of service improvements approved in the 2015 budget process. All other costs are budgeted to rise by about 1.7% over the 2015 budget.

Details on all of the items are contained in Appendix A which explains the changes in both revenue and cost elements, Appendix B which provides the TTC's Income Statement, and Appendix C which explains how the TTC zero-bases its service budget on an annual basis and which accounts for fully 92% of operating expenses.

In addition, Appendix D provides details about a high order estimate of the annual impact of accommodating an additional 10 million rides.

TTC Budget Committee Recommended 2016 Service Initiatives

At the same meeting, the TTC Budget Committee considered a number of 2016 service improvement initiatives and endorsed the first four items in the following listing:

SERVICE INITIATIVE	2016 NET COST \$MILLIONS	ANNUAL NET COST \$MILLIONS	ADDITIONAL WORKFORCE REQUIRED	BUDGET COMMITTEE RECOMMENDED
Earlier Sunday Service	0.6	1.4	17	✓
Bus Service Reliability	2.0	5.2	47	✓
Streetcar Service Reliability	1.2	2.6	30	✓
New and Enhanced Express Bus Service	1.6	4.5	34	✓
Sub-total	5.4	13.7	128	
Subway Service Reliability	0.6	0.9	19	
Line 1: 3-Minute-or-Better Service	2.8	7.1	42	
New Streetcar Service on Cherry Street	0.8	2.1	11	
Total	9.6	23.8	200	

Note: no additional vehicles are required for any of the above listed service initiatives.

Appendix E provides details on the 2016 Service Budget.

As a result of the TTC Budget Committee’s endorsement of the first four initiatives, the budget shortfall would increase by \$5.4 million in 2016 to \$58.4 million and could potentially increase to \$62.6 million in 2016 if all initiatives are approved by the TTC Board. On an annual basis, the first four initiatives would increase net operating costs by \$13.7 million while the entire list of initiatives would add \$23.8 million.

Workforce

The TTC operating headcount is budgeted to grow by 163 positions or 1.4% from 11,691 in 2015 to 11,854. Service increases account for 168 positions. All other changes net to a reduction of 5 positions. TTC Board approval of the TTC Budget Committee recommended service initiatives noted above would increase this by a further 128 positions.

The following chart shows changes in population, ridership, service levels, and operating workforce since 1992.

	Change from 1992 to 2016
Population	+ 26%
Ridership	+ 35%
Service Level (hours)	+ 29%
Service Level (kilometres)	+ 32%
Operating Budget workforce	+ 26%

Carrying an additional 35% riders, while increasing service levels about 29% and employees by only 26%, represents a substantial improvement in labour productivity. All of this has been achieved despite the loss of bus carrying capacity in the order of 10% due to the conversion of the fleet to a low-floor design and ever-increasing road congestion which has necessitated the addition of resources (vehicles, Operators, service hours, etc.).

Appendix F provides additional details regarding workforce changes for the TTC and Wheel-Trans operating budgets.

Fare Scenarios

The TTC Budget Committee also considered a number of possible fare increases and recommended that the TTC Board approve a price freeze on Metropasses. The table below sets out the remaining shortfall (i.e. City subsidy needed) under each fare increase scenario if the four endorsed service improvement initiatives noted above are also approved for implementation by the TTC Board.

Fare Scenario	No Metropass Freeze			With Metropass Freeze		
	Rides (M)	Revenue (\$M)	City Subsidy Needed (\$M)	Rides (M)	Revenue (\$M)	City Subsidy Needed (\$M)
1. No Fare increase	0	0	58.4	0	0	58.4
2. 25¢ on cash fares	-2	6	52	-2	6	52
3. 5¢ on Metropass only	0	10	48	0	0	58
4. 5¢ on fare media; 25¢ on cash fares; Excl. Metropass	-2	15	43	-1	17	41
5. 5¢ on fare media; 25¢ on cash fares	-2	24	34	-1	17	41
6. 5¢ on fare media; single cash fare	-3 to -4	24 to 29	34 to 29	-2 to -3	18 to 22	40 to 36
7. 10¢ on fare media; 25¢ on cash fares	-3	36	22	-2	23	35
8. 10¢ on fare media; single cash fare	-4 to -5	36 to 41	22 to 17	-3 to -4	24 to 28	34 to 30

Notes: Revenue is based on a January 2016 implementation

Fare schedules for each scenario are provided in Appendices G1 and G2

Overall Metropass sales have declined by about 1% in 2015 compared to 2014. In addition, there has been a shift from regular Adult Metropasses to lower priced passes. Initial sales forecasts for 2016 call for about a further 1% decrease in sales and the maintenance of that shift. Freezing Metropass prices could cut the 1% drop in half: retaining about 1 million rides and \$2 million. These amounts have been factored into the table above.

Additional information about Metropass long-term sales trends including dates when the Metropass became transferable, the Federal tax credit kicked in, and when the Post-Secondary Pass was introduced, is included in Appendix H. In addition, the appendix

provides information noting that the price of all Adult Metropasses would have to be increased by about \$1.30/pass each month to fund the foregone revenue associated with reducing the Senior/Student Metropass trip multiple from the current 57 trips to 50.5 trips (the regular Adult Metropass multiple).

Operating Subsidy

Appendix I provides a comparison of TTC operating subsidy/rider with other transit systems locally, nationally and North America-wide. It should be noted that the TTC was budgeted to receive subsidy of 89 cents per rider in 2015 while Montreal received \$1.11 in 2014 and the massive New York system received \$1.49 US in 2013.

In addition, Appendix I also shows TTC operating subsidy/rider levels since 2010. After adjusting for inflation, TTC subsidy/rider is 14 cents lower in 2015 than was provided to the TTC in 2010.

Ridership

The 2016 budget of 555 million rides was set in the summer based on a 2015 projection at that time of 540 million rides. The current 2015 projection based on rides to date falls in the range of 535 – 537 million. That means falling between 3 to 5 million rides and \$6 to \$10 million short of the 2016 budget is a possibility. The 555 million ridership figure should be considered a stretch target. Appendix J provides additional information on the 2016 ridership forecast and some historical information.

2016 Wheel-Trans Operating Budget

The 2016 Wheel-Trans Operating Budget has a need for an additional \$8 million in funding to cover off inflationary increases, to accommodate double digit growth in ridership demand and to satisfy AODA requirements. It is worth noting that Wheel-Trans covers about 5% of its operating costs through fares collected (Wheel-Trans riders pay the same fares as all other TTC riders), while the conventional system covers about 70% of its expenses. Consequently, a fare increase has a much larger impact on the conventional system's budget than it does for Wheel-Trans. Details of this budget are provided in Appendix K.

Contact

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Attachments: Appendix A: 2016 Operating Revenue and Expense Changes
Appendix B: TTC 2016 Operating Budget
Appendix C: TTC Zero-Based Service Budget
Appendix D: Estimated Annual Impact of 10 Million Additional Rides
Appendix E: 2016 Service Budget
Appendix F: Workforce
Appendix G1: 2016 Fare Scenarios – Draft Fare Schedules
Appendix G2: 2016 Fare Scenarios – Draft Fare Schedules
Appendix H: Metropass Sales 2000-2015
Appendix I: 2016 Subsidy
Appendix J: 2016 Ridership
Appendix K: 2016 Wheel-Trans Operating Budget

2016 OPERATING REVENUE AND EXPENSE CHANGES

REVENUES

TTC operating revenues are budgeted to increase by approximately \$15.1 million in 2016. The increases fall into the following areas:

1. Passenger Revenue: \$14.6 million. The increase in passenger revenue is due to an increase of 10 million budgeted rides with an expected \$21 million increase in revenue, partially offset by a reduction in the average fare of \$6.4 million due to ongoing changes in the mix of fare media. These figures are before adding any fare increase that the TTC Board may approve.
2. Advertising: \$1.8 million. In 2016, the TTC will be in year 5 of a 12-year contract that guarantees a base level of \$27 million of advertising revenue in 2016. This represents an increase of \$1.8 million from the 2015 minimum base level of \$25.2 million.
3. Outside City Transit Service: (\$1.3 million). The TTC operates various bus routes beyond the City of Toronto boundaries for York Region and the City of Mississauga on a full-cost recovery basis. In 2016, based on York Region's request, the TTC will stop operating the Victoria Park route into York Region. When combined with other minor service reductions operated in York Region, the outside city transit service revenue will decline by \$1.3 million.

EXPENSES

The day-to-day expenses associated with running the TTC are budgeted to increase by \$59.9 million in 2016. Substantially all of the increase is for the provision of additional service and to reflect the impact of the collective bargaining agreement. The \$59.9 million is comprised of:

1. Annualization of 2015 Service Improvements: \$25.6 million.
 - i. In 2015, several service enhancements (as outlined below) were launched. This \$25 million increase represents the incremental cost to operate these enhancements for a full year. The enhancements include:
 - 10-minute or better Route Network: A city-wide network of key bus and streetcar routes will operate across the City, at minimum every ten minutes, all day, every day, from approximately 6 a.m. (9 a.m. on Sundays) to 1 a.m.

- Reduction of Wait Times and Crowding at off-peak periods: The TTC has reduced waiting times and crowding by adding buses and streetcars to the busiest and most popular routes during off-peak times.
 - Restoration of All-Day, Everyday Bus Service: In 2011, service was eliminated on approximately 40 routes at certain times of the day, mostly on evenings and weekends. In 2015, much of this service was restored with all-day, everyday service to match subway hours from approximately 6 a.m. (9 a.m. on Sundays) to 1 a.m.
 - Expanded Blue Night Network: The Blue Night Network operates when the subway closes each night for maintenance. In 2015, 12 new or improved bus and streetcar routes were added to the network.
 - Express Bus Network: New off-peak period express bus service was introduced to provide customers with faster and more comfortable travel.
- ii. The remaining \$0.6 million is required to annualize the 2015 service level required to accommodate 545 million riders based on the TTC Board approved service standards.
2. Peak period bus service enhancements: \$4.7 million. By the end of 2015, 50 new buses will be received by the TTC. These vehicles will be used to expand the express bus network in peak periods and reduce wait time and overcrowding on some peak-period routes.
 3. Additional service to accommodate 555 million riders and requirements to maintain existing service levels: \$9.0 million. Based on projected ridership growth to 555 million, additional service is required to accommodate the higher ridership based on TTC Board approved service standards.
 4. City Construction Service: \$3.8 million. During periods of city road construction, additional service will be required to maintain normal service standards.
 5. Collective Bargaining Agreement (CBA): \$10.3 million. This increase represents the annualization of the 2015 and the 2016 costs associated with the CBAs that the TTC negotiated with its four unions in May 2014. These agreements expire on March 31, 2018.
 6. Bus Reliability Centered Maintenance: \$7.7 million. Bus Reliability Centered Maintenance is a predictive maintenance program that will improve vehicle reliability and availability by leveraging bus system and component reliability data to predict when failures will occur. This information is then packaged into RCM programs

whereby parts are optimally replaced before failure. Currently TTC uses a “Fix-as-Fail” maintenance philosophy other than for routinely scheduled maintenance activities. Approximately 80% of bus repairs are reactive as a result of component failures while only 20% of repairs are preventative. Component failures in service result in service disruptions to our customers and reduced bus availability. The proposed changes gradually shift the TTC to a preventative as opposed to a reactive maintenance approach.

7. Annualization of 2015 Workforce Changes: \$4.0 million. As part of the service improvements introduced in 2015, Fare Inspectors, Station & Route Supervisors, Leslie Barns personnel and various maintenance personnel were hired. This \$4.0 million increase represents the incremental cost of these positions for a full year.
8. Leasing Requirements: \$2.5 million. Due to an expanding vehicle fleet and new vehicles whose replacement parts are configured in large assemblies, requiring more storage space, additional warehouse and bus garage space is required. In 2015, TTC secured additional leased warehouse space at 21 Don Roadway and work is ongoing to secure an additional leased bus facility. The \$2.5 million covers the annualized cost of the warehouse space and initial costs related to the lease for an interim bus garage facility to deal with the current shortage of bus garage storage and maintenance capacity.
9. Proof-of-Payment Fare Inspectors: \$1.7 million. In order to adequately support all-door boarding on all streetcar routes, 20 additional proof of payment inspectors are required. The need for these positions was originally identified in the 2015 budget process, but was subsequently deferred to 2016 to reduce the TTC’s 2015 requested operating subsidy requirement.
10. Employee Benefits: \$6.7 million. While total employee benefits costs will grow by \$14.0 million, \$7.3 million is associated with the following: \$4.5 million for the additional service needed to operate the increased service level contained in this budget, \$1.6 million for the annualized impact of workforce additions in 2015 and new workforce requirements in 2016, and \$1.2 million due to the impact of increased wages from the current CBA. The remaining \$6.7 million is attributable primarily to contractual and legislated contributions to pensions (TTC and CPP), the Employer Health Tax, the Ontario Health Premium payments and Employment Insurance premiums as well as inflationary and utilization increases in both healthcare and dental benefits. It should be noted that, consistent with past practice, of the total Employee Benefits budget, approximately \$37.6 million has been incorporated into the budget for 2016 post-retirement benefit non-cash expenses (dental and healthcare) which will be covered through a long-term subsidy receivable from the City.
11. Traction Power and Utilities: \$4.5 million. These costs are expected to increase largely due to a projected 6% hydro rate increase.

12. Inflationary Price Increases: \$3.4 million. A general allowance of approximately 2% (based on the City's forecast) has been provided for inflationary increases on the purchase of goods and services for items that do not have specific pricing, such as the diesel fuel budget.
13. PRESTO Commissions and Attendants: \$5.3 million. With PRESTO card acceptance rolled out on all streetcars and most subway stations, the 5.25% fee on PRESTO transactions is now being paid. An estimated \$4.4 million is required in 2016. The commissions are expected to increase to over \$50 million in 2017 as PRESTO is implemented across the system by the end of 2016. In addition, \$0.9 million is required in 2016 for 11 PRESTO attendants to service Streetcar single ride vending machines for those customers that do not have PRESTO cards. In lieu of reimbursing the TTC for these incremental operating costs, PRESTO will supply TTC with 60 new faregates at no charge.
14. Vehicle maintenance and cleanliness requirements: \$4.0 million. These funds are required for various non-labour maintenance requirements on TTC vehicles and to enhance cleanliness on vehicles. The requirements include:
- Parts for Toronto Rocket trains which will be out of warranty.
 - Maintenance requirements on T1 trains required due to aged capacitors.
 - 4-wheel brake relines – to comply with new Ministry of Transportation regulations.
 - Enhancements to bus cleaning and servicing in the winter and increased bus servicing cost due to a larger bus fleet.
 - A vehicle appearance and cleaning audit to provide benchmarking to facilitate improvements.
 - Diesel engine oil analysis and the conversion from recycled oil to virgin oil to improve engine reliability.
15. Leap Year: \$1.0 million. With 2016 being a leap year, there will be an extra Saturday in 2016, relative to 2015. This \$1 million increase represents the cost of providing service for the additional Saturday. It is proposed that this cost be covered through a draw from the TTC Stabilization Reserve held by the City.
16. Training Requirements: \$1.8 million. These funds are primarily required to implement the Safe Service Action Plan which includes bus operator recertifications every three years instead of 5 years. New online training modules to support employee development, succession planning and other technical courses and seminars are also included.

17. Track Safety Initiative: \$1.8 million. To improve the safety of TTC workers during work at subway track level, 20 dedicated watchpersons will be added whose sole responsibility will be to provide dedicated attention to the approach and management of train traffic.

The above noted requirements are offset, in part, by the following savings:

18. Contribution to Capital (\$13.9 million): The 2015 Operating Budget included \$13.9 million (and a further \$5.2 million in 2016) to pay for the acquisition of 50 new buses required for express route and peak period service increases. The 50 new buses are now all expected to be delivered by the end of 2015.

19. Diesel (\$13.9 million): The total diesel budget will be reduced by \$9.8 million. The TTC has hedged 86% of the 2016 diesel requirements at an average price of 87 cents per litre and the budgeted price for the balance of the requirements has been reduced to reflect market conditions for an overall savings of \$13.9 million. These savings are partially offset by \$4.1 million for diesel required to operate the additional service.

20. Departmental non-labour expense reduction (\$10.0 million): Based on historical spending patterns, an across the board cut of \$10 million has been made to departmental non-labour budgets.

All other expense changes net to a reduction of (\$0.1 million).

Appendix B provides a summary of the TTC's 2016 budgeted revenues and expenditures and subsidy requirement. It should be noted that Appendix B shows the budget based on the organizational structure of the TTC. These explanations above provide the main reasons for the changes to the budget and the explanations may cross over several departmental and cost items. For example, the CBA would affect all areas with labour. Service would affect Operations, Service Delivery, fuel, maintenance and other areas.

TORONTO TRANSIT COMMISSION
2016 OPERATING BUDGET

(\$000s)

	2015	2016	2016 vs. 2015
	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGET</u>
			<u>CHANGE</u>
<u>REVENUES</u>			
Passenger Revenues	1,140,356	1,155,000	14,644
Outside City Services & Charters	17,604	16,320	(1,284)
Advertising	26,138	27,975	1,837
Rent Revenue	10,276	11,095	819
Commuter Parking	9,932	9,274	(658)
Other Income	2,382	2,165	(217)
TOTAL REVENUES	<u>1,206,688</u>	<u>1,221,829</u>	<u>15,141</u>
<u>EXPENSES</u>			
CEO's Office	24,702	24,922	220
Strategy and Customer Experience Group	20,652	21,393	741
Engineering, Construction and Expansion	3,604	4,482	878
Corporate Services	80,501	84,633	4,132
Operations Group	515,638	541,687	26,049
Service Delivery Group	473,948	505,918	31,970
Employee Benefits	290,620	304,620	14,000
Vehicle Fuel	94,249	84,445	(9,804)
Traction Power	53,105	56,124	3,019
Utilities	24,565	25,939	1,374
Depreciation	32,345	33,449	1,104
Taxes and Licences	2,965	3,261	296
Accident Claims & Insurance	31,252	31,384	132
Non-Departmental Expenses/Cost Recoveries	27,312	37,017	9,705
Contribution to Capital	13,936	-	(13,936)
Departmental Non-Labour Budget Reduction	-	(10,000)	(10,000)
TOTAL EXPENSES	<u>1,689,394</u>	<u>1,749,274</u>	<u>59,880</u>
Operating Subsidy Required	482,706	527,445	44,739
Operating Subsidy Available	473,731	473,731	-
Draw from TTC Stabilization Reserve	8,975	1,001	(7,974)
SURPLUS / (SHORTFALL)	<u>-</u>	<u>52,713</u>	<u>52,713</u>

Note: All figures are prior to a fare increase or any 2016 service initiatives that may be approved by the Board.

APPENDIX C

TTC ZERO-BASED SERVICE BUDGET

TTC operating budget expenses are directly a function of ridership. Using a zero-based budgeting approach, once the ridership forecast is set, a Service Budget is prepared based on TTC Board approved service standards (vehicle loading standards, acceptable crowding levels, headways, hours of operation, etc.). Using these standards, the service hours and kilometres and the number of vehicles required for service are calculated. Together delivery of the service and the corresponding maintenance of vehicles and infrastructure determined about 92% of total budgeted expenses. Page 4 of this Appendix provides a chart which shows the high-level steps and major cost groupings associated with the establishment of the annual TTC zero-based budget. Following is an overview of each of the major elements of the budget identified in the chart.

Transportation Costs: - \$954 million (54%)

The service profile (i.e. routes by mode, scheduled hours by day) is used to determine the number of Operators and Collectors, fuel and energy, and critical support functions such as fare payment, security and procurement. Collectively these costs account for \$954 million or about 54% of the 2016 TTC Operating Budget as shown in Box A of the Chart.

Box A1 on page 4 of this appendix, Operator/Collector costs, represents \$728 million or about 41% of 2016 expenses. The service profile determines the shifts required for operators and collectors. Special care is exercised in the development of the individual crews to meet the service plan (while adhering to both Collective Bargaining Agreement and legislative ESA requirements) and to strike the ideal balance between the number of Operators and level of overtime incorporated into the budget. The goal is to develop a budget that results in the lowest overall cost for labour and benefits.

Overtime costs, however, are not completely unavoidable. While one of the objectives of the Service Budget is to schedule as many shifts (i.e. crews) as possible at 8 hours per day in order to satisfy the 8-hour guarantee under the current collective bargaining agreement (CBA), it is not always possible. Lengths and running times for routes vary and do not always result in shifts consisting of 8 hours of work. The work which can't be crewed in this way is performed on an overtime basis. In addition, due to higher service requirements during peak travel periods, a significant portion of scheduled service is split between the morning and afternoon. The resulting split-shifts involve a break between these two periods and, if the total elapsed time from the start to the end of an Operator's work for the day exceeds a CBA-dictated "spread", then premium pay applies to the excess time. Further, where Operators sometimes finish their crew later (relative to the service schedule) due to congestion, traffic and other service delays then overtime rates apply. Consequently, the Service Budget includes a provision for scheduled overtime to reflect most of these situations.

It should be noted that, for the second consecutive year, the TTC will reduce the overtime budget from the prior year's budgeted level. This is despite the general wage increases included in the current Collective Bargaining Agreements. For 2016, that wage increase is about 2%.

In addition, a spareboard (a contingency of approximately 365 standby Operators paid at straight-time rates) is established to cover work which would have been otherwise performed by Operators who are on vacation, short-term illness, and training. This effectively minimizes the labour and benefit costs by doing as much work as possible at straight-time thereby avoiding, to the extent possible, overtime labour costs. A break-even model is applied to the overall spareboard design in order to calculate a break even between adding incremental spareboard Operators versus utilizing overtime.

Finally, staffing for the operation of subway stations is also dictated by the Service Budget as it sets out the hours of operation of these facilities. Similar to the process of establishing the Operator workforce complement, a spareboard is also determined for the Collector workforce. Again, the goal is to develop a budget that results in the lowest overall cost for labour and benefits.

Box A2, Fuel and Traction Power, represents \$141 million or about 8% of 2016 expenses. Vehicle energy requirements are directly a function of the service profile. The TTC requires approximately 96 million litres of diesel fuel for the operation of its bus fleet. Working with the City of Toronto, hedges are placed to secure fuel at attractive prices with a view to minimizing the overall cost to the TTC. Similarly, the TTC secures its traction power or hydro energy requirements for the operation of the subway and streetcar fleets through the City of Toronto under contract with Toronto Hydro.

Box A3, Transit Security, represents \$18 million or about 1% of 2016 expenses. The Transit Enforcement Unit is responsible for law enforcement and order maintenance for both the public transit system and the workplace environment.

Box A4, Accident Claims, represents \$27 million or about 2% of 2016 expenses. Accident claims arise during the course of service operations and every effort is made to adjudicate these claims in a timely, fair and equitable way in accordance with prescribed legislation. The cost reflected in the budget is the expected current cash expenses only (non-cash expenses are addressed through a long-term City receivable to the TTC) and is reflective of the best overall assessment of the claims value with appropriate consideration of related costs as assessed by the Commission's external actuary.

Box A5, Fare Media & Processing, represents \$40 million or about 2% of 2016 expenses. Included here are the costs to procure, store, distribute and collect fare media as well as associated transaction (e.g. point-of-sale) or processing (e.g. PRESTO) fees.

Vehicle & Maintenance Costs: \$657 million (38%)

The service profile is also used to determine the service kilometres (by mode). In 2016 it is expected that the TTC will operate 246 million kilometres of bus, streetcar, subway and SRT service. This level of service, in turn, dictates the expected level of maintenance required for the various vehicle fleets and associated infrastructure and facilities. Collectively these costs account for \$657 million or about 38% of the 2016 TTC Operating Budget as shown in Box B of the Chart.

Box B1, Vehicle Maintenance, represents \$402 million or about 23% of 2016 expenses. Vehicle maintenance is a function of mileage, engineering standards and legislative requirements for servicing and inspections. The TTC currently has a fleet of approximately 1900 buses, 800 subway cars, 28 SRT cars and 260 streetcars/LRVs in addition to a substantial fleet of non-revenue vehicles required to support operations (e.g. Route Supervisors) or to maintain the system (e.g. service trucks, rail maintenance work cars). These vehicles need to be maintained in safe and operable condition at all time. Every effort is made to maximize the use of the available fleets and to maintain them at the lowest possible costs. At the October 23, 2015 meeting the Board received and endorsed a presentation on Reliability Centred Maintenance (RCM) for the bus fleet. Under RCM, we will move from the current situation of 80% reactive and 20% preventative maintenance over time to a 80% preventative and 20% reactive maintenance regime. This will allow for more predictive maintenance schedules resulting in fewer vehicles out of service, leading to better service to our customers and ultimately lower maintenance costs overall over the coming years.

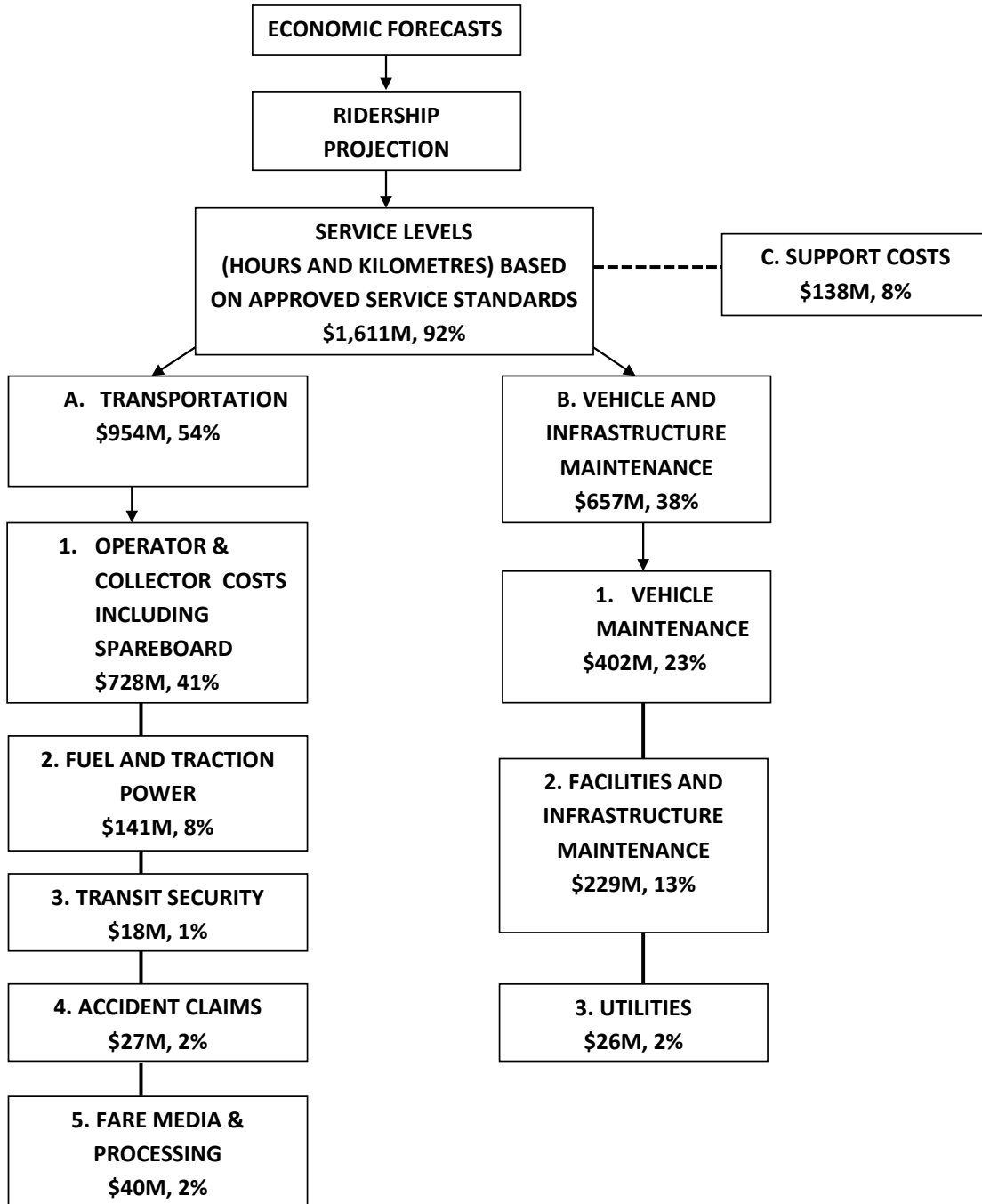
Box B2, Facilities and Infrastructure Maintenance, represents \$229 million or about 13% of 2016 expense. These costs are based on duty of care obligations as well as prescribed engineering standards all with a view to ensuring that our facilities and infrastructure are properly maintained to maximize the value that our customers and employees receive from them and to minimize costs in the long run. Also included here are costs for the lease of facilities required to support our operations (e.g. interim bus garage, warehousing).

Box B3, Utilities, represents \$26 million or about 2% of 2016 expenses. These costs include AC power, heating, and water for TTC facilities.

Support Costs: \$138 million (8%)

Box C of the Chart, Support Costs, includes all other costs necessary to support the operation of the TTC. This includes administrative areas (e.g. Legal, Finance, Safety & Environment, ITS), insurance, property taxes, commuter parking lot operations, computer licences, telecommunications, office leases, etc. After accounting for costs associated with ITS purchased services (licences, telecommunications) and the lease of offices at 250 Bloor Street, the remaining increase in 2016 is about \$3 million or just over 2%.

TTC ZERO-BASED SERVICE BUDGET



ESTIMATED ANNUAL IMPACT OF 10 MILLION ADDITIONAL RIDES

The TTC Operating Budget is influenced, perhaps more than anything else, by known and projected service requirements for the upcoming budget year. The service requirements are, in turn, driven by a number of factors such as:

- system-wide and route ridership trends and patterns, as observed through ongoing counts of ridership
- projected system ridership growth for the coming year(s), based on macro-economic factors such as the health of the economy, energy prices, retail shopping trends, etc.
- policy-driven service initiatives (e.g. reduced peak crowding, express buses)
- known/planned changes to contracted service (e.g. YRT/Viva contract service)
- fleet and facility changes (e.g. higher-capacity articulated buses, higher-capacity streetcars, new garage)
- effects of rapid transit construction (e.g. Eglinton-Crosstown, TYSSE)
- city construction (e.g. road, water works)

The biggest determinant of service requirements -- ridership growth -- is projected using detailed statistical analysis that takes into account several internal and external factors such as the economy (e.g. GDP), population & employment growth (downtown versus suburbs), changes to transit services (e.g. changes to fares, service level enhancements, expansion – TYSSE), etc.

Analysis of these factors allows the TTC to determine:

- where ridership is growing (e.g. suburban bus routes, downtown streetcar services)
- when it is growing (e.g. weekday peak periods, weekday off-peak, weekends)
- changes in directionality of travel (e.g. – into the core area [peak direction] or out of the city [opposite the peak direction])
- density of system usage (boardings/hour or per-service-kilometre) -- resource requirements

All of these factors, taken together, allow determination of what changes will be required in terms of budgeted service resources. Table 1 presents typical (i.e. where system infrastructure requirements such as the number of bus garages or subway carhouses needed are not impacted) service-resource requirements to accommodate ten million additional customers. The service requirements include service hours, service kilometres, and vehicle requirements. These service requirements are developed based on empirical observations of the relationship between ridership and service, as well as the effects of the TTC's approved service standards such as acceptable crowding levels.

Table 1: Weekly Hours, Kilometres, Vehicle and Workforce Requirements to Accommodate 10 million Customers

Mode	Hours	Kms	In-Service Vehicles	Spare Vehicles	Workforce
Bus	1,450	29,000	14	3	
Streetcar	350	4,900	3	1*	
Subway	200	18,000	1	1*	
Total	2,000	51,900			80

* One spare required to support 6 in-service vehicles (spare ratio equals 15%)

Vehicle Notes:

- Bus (12 metres)
- Streetcar (new 30 metre)
- Subway Train (6 cars)

The service hours are, in turn, used to determine the approximate required changes in Operator workforce, while the service kilometres are used to determine the approximate required changes in vehicle maintenance workforce. The data are also used to determine material requirements such as fuel, tires, hydro, vehicle parts, etc.

From an incremental perspective, an order-of-magnitude estimation of the annual operating expenses to carry an additional 10 million rides is approximately \$11 million, representing only the variable costs associated with operating the required additional service hours and kilometres noted above. This estimate is premised on the assumption that the current infrastructure (i.e. bus, subway and streetcar networks, maintenance facilities, and the existing cost structure for various support functions) remain unchanged. The actual impact on operating expenses, however, will be dependent upon the timing of when service is added (i.e. peak versus off-peak period), the mix of additional vehicles required, and available capacities of existing infrastructure such as bus garages and subway carhouses. For example, if the existing bus garage and subway carhouse capacities are exceeded as a result of adding the vehicles required to carry the additional 10 million riders, then the operating expense impact will be higher than the \$11 million estimate.

It is important to note that on a full-cost basis, the rule-of-thumb is the cost of each ride is roughly \$3, the average fare is about \$2, and the subsidy is in the order of \$1.

APPENDIX E

2016 SERVICE BUDGET

Ridership on the TTC services has been increasing steadily since 1996, and total annual system ridership has increased by over 162 million rides or 44% to the end of 2014. The increase in ridership has been occurring across the city – on both suburban and centrally-oriented routes – and during both peak and off-peak times. In 2015, ridership was budgeted to reach 545 million passengers per annum excluding the Pan Am & Parapan Am Games, up 1.9% from the 2014 level of 535 million passengers.

The budget for 2015 included the resources needed to meet a projected annual ridership of 545 million passengers. Service increases were made throughout the year in response to observed higher ridership levels. Service increases were also made to implement service initiatives approved by the TTC Board in the August 2014 *Opportunities* report including: more frequent off-peak service, the ten-minute service network, all-day every day service, and the expanded overnight network. In total, this included more than 550 service increases on busy subway, streetcar, and bus routes.

Projections for 2016 indicate that ridership will reach 555 million passengers, an increase of about 1.8% compared to the 2015 budgeted ridership of 545 million. The 2016 operating service budget represents a 4.6% increase in service compared to the 2015 service budget of which approximately 0.7% more service is required to carry projected increases in ridership.

Also included in 2016 are four new and/or expanded peak-period express routes, relief from overcrowding and reduced wait-times on a number of peak-period bus routes. The 2015 capital budget included the cost of acquiring 50 buses for these improvements and based on the anticipated 2015 year-end arrival of these buses, these service improvements are scheduled to begin operating in early 2016.

The 2016 operating service budget includes the reversal of service required to deliver the Pan Am and Parapan Am Games and the annualization of service changes made in 2015: resources to sustain ridership growth and the service initiatives outlined in the *Opportunities* report implemented in 2015; to improve the quality and reliability of bus, streetcar, and subway service; and to make-up for the late delivery of streetcars.

The 2016 operating service budget includes service reductions related to changes in contracted service with YRT/Viva, savings related to the introduction of new streetcars on 509 Harbourfront, 511 Bathurst, and 505 Dundas, and an increase in service to account for congestion and delays resulting from City Construction for road, and water projects.

APPENDIX F

WORKFORCE

In a labour-intensive operation, additional service comes with labour resources to operate and maintain that service. The following table demonstrates that the TTC has been effective in controlling growth in its workforce relative to population, ridership and service growth over the past two decades.

	Change from 1992 to 2016
Population	+ 26%
Ridership	+ 35%
Service Level (hours)	+ 29%
Service Level (kilometres)	+ 32%
Operating Budget workforce	+ 26%

Carrying an additional 35% riders, while increasing service levels about 29% and employees by only 26%, represents a substantial improvement in labour productivity. All of this has been achieved despite the loss of bus carrying capacity in the order of 10% due to the conversion of the fleet to a low-floor design and ever-increasing road congestion which has necessitated the addition of resources (vehicles, Operators, service hours, etc.).

The following table compares the 2016 and 2015 workforce requirements as at December 31.

BUDGET	2015	2016	CHANGE
TTC Operating	11,691	11,854	163

The change in year-end workforce at the Commission is described in this section. Most of the Operating budget increase is required to accommodate service requirements.

Actual workforce strength will not normally exceed the monthly workforce budget except in the case of the Operator complement. In order to ensure that the service budget can be achieved, an annual hiring plan and training program is developed for Operators which takes into account projected requirements as a result of service changes, retirements, resignations or other turnover. An extended period of time is required in order to identify, pre-screen, hire, train and, qualify new Operators to ensure availability to meet the projected workforce requirement. As a result, the annual budget provides for these pre-hires, however, the year-end budgeted workforce remains unchanged. As failure to pre-hire would increase the risk that service would not be met, resulting in significant negative implications for customers and the Commission, staff are proceeding with the hiring plan consistent with the increased service requirements incorporated within the

2016 operating budget. In addition, it is important to note that there are currently a sizeable number of TTC employees who are in a position to retire. If a greater than average number were to do so in any given year, this could present significant logistical challenges to the TTC from an operational perspective.

The TTC operating workforce level is projected to increase by 163 positions (1.4%) from 11,691 to a total of 11,854 at December 31, 2016. The reasons for the increase are as follows:

Maintain Service Levels / Meet Ridership Growth to 555 million – 168 positions

- 123 to accommodate ridership growth to 555 million and to maintain existing service levels,
- 21 positions required for additional peak service period (50 new buses approved in 2015),
- 20 Proof of Payment Inspectors, which were deferred from 2015,
- 4 additional positions required to operate the Leslie Barns Maintenance Facility.

Other Changes – (5) net positions

- (37) Operator positions resulting from the decision to rebuild ALRV (not CLRV) streetcars,
- (13) Operator positions due to the continued roll-out of the larger capacity new LRVs,
- 20 positions to implement Track Safety Initiatives to improve safety of TTC subway track workers,
- 11 positions required to implement the Safe Service Action Plan, which includes Bus Operator re-certification every 3 years, instead of 5 years,
- 11 PRESTO Single Ride Vending Machine Service Attendants,
- 2 positions for increased training in the following specialized programs: Subway Vehicle Technician, Vehicle Repair Person and Light Rail Vehicle Technician,
- 2 for various other corporate initiatives,
- (6) Operator positions due to York Region Transit's planned cancellation of the Victoria Park bus service, which is currently operated by TTC on a full cost recovery basis,
- 5 positions for the installation of Fibre Optic cable for subway cellular service (the associated costs are recoverable from Broadcast Australia Inc).

The Wheel-Trans Operating Budget year-end workforce will increase by 3 positions from 562 to 565 as follows:

- Three additional Reservationists to improve customer service by reducing the call abandonment rate.

APPENDIX G1

2016 FARE SCENARIOS – BUDGET COMMITTEE SEPTEMBER 15 2015
DRAFT FARE SCHEDULES

Group	Fare Media	FARE SCENARIO							
		1	2	3	4	5	6	7	8
		No Fare Increase (current pricing)	25¢ on cash fares	5¢ on Metropass only	5¢ on all fare media, 25¢ on cash fares; excl. Metropass	5¢ on fare media; 25¢ on cash fares	5¢ on fare media; single cash fare	10¢ on fare media; 25¢ on cash fares	10¢ on fare media; single cash fare
Adult	Cash	\$3.00	\$3.25	\$3.00	\$3.25	\$3.25	\$3.25	\$3.25	\$3.25
	Token	\$2.80	\$2.80	\$2.80	\$2.85	\$2.85	\$2.85	\$2.90	\$2.90
	PRESTO E-Purse	\$2.80	\$2.80	\$2.80	\$2.85	\$2.85	\$2.85	\$2.90	\$2.90
	Weekly Pass	\$40.75	\$40.75	\$40.75	\$41.50	\$41.50	\$41.50	\$42.25	\$42.25
	Metropass - Regular	\$141.50	\$141.50	\$144.00	\$141.50	\$144.00	\$144.00	\$146.50	\$146.50
	Metropass - MDP	\$129.75	\$129.75	\$132.00	\$129.75	\$132.00	\$132.00	\$134.25	\$134.25
	Metropass - VIP (Tier 3)	\$124.50	\$124.50	\$126.75	\$124.50	\$126.75	\$126.75	\$129.00	\$129.00
Post-Sec	Metropass	\$112.00	\$112.00	\$114.00	\$112.00	\$114.00	\$114.00	\$116.00	\$116.00
Sr/Stud	Cash	\$2.00	\$2.25	\$2.00	\$2.25	\$2.25	\$3.25	\$2.25	\$3.25
	Ticket	\$1.95	\$1.95	\$1.95	\$2.00	\$2.00	\$2.00	\$2.05	\$2.05
	PRESTO E-Purse	\$1.95	\$1.95	\$1.95	\$2.00	\$2.00	\$2.00	\$2.05	\$2.05
	Weekly Pass	\$33.00	\$33.00	\$33.00	\$33.75	\$33.75	\$33.75	\$34.75	\$34.75
	Metropass - Regular	\$112.00	\$112.00	\$114.00	\$112.00	\$114.00	\$114.00	\$116.00	\$116.00
	Metropass - MDP	\$102.75	\$102.75	\$104.50	\$102.75	\$104.50	\$104.50	\$106.25	\$106.25
Other	Day Pass	\$11.50	\$11.50	\$11.50	\$11.75	\$11.75	\$11.75	\$12.00	\$12.00
	GTA Weekly Pass	\$61.00	\$61.00	\$62.00	\$61.00	\$62.00	\$62.00	\$63.00	\$63.00
	Downtown Exp. Sticker	\$40.00	\$40.00	\$40.00	\$40.75	\$40.75	\$40.75	\$41.50	\$41.50

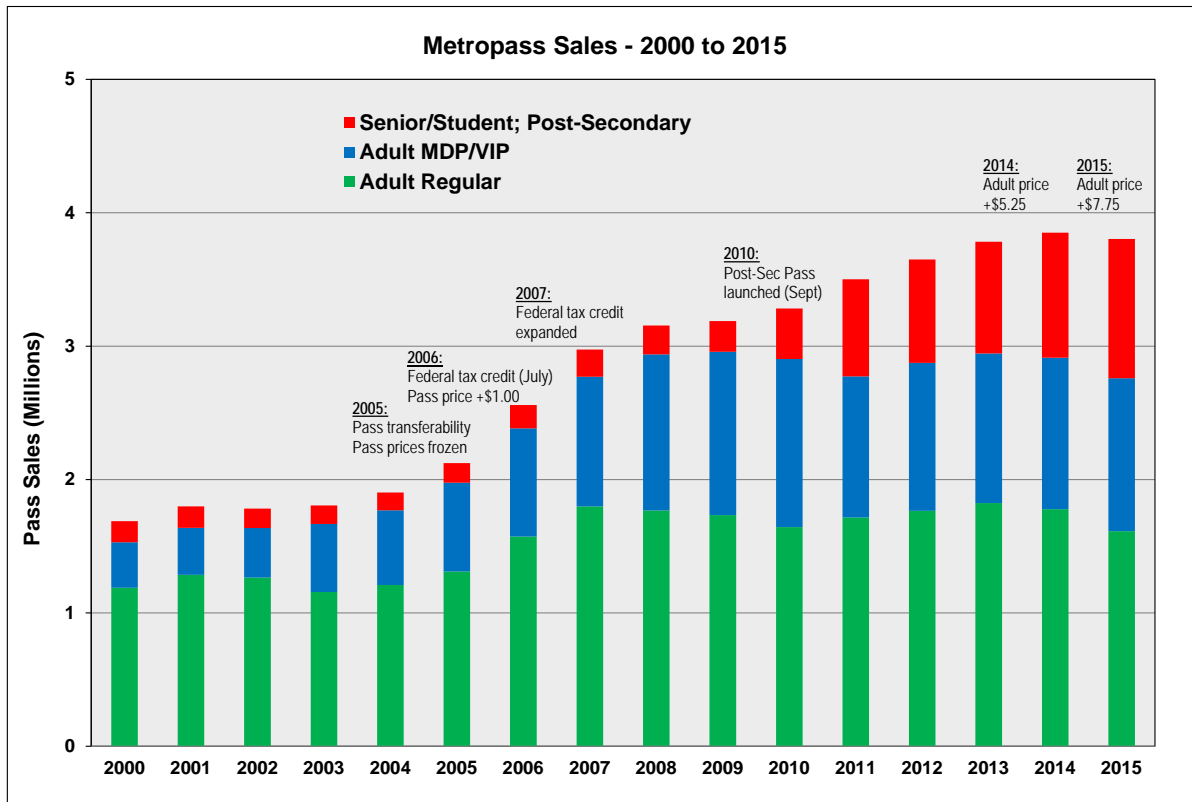
Note: values in bold in above table represent increase from current pricing

**2016 FARE SCENARIOS – BUDGET COMMITTEE SEPTEMBER 15 2015
WITH A METROPASS FREEZE
DRAFT FARE SCHEDULES**

Group	Fare Media	FARE SCENARIO							
		1	2	3	4	5	6	7	8
		No Fare Increase (current pricing)	25¢ on cash fares	5¢ on Metropass only	5¢ on all fare media, 25¢ on cash fares; excl. Metropass	5¢ on fare media; 25¢ on cash fares	5¢ on fare media; single cash fare	10¢ on fare media; 25¢ on cash fares	10¢ on fare media; single cash fare
Adult	Cash	\$3.00	\$3.25	\$3.00	\$3.25	\$3.25	\$3.25	\$3.25	\$3.25
	Token	\$2.80	\$2.80	\$2.80	\$2.85	\$2.85	\$2.85	\$2.90	\$2.90
	PRESTO E-Purse	\$2.80	\$2.80	\$2.80	\$2.85	\$2.85	\$2.85	\$2.90	\$2.90
	Weekly Pass	\$40.75	\$40.75	\$40.75	\$41.50	\$41.50	\$41.50	\$42.25	\$42.25
	Metropass - Regular	\$141.50	\$141.50	\$141.50	\$141.50	\$141.50	\$141.50	\$141.50	\$141.50
	Metropass - MDP	\$129.75	\$129.75	\$129.75	\$129.75	\$129.75	\$129.75	\$129.75	\$129.75
	Metropass - VIP (Tier 3)	\$124.50	\$124.50	\$124.50	\$124.50	\$124.50	\$124.50	\$124.50	\$124.50
Post-Sec	Metropass	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00
Sr/Stud	Cash	\$2.00	\$2.25	\$2.00	\$2.25	\$2.25	\$3.25	\$2.25	\$3.25
	Ticket	\$1.95	\$1.95	\$1.95	\$2.00	\$2.00	\$2.00	\$2.05	\$2.05
	PRESTO E-Purse	\$1.95	\$1.95	\$1.95	\$2.00	\$2.00	\$2.00	\$2.05	\$2.05
	Weekly Pass	\$33.00	\$33.00	\$33.00	\$33.75	\$33.75	\$33.75	\$34.75	\$34.75
	Metropass - Regular	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00	\$112.00
	Metropass - MDP	\$102.75	\$102.75	\$102.75	\$102.75	\$102.75	\$102.75	\$102.75	\$102.75
Other	Day Pass	\$11.50	\$11.50	\$11.50	\$11.75	\$11.75	\$11.75	\$12.00	\$12.00
	GTA Weekly Pass	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00	\$61.00
	Downtown Exp. Sticker	\$40.00	\$40.00	\$40.00	\$40.75	\$40.75	\$40.75	\$41.50	\$41.50

Note: values in bold in above table represent increase from current pricing

APPENDIX H



This table shows the 1% drop in overall Metropass sales in 2015, but also illustrates the recent shift of regular Adult Metropass sales to lower priced monthly passes.

In response to the question of how much would the Adult Metropass have to be increased to fund the revenue lost by making the Senior/Student (S/S) Metropass the same trip multiple as the Adult Metropass. If the S/S Metropass were priced at 50.5 trips (the regular Adult Metropass multiple), the revenue loss would be \$4.6 million. To fund that all Adult Metropasses (regular, MDP VIP and Post-Secondary) would have to increase by about \$1.30/pass each month.

2016 OPERATING SUBSIDY

The table below illustrates the level of TTC operating subsidy compared to other transit systems in the United States and Canada. By a wide margin, the TTC remains the least subsidized transit system on a per rider basis in North America:

TRANSIT SYSTEM*	OPERATING SUBSIDY (\$M)	REVENUE/COST RATIO	REVENUE TRIPS (M)	SUBSIDY/ RIDER
TTC	483	71%	545	\$0.89
Major U.S.				
Boston	484	44%	253	\$1.92
Chicago	701	45%	377	\$1.86
Los Angeles	968	27%	339	\$2.85
New York	3,545	53%	2,385	\$1.49
Philadelphia	557	35%	222	\$2.51
Washington, D.C.	730	51%	314	\$2.32
Major Canadian				
Calgary	180	51%	110	\$1.63
Edmonton	156	45%	89	\$1.75
Montreal	465	57%	417	\$1.11
Ottawa	165	53%	97	\$1.70
Vancouver	406	54%	231	\$1.76
Local Canadian				
Brampton	61	46%	20	\$2.99
Durham Region	43	35%	11	\$4.02
Hamilton	42	47%	22	\$1.88
Mississauga	83	49%	37	\$2.26
York Region	100	40%	22	\$4.44

*TTC data: 2015 Budget; Major U.S.: 2013 in \$US ; Major & Local Canadian: 2014

The transit systems most comparable to the TTC (89¢ subsidy/rider) are: Montreal (\$1.11/rider), Chicago (\$1.86/rider), Boston (\$1.92/rider), and Washington, D.C. (\$2.32/rider). Even the massive New York City Transit received \$1.49 US/rider in 2013.

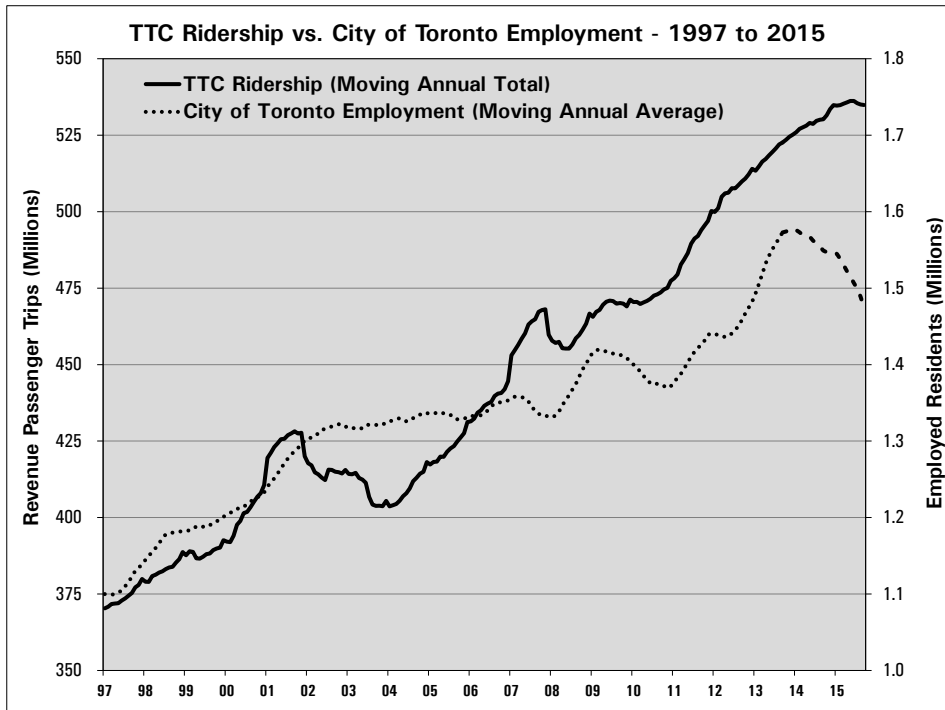
The following table illustrates that the TTC's comparatively low subsidy per rider actually decreased from 2010 to 2013 before recovering somewhat in 2014 and 2015. Overall, from 2010 to 2015, the subsidy per rider decreased 4% from 93¢ to 89¢. The drop is actually 14% once inflation is factored in.

Year	Subsidy Budget	Ridership Budget	TTC Subsidy per Rider	TTC Subsidy in \$2015
2010	\$430M	462M	\$0.93	\$1.03
2011	\$429M	487M	\$0.88	\$0.94
2012	\$411M	503M	\$0.82	\$0.87
2013	\$411M	528M	\$0.78	\$0.81
2014	\$440M	540M	\$0.81	\$0.82
2015	\$483M	545M	\$0.89	\$0.89

2016 RIDERSHIP

As mentioned above, the starting point for the TTC operating budget process is the forecast of ridership for the upcoming year. Ridership is affected by a combination of factors including employment levels, demographics, retail trade activity, travel and tourism patterns, service levels, transit fares, income levels, gasoline/automobile prices, and vehicle parking availability and rates. Some factors affect ridership in the longer-term such as demographics and income level. Other factors such as energy prices, employment levels, tourism, retail trade, and significant world events can have both short and long-term ridership consequences.

Historically, City of Toronto employment levels have had the most significant impact on ridership, as illustrated in the following chart:



The chart illustrates the close relationship between City of Toronto employment and TTC ridership for the past two decades. In fact, from 2003 to 2014, City of Toronto employment mostly fluctuated between 1.3 and 1.5 million whereas there was sustained growth in TTC ridership, which increased 32% from 405 million to 535 million.

In recognition of the employment-ridership relationship, the TTC uses economic forecasts from the Conference Board of Canada (CBoC), which include predicted employment and Gross Domestic Product (GDP) growth, to establish its ridership forecasts. The CBoC forecasts are subject to ongoing refinement. This is illustrated in the following table, which compares the CBoC's two most recent 2016 economic forecasts for the Toronto Census Metropolitan Area (CMA):

MEASURE	SPRING 2015	AUTUMN 2015
Employment	2.5%	1.9%
GDP	3.2%	2.8%
CPI	2.2%	2.3%

The Autumn 2015 forecast indicates that for 2016, solid employment and GDP growth for the Toronto area economy is anticipated, albeit at a slightly slower pace than originally predicted in the Spring 2015 forecast.

In addition to economic growth, Metropass sales trends are a good indicator of ridership trends. Over the past decade, Metropass sales have grown to the point where 52% of all TTC customer journeys are now taken using a monthly Metropass. There are a several reasons why Metropasses are a popular choice with customers: convenience, the Federal Income Tax Credit, the transferability feature, price discounts through the MDP (mail order subscription) or VIP (employer provided) programs, and the Post-Secondary Student pass. Of note, however, is that sales of the Adult Metropass, which account for about 75% of total Metropass sales and 40% of customer journeys, have declined since the beginning of 2014. There may be various reasons for this decline, including the fact that the pass price multiple was increased by 2 (from 48.5 to 50.5 equivalent tokens) over the past two fare increases. At this point, it is difficult to determine Adult Metropass sales growth, positive or negative, for 2016 with any degree of precision.

Another main component of 2016 ridership will be the gain that is anticipated from the service enhancements that were implemented effective September 2015. Given the nature of customer travel patterns/behavior, it is possible that some of the anticipated gain will not immediately occur due to the fact that there may be a lag effect before customers become fully acquainted with the enhancements and adjust their transit habits accordingly.

Based on historical ridership growth rates, available economic forecasts, Adult Metropass sales trends, and growth from service enhancements, 2016 ridership is projected to be approximately 555 million (before any fare increase). In consideration of the trends and uncertainties noted above, this projection should be considered to be a stretch target. As can be seen from the following table, 2015 year-end ridership is expected to be between

535 and 537 million, which is mainly attributable to severe cold weather in Q1 2015, higher-than-anticipated ridership losses stemming from the 10-cent fare increase on March 1, 2015, system closures, lower inflation than originally forecast, travel and tourism trends during the summer 2015, and the negative growth in Adult Metropass sales noted above.

MILLIONS	2015 BUDGET	2015 PROJECTION	2016 BUDGET	2016 BUDGET vs 2015 BUDGET
RIDERSHIP	545	535 - 537	555*	10

*before any fare increase

2016 WHEEL-TRANS OPERATING BUDGET

The 2016 Wheel-Trans Operating Budget has been developed to address an increasing demand for service, respond to current and prepare for evolving service delivery methods, redefine eligibility in accordance with Accessibility for Ontarians with Disabilities Act (AODA) legislation and business/technology changes required to meet future needs and transform the customer experience.

Attachment A shows the year-over-year changes in budgeted revenues and expenses, relative to 2015.

The highlights of the 2016 Wheel-Trans Operating Budget are as follows:

- Wheel-Trans ridership demand steadily increasing (14% increase over 2015, following on from a 13% increase in demand over 2014), the result of an aging population and improved service delivery, compliance with AODA requirements resulting in a lower rejection rate, combined with adding more resources to book trips in the Reservations call centre and improvements in on-time performance;
- In 2016, Wheel-Trans will accommodate continued growing trip requests based upon a lower unaccommodated rate of 0.5%;
- Carrying 444,000 more passengers, increasing from 3.246 million in 2015 to 3.690 million in 2016, with more trips carried on contracted taxi services which is the most cost effective mode;
- As per current Collective Bargaining Agreement with ATU Local 113, maintain operator workforce at 350, thus maximizing the efficiency of current bus crews and available vehicles by adding more high-productivity zone buses and reducing bus operating costs;
- Implementing a new eligibility criteria in the second half of 2016 based upon added classifications of disabilities as required by AODA (in advance of the 1 January 2017 deadline) which includes the assessment of any disability (including Cognitive) as an impediment to riding the conventional system versus the current model of mobility being the only factor and commencing the re-registering of current customers;
- Trips associated with the impact of the new eligibility criteria (expanded), have not been included in service forecasts, however we note that other transit properties experienced a 20% increase in demand as a result of the eligibility changes;

- Development and Implementation of a 10-Year Strategy for Wheel-Trans service including the Program Review currently underway;
- Improvements to Community Bus service to better support the ‘Family of Services’ delivery model as a ‘pilot’ in 2016;
- Improvements to the current reservations, booking and scheduling system in accordance with AODA to create a 3rd category of eligibility (conditional) to commence intermodal trip planning on TTC conventional service;
- Participating in the corporate initiative to upgrade the Call Centre telephone system;
- Improving customer service telephone performance by reducing wait times and call abandonment rates by adding more resources in Reservations;
- Sourcing a fuel efficient production vehicle with lower acquisition and operating costs to replace the Friendly bus fleet beginning in 2017, with a full summary of the Wheel-Trans 10-Year Plan including Fleet Plan presented at the December 16 Board meeting;
- Developing a new comprehensive Operations Management System which will build upon the application and registration processes, trip-booking and scheduling enhancements integrated with Interactive Voice Response (IVR), Automatic Vehicle Location (AVL), Mobile Data Terminal (MDT) technologies improving vehicle productivity, on-time performance and operational efficiencies; and
- Revenues are projected to increase by \$0.7 million primarily as a result of the projected increase in trips, with no provision for a fare increase included in the 2016 budget.
- Expenditures are expected to increase by approximately \$8.4 million over the 2015 budgeted level. Key elements of this change include:
 - \$7.8 million increase required to provide an additional 444K (13.7%) trips based on a targeted accommodated rate of 99.5%
 - \$0.9 million for mandated AODA eligibility changes (additional interviews and appeals);
 - \$0.6 million for the full year’s effect of the current Collective Bargaining Agreement;
 - \$(0.8) million reduction in diesel fuel costs reflecting the hedging of 86% of required 2016 volumes at 87 cents per litre; and
 - \$(0.1) million for all other net changes.

- Loss of a one-time draw of \$0.3 million from the TTC Stabilization Reserve.
- Subsidy request for 2016 is anticipated to be increased by \$8 million from the 2015 budgeted level of \$108.8 million to \$116.8 million.
- Year-end workforce will increase by three positions to 565 in support of increased ridership, as well as providing more resources in Reservations to lower the call abandonment rate and increase the number of calls handled in the call centre.

Funding

The following table provides a comparison of the 2015 and 2016 Operating Budgets:

	2015 BUDGET	2016 BUDGET	CHANGE
Financial Data (\$000s)			
Expenses	117,043.1	125,494.9	8,451.8
Less: Post-Retirement/Accident Claims	1,730.0	1,829.0	99.0
Non-Cash Expenses			
Net Expenses	<u>115,313.1</u>	<u>123,665.9</u>	<u>8,352.8</u>
Operating Revenue	<u>(6,214.3)</u>	<u>(6,899.0)</u>	<u>(684.7)</u>
Net Operating Subsidy	109,098.8	116,766.9	7,668.1
Draw from TTC Stabilization Reserve	300.0	0.0	(300.0)
Net Operating Subsidy	108,798.8	116,766.9	7,968.1

The Wheel-Trans Operating Budget for 2016 requires funding in the amount of \$116.8 million to meet the anticipated demand for service (\$123.7 million), partially offset by revenues of \$6.9 million. At the requested level of funding, Wheel-Trans will accommodate 99.5% of the anticipated demand, using buses, accessible and sedan taxis for its door-to-door and fixed route service, as well as change eligibility criteria for service, change selected routes from Community Bus service to support the pilot of the ‘Family of Services’ delivery model to integrate more trips with conventional service (thereby commencing to save money); as well as introduce technological innovation and continue with service initiatives to improve both vehicle productivity and quality of service.

Wheel-Trans Service Plan

Service Plan Summary

- 2015 Wheel-Trans 10 Year Strategy and Program Review
- 2016
 - Scheduling and service design initiatives to assist in accommodating demand growth (new operations management system)
 - AODA mandated eligibility implemented (Fall)
 - Family of Services pilot introduced (Fall)
- 2017 Replacement of bus fleet commences with different fleet sizes and fleet mix

The Ontario government has developed mandatory accessibility standards that identifies, removes, and prevents barriers for people with disabilities. On January 1, 2017 the additional requirements of AODA legislation broadens the definition of a disability which includes changes to the categories of disability (temporary, conditional and unconditional) and mandates barrier free access to transportation which will include any barrier that prevents customers from accessing conventional TTC Service. Current Eligibility for Wheel Trans is based on mobility impairments however the AODA requirement expands the Eligibility definition to include any disability (including Cognitive) that prevents a person from travelling on the conventional system and as such, is anticipated to significantly increase demand for Wheel-Trans service from the last quarter of 2016 and beyond, when the new eligibility assessment process is fully implemented based upon the new expanded eligibility criteria. Other specialized transit agencies across Ontario are addressing similar concerns and the requirement to be compliant with AODA legislation by January 1, 2017 and have noted a 20% increase in demand as a result. The 2016 Budget does not include any service impacts for this new expanded eligibility due to the timing of the development of the final new eligibility criteria and the final report from the consultants expected in late December or early in 2016. As a result, only increased interview and appeal costs have been included in the 2016 Budget.

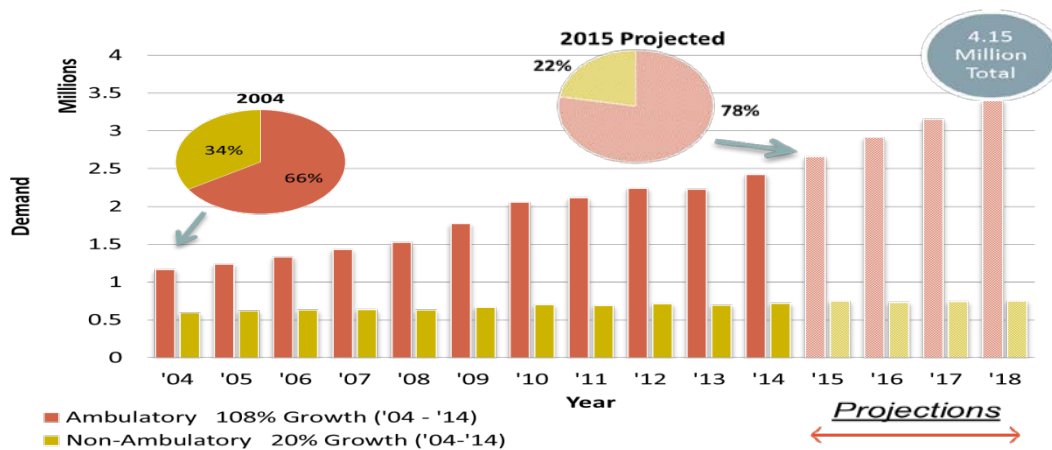
Contemplating the impact of this change on service and costs and working to ensure sustainability, Wheel-Trans is developing a 10-Year Strategy which will include a service delivery model that is based on the booking of trips based on the customers' ability, not disability which will include trip planning on the conventional system to ensure optimal and strategic best use of all TTC resources. Known as Family of Services in other transit agencies, the premise is to holistically approach customer service and trip booking using all of the TTC's service options (Bus, Subway, Streetcar and Specialized Transit) matched to the ability of each customer for each trip request as well as acknowledging the TTC's substantial investments in accessibility across the entire system. As this presents a significant change for existing Wheel-Trans customers, Wheel-Trans will introduce and soft launch a pilot of this concept using selected Community Bus routes which are operated by Wheel-Trans staff using TTC Wheel-Trans buses. A significant

communications campaign and customer-focused travel training program will be developed and initiated prior to the start of the pilot to ensure customers are confident that the Community Bus portion of the journey will serve their transit needs. In addition, the full strategy will be brought to the TTC Board in advance of any changes.

Demand Forecast

During 2015, customer demand increased at higher than anticipated levels (13% over 2014) and this increase is expected to continue in the forecast years as customers experience improvements to service and more service options. Specifically, customer trips are expected to increase from 3.246 million (2015 budget) to 3.690 million, a forecasted increase of 14%. This increase in demand growth reflects an expanding registrant base where an average of 1,200 new customers is being added monthly to the registrant base. By 2017, it is estimated that the initial growth with the new eligibility will increase 16% - 25%; however, until the new eligibility criteria is finalized, it is difficult to accurately project the anticipated increase.

15-YEAR ANNUAL DEMAND TREND & RATIO
STEADY INCREASE IN AMBULATORY TRIPS



The table below summarizes the number of passengers carried by mode in 2015/16

	2015 BUDGET	2016 BUDGET
- Bus	1,031,400	1,007,600
- Accessible Taxis	1,143,900	1,331,100
- Sedan Taxis	1,005,400	1,298,800
Sub-Total	3,180,700	3,637,500
- Community Bus	65,000	52,000
Total Trips	3,245,700	3,689,500

Contracted Taxi Services

The available capacity of both accessible and sedan taxis are a fundamental tool used to provide over 72% of Wheel-Trans service. As the most cost effective service delivery channel within the current Wheel-Trans model, the contracted services are used to provide transport to smaller groups of customers and to adjust service when disruptions occur. With the increase in ambulatory customers, the contracted services are the best matched option within the current Wheel-Trans fleet. Currently, there are 210 accessible taxis dedicated to Wheel-Trans service as well as approximately 2,500 sedan taxis providing service as the number of ambulatory trips continues to grow. With the majority of the service now being carried on contracted services and consequently, a significant portion of the Wheel-Trans operating budget being allocated to paying for the services, a dedicated team to manage the service is essential to ensure compliance with the contracts, monitor and manage overall service performance to a greater extent as well as verify the invoices against our system records. A detailed management plan encompassing workforce, industry standards, service quality expectations such as on-time performance, and response taken to address customer issues and complaints will be developed with the assistance of the external consultants as part of the Wheel-Trans Program review. As part of the contracted services business plan in 2016, Wheel-Trans will be exploring the use of additional vehicles in order to meet growing service levels.

Accessible and sedan taxi contractors will provide their drivers with ‘refresher’ training in 2016 to meet service quality expectations and customer needs, ensuring better customer service and customer experience as well to be compliant with AODA standards.

2016 WHEEL-TRANS OPERATING BUDGET

	<u>(\$000s)</u>		
	<u>2015 BUDGET</u>	<u>2016 BUDGET</u>	<u>2016 vs 2015 BUDGET CHANGE</u>
<u>EXPENSES</u>			
<u>SERVICE COSTS</u>			
CONTRACTED TAXIS SERVICE	39,646.4	47,808.0	8,161.6
<u>BUS SERVICE</u>			
Operators	26,462.9	25,972.1	(490.8)
Divisional Staff	587.9	583.9	(4.0)
Mobile Supervision	1,154.1	1,165.8	11.7
Dispatch	3,431.3	3,552.7	121.4
Equipment Maintenance	13,594.7	13,657.9	63.2
Vehicle Fuel	4,592.2	3,689.4	(902.8)
TOTAL BUS SERVICE	49,823.1	48,621.8	(1,201.3)
TOTAL SERVICE COSTS	89,469.5	96,429.8	6,960.3
<u>ADMINISTRATION</u>			
Senior Manager's Office	645.9	705.7	59.8
Reservations	2,406.6	2,823.2	416.6
Taxi Administration	317.9	318.2	0.3
Customer Service	2,336.7	3,253.4	916.7
TOTAL ADMINISTRATION	5,707.1	7,100.5	1,393.4
NON-DEPARTMENTAL COSTS	4,751.4	4,767.2	15.8
LAKESHORE GARAGE COSTS	1,355.1	1,367.4	12.3
OTHER EMPLOYEE COSTS	15,760.0	15,830.0	70.0
TOTAL EXPENDITURES (PER WHEEL-TRANS)	117,043.1	125,494.9	8,451.8
LESS: POST-RETIREMENT NON-CASH BENEFITS *	1,480.0	1,729.0	249.0
LESS: ACCIDENT CLAIMS NON-CASH EXPENSE **	250.0	100.0	(150.0)
TOTAL EXPENDITURES (PER CITY)	115,313.1	123,665.9	8,352.8
TOTAL REVENUES	6,214.3	6,899.0	684.7
OPERATING SUBSIDY	109,098.8	116,766.9	7,668.1
DRAW FROM TTC STABILIZATION RESERVE	300.0	-	(300.0)
NET OPERATING SUBSIDY	108,798.8	116,766.9	7,968.1

Note: Figures are prior to a fare increase that may be approved by the TTC Board.