

# Toronto 2017 BUDGET



## OPERATING BUDGET NOTES



## Toronto Transit Commission

### 2017 OPERATING BUDGET OVERVIEW

TTC will provide Conventional Transit service to up to 544 million riders with service that spans 247 million kilometres and 9.5 million hours in 2017. Wheel-Trans provides door-to-door accessible transit service on 4.7 million rides for riders with physical disabilities.

### 2017 Operating Budget Highlights

The total cost to deliver Conventional and Wheel-Trans transit to Toronto residents is \$1.954 billion gross and \$687.7 million net as shown below:

TTC-Conventional (in \$000's)	2016 Budget	2017 Preliminary Budget	Change	
			\$	%
Gross Expenditures	1,736,756.4	1,802,884.7	66,128.3	3.8%
Revenues	1,243,129.7	1,257,821.9	14,692.2	1.2%
<b>Net Expenditures</b>	<b>493,626.7</b>	<b>545,062.8</b>	<b>51,436.1</b>	<b>10.4%</b>

TTC-Wheel Trans (in \$000's)	2016 Budget	2017 Preliminary Budget	Change	
			\$	%
Gross Expenditures	123,665.9	151,169.3	27,503.4	22.2%
Revenues	6,953.5	8,491.5	1,538.0	22.1%
<b>Net Expenditures</b>	<b>116,712.4</b>	<b>142,677.8</b>	<b>25,965.4</b>	<b>22.2%</b>

The 2017 Preliminary Operating Budget includes increased funding of \$93.632 million gross and \$77.402 million net to accommodate anticipated increased Wheel-Trans ridership, fund the collective bargaining contract increases and operating impact of completed capital projects.

The Budget also includes additional revenue generated from a 10 cent fare increase on all fare media, while incorporating a 2017 freeze on adult cash fares and free fares for children 12 and under.

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**Fast Facts**

- TTC is the largest City transit service in Canada and third largest in North America.
- TTC operates 800 subway cars, 260 streetcars /LRVs and 1,900 buses to transport 544 million riders with a staff of 5,816 operators.
- The Yonge-University-Spadina subway line is the busiest TTC route carrying 780,000 riders per day, followed by the Bloor-Danforth subway line carrying 550,000 riders per day.
- Wheel-Trans operates 201 accessible buses to transport 3.7 million riders in 2016 with a staff of 351 operators.

**Trends**

- TTC ridership has increased by 46.2% since 1996 with 372 million riders, to 544 million anticipated riders in 2017.
- Overall customer satisfaction dropped in Q3 2016 (70%), a significant decrease from results observed in the previous quarter (80%) and a significant decrease from the same time period last year (81%). However, the average score year-to-date for 2016 is 76% (consistent with 77% in 2015).
- The significant decrease can be linked predominantly to the ‘hot subway car’ issue that affected around 20% of subway cars this summer on Line 2, which affected overall perceptions of trip duration and wait time, the top two key drivers of satisfaction.
- Wheel-Trans ridership demand is consistent with identified trends that forecasted ridership demand will continue to outpace expectations. This is attributable to improvements in on-time performance, reduced call abandonment rates (now at 25%) and the fact that new customers (who are joining at the rate of about 800 – 900 per month) are utilizing the Wheel-Trans service at a higher rate than existing customers.

**Key Service Deliverables for 2017**

TTC and Wheel-Trans are responsible for providing transit service to the people of Toronto.

The 2017 Preliminary Operating Budget will:

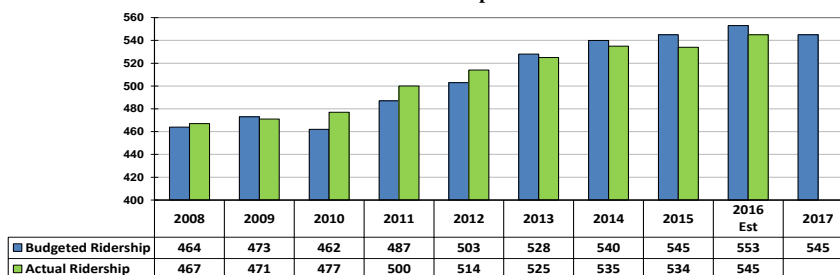
TTC Conventional Service:

- Provide transit service to an anticipated 544 million riders, representing an 8 million, or 1.6% decrease over the 2016 ridership "stretch target" of 553 million rides.
- Provide rail, streetcar and bus service spanning 247 million kilometers and 9.5 million hours of service.

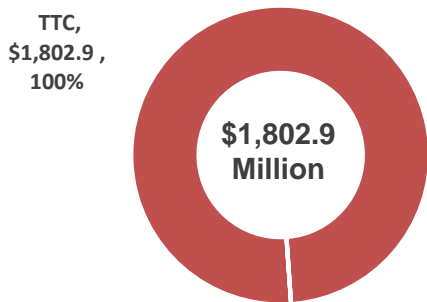
Wheel-Trans Service:

- Carry 1.033 million more passengers, increasing from 3.690 million in 2016 to 4.7 million in 2017.
- Improve customer service telephone performance by reducing wait times and call abandonment rates to industry standards.
- The 2017 Operating Budget includes the impact of expanded service capability to include redefined 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.

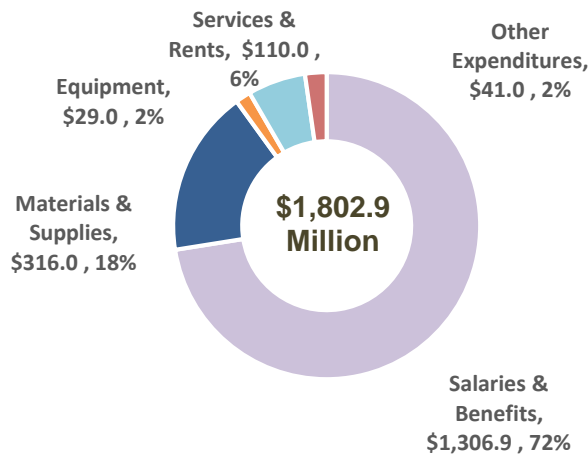
TTC Conventional Ridership 2008 - 2017



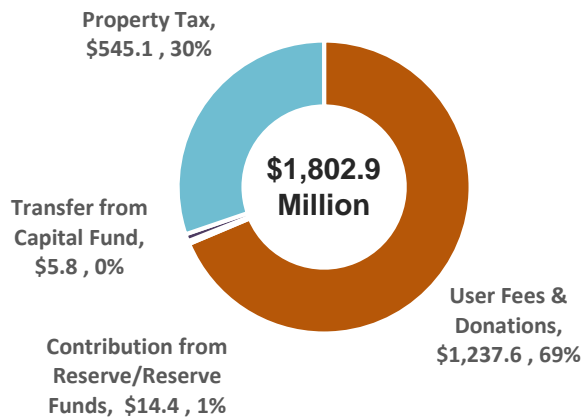
**Where the money goes:  
2017 Budget By Service**



**2017 Budget by Expenditure Category**



**Where the money comes from:**



**Our Key Issues & Priority Actions**

- **Maintaining service levels and accommodating ridership changes.**
  - ✓ Budgeting for an anticipated 544 million riders in 2017.
  - ✓ The 2017 Preliminary Budget add \$51 Million or 10.4% in City funding to maintain service levels.
  - ✓ A \$6.9 million reduction in fare box revenue is due to 8 million decrease in ridership.
  
- **Identifying Opportunities for Expenditure Reductions**

TTC had an initial pressure of \$215 million or a 35% increase from the 2016 Approved Net Budget.

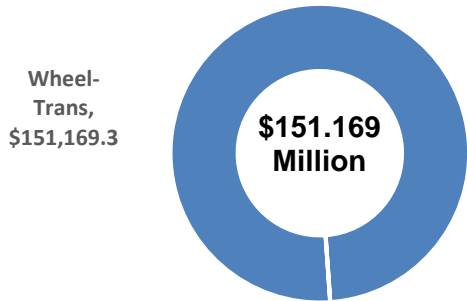
Net reductions of \$137.7 million from the opening pressure are included in the 2017 Budget through expenditure reductions and fare revenue changes, including:

- ✓ Reduced employee benefits cost;
- ✓ Reduced energy costs based on current diesel futures pricing;
- ✓ Utilizing the TTC Stabilization Reserve Fund; and
- ✓ 10 cent fare increase on all fare media

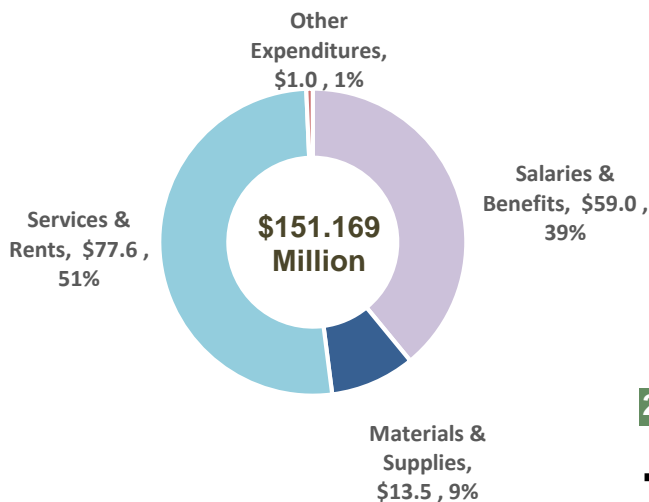
**2017 Operating Budget Highlights**

- The 2017 Preliminary Operating Budget for the TTC Conventional Service of \$1.803 billion in gross expenditures provides funding for TTC Conventional Services
- The TTC did not achieve the budget target of a 2.6% decrease from 2016 Approved Budget, however \$63.5 million in reductions have been included, mainly due to added pressure related to:
  - Reflecting expenditure reductions based on detailed reviews and savings. Base Expenditure reductions (\$20.4 million); and
  - Revenue adjustments (\$43.1 million) including a TTC fare increase of 10 cents.
  - One time use of the TTC Stabilization Reserve. This bridging strategy will create pressure of \$14.4 million.

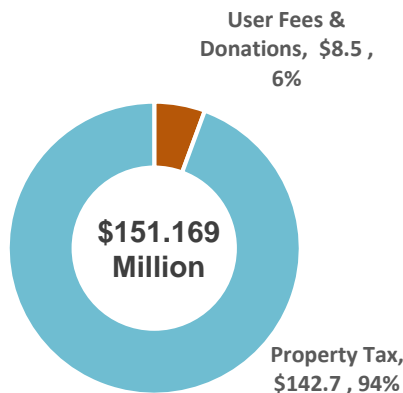
**Where the money goes:  
2017 Budget By Service**



**2017 Budget by Expenditure Category**



**Where the money comes from:**



**Our Key Issues & Priority Actions**

- **Accommodate the growing demand for Wheel-Trans service** – as a result of an aging population and AODA legislation.
  - ✓ Budgeting for an anticipated 4.7 million rides in 2017.
- **Support increasing service costs** with farebox revenues and City funding.
  - ✓ City funding has increase in Tax Levy funding by \$25.965 million or 22.2% in 2017.
- **Address Ongoing Wheel-Trans Priority Actions.**
  - ✓ Achieve and exceed targets of each key performance indicator.
  - ✓ Transform and modernize Wheel-Trans.
  - ✓ Redefine eligibility in accordance with AODA legislation and business/technology changes.
  - ✓ Improve the Wheel-Trans experience through various customer service initiatives.
  - ✓ Secure funding from the Province towards Wheel-Trans' operation needs.

**2017 Operating Budget Highlights**

- The 2017 Preliminary Operating of \$151.169 million in gross expenditures provides funding for TTC's Wheel-Trans Services,
- The TTC (Wheel-Trans) 2017 Preliminary Operating Budget of \$142.678 million net reflects an increase of \$25.965 million or 22.2% above the 2016 Approved Net Budget and does not achieve the budget target of a 2.6% decrease from 2016 Approved Budget.
- Staff complement will increase of 6.0 from 2016 to 2017.

## Actions for Consideration

Approval of the 2017 Preliminary Budget as presented in these notes requires that:

1. City Council approve the 2017 Preliminary Operating Budget for Toronto Transit Commission (TTC) Conventional of \$1.803 billion gross, \$545.063 million net for the following services:

<u>Service</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
TTC - Conventional	<u>1,802,884.7</u>	<u>545,062.8</u>
<b>Total Program Budget</b>	<b><u>1,802,884.7</u></b>	<b><u>545,062.8</u></b>

2. City Council approve the 2017 staff complement for TTC Conventional Service of 14,005 positions.
3. City Council direct TTC staff to continue to work with City staff on establishing its Service-based budgets for TTC (Conventional and Wheel-Trans), and associated performance measures during 2017 for the 2018 Budget process.
4. City Council direct the Chief Executive Officer of the TTC report back in with the first quarter variance report for 2017 with the detailed budget changes and any associated service impacts arising from the unspecified budget reduction once specified.
5. City Council direct the Chief Executive Officer of the TTC to report to Executive Committee in June 2017 on One Person Train Operator savings and PRESTO transition savings that will used to offset process fees and associated cost increases.
6. City Council direct the Chief Executive Office of the TTC to report to the Budget Committee as part of the 2017 Budget process with detailed expenditure and revenue forecast for 2018 and 2019 to support the continued development of the City's long term fiscal plan.
7. City Council approve the 2017 Preliminary Operating Budget for TTC Wheel-Trans Service of \$151.169 million gross, \$142.678 million net for the following services:

<u>Service</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
TTC - Wheel-Trans	<u>151,169.3</u>	<u>142,677.8</u>
<b>Total Program Budget</b>	<b><u>151,169.3</u></b>	<b><u>142,677.8</u></b>

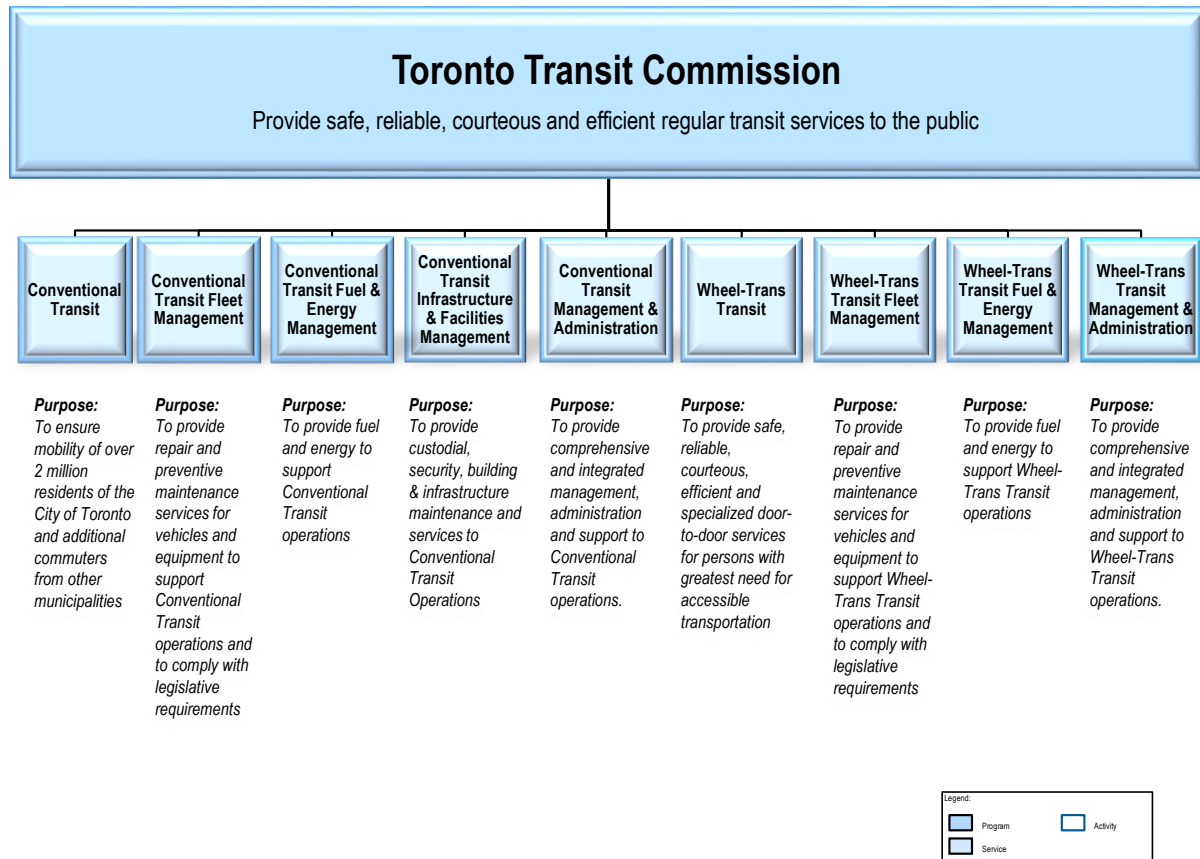
8. City Council approve the 2017 staff complement for TTC Wheel-Trans Service of 571 positions.
9. City Council direct TTC staff to continue to work with City staff on establishing service standards and service levels for both the TTC Conventional Service and Wheel-Trans Service for 2017.
10. City Council direct the Chief Executive Officer of the TTC and the City Manager to continue discussions on partnering with the Province for permanent sustainable funding for impacts of legislated requirements of Wheel-Trans Services' such as the impacts of Accessibility for Ontarians with Disabilities Act (AODA).



# Part 1:

## 2017-2019 Service Overview and Plan

# Program Map



Service Customer

**Conventional Transit**

- Riders
  - Businesses
  - Employers
  - Neighbouring Municipalities
- Indirect (Beneficial)
- Residents
  - Staff – City Divisions
  - Staff – Agencies & Boards
  - Mayor & City Council
  - City Manager & DCMs

**Wheel-Trans Transit**

- Riders
  - Businesses
  - Employers
  - Neighbouring Municipalities
- Indirect (Beneficial)
- Residents
  - Staff – City Divisions
  - Staff – Agencies & Boards
  - Mayor & City Council
  - City Manager & DCMs

**Table 1**  
**2017 Preliminary Operating Budget and Plan by Service**

TTC - Conventional	2016		2017 Preliminary Operating Budget			2017 Preliminary vs. 2016 Budget Change		Incremental Change			
	Budget	Projected Actual	Base	New/ Enhanced	Total Budget			2018 Plan		2019 Plan	
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
<b>By Service</b>											
<b>TTC - Conventional</b>											
Gross Expenditures	1,736,756.4	1,703,089.4	1,802,884.7		1,802,884.7	66,128.3	3.8%	157,979.0	8.8%	58,600.3	3.0%
Revenue	1,243,129.7	1,204,329.7	1,257,821.9		1,257,821.9	14,692.2	1.2%	(7,000.8)	(0.6%)	41,978.9	3.4%
<b>Total</b>											
<b>Gross Expenditures</b>	1,736,756.4	1,703,089.4	1,802,884.7		1,802,884.7	66,128.3	3.8%	157,979.0	8.8%	58,600.3	3.0%
<b>Revenue</b>	1,243,129.7	1,204,329.7	1,257,821.9		1,257,821.9	14,692.2	1.2%	(7,000.8)	(0.6%)	41,978.9	3.4%
<b>Total Net Expenditures</b>	493,626.7	498,759.7	545,062.8		545,062.8	51,436.1	10.4%	164,979.8	30.3%	16,621.4	2.3%
<b>Approved Positions</b>	13,975.0	14,122.0	14,005.0		14,005.0	30.0	0.2%	388.0	2.8%		

Wheel-Trans	2016		2017 Preliminary Operating Budget			2017 Preliminary vs. 2016 Budget Change		Incremental Change			
	Budget	Projected Actual	Base	New/ Enhanced	Total Budget			2018 Plan		2019 Plan	
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	%	\$	%
<b>By Service</b>											
Gross Expenditures	123,665.9	125,756.0	151,169.3		151,169.3	27,503.4	22.2%	20,730.0	13.7%	17,403.0	10.1%
Revenue	6,953.5	7,060.0	8,491.5		8,491.5	1,538.0	22.1%	1,205.8	14.2%	1,674.8	17.3%
<b>Net Expenditures</b>	116,712.4	118,696.0	142,677.8		142,677.8	25,965.4	22.2%	19,524.2	13.7%	15,728.2	9.7%
<b>Total</b>											
<b>Gross Expenditures</b>	123,665.9	125,756.0	151,169.3		151,169.3	27,503.4	22.2%	112,727.0	74.6%	17,403.0	6.6%
<b>Revenue</b>	6,953.5	7,060.0	8,491.5		8,491.5	1,538.0	22.1%	(7,000.8)	(82.4%)	1,674.8	112.3%
<b>Total Net Expenditures</b>	116,712.4	118,696.0	142,677.8		142,677.8	25,965.4	22.2%	119,727.8	83.9%	15,728.2	6.0%
<b>Approved Positions</b>	565.0	565.0	571.0		571.0	6.0	1.1%				

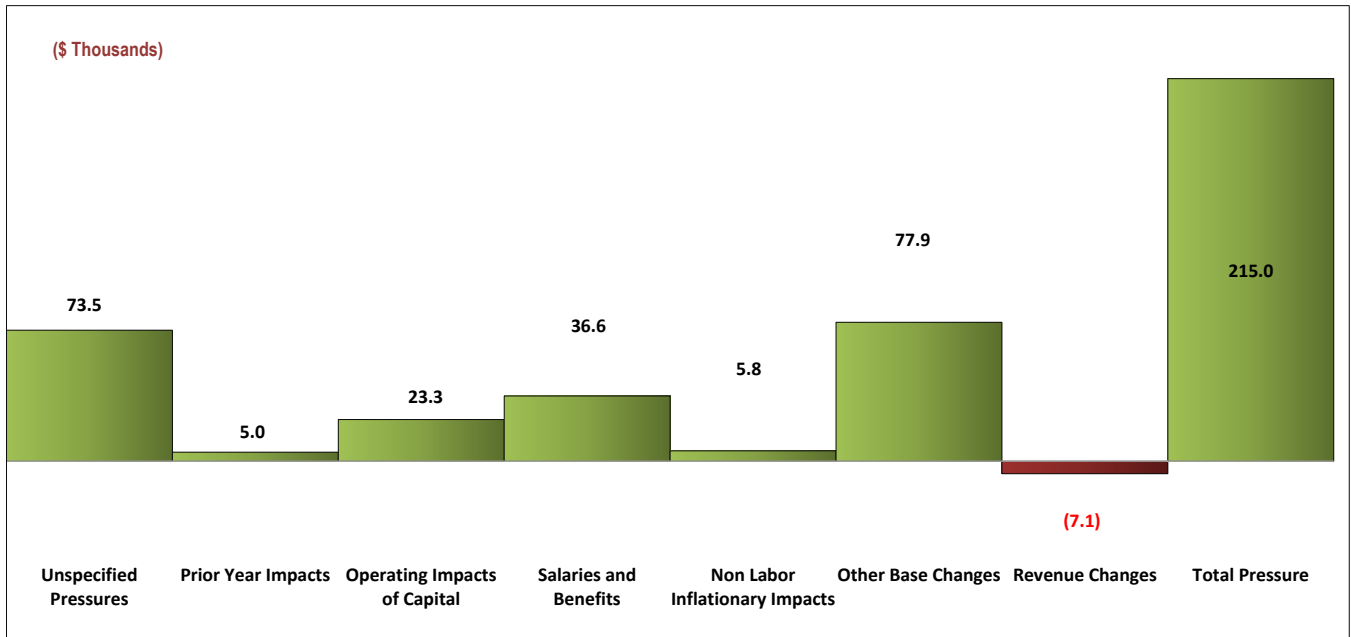
The TTC (Conventional & Wheel-Trans) 2017 Preliminary Operating Budget is \$1.954 billion gross and \$1.266 billion net, representing a 12.7% increase to the 2016 Approved Net Operating Budget.

- Base pressures are mainly attributable to the annualized cost of 2016 approved service priorities, inflationary related employee cost, implementation of PRESTO, the opening of the TYSSE (Toronto-Yonge Spadina Subway), maintenance costs partly due to vehicles coming off warranty, energy costs (including an estimated \$5 million plus increase due to the Provincial Cap and Trade regime, escalating accident claims cost and the impact of AODA mandated eligibility implementation.
- To help mitigate the above opening pressures, the Program identified \$20.400 million in expenditure reductions, and \$43.100 million in revenue increases.
- Approval of the 2017 Preliminary Operating Budget will result in Toronto Transit (Conventional & Wheel-Trans) increasing its total staff complement by 36.0 positions net from 14,540 to 14,576.
- The 2018 and 2019 Plan increases of \$284.708 million and \$32.350 million respectively are mainly attributable to the annualized cost of implementing of Stations Transformation, specifically in 2018 should and the annulization cost of TYSSE. Inflationary employee cost also continue to increase within the outlook.

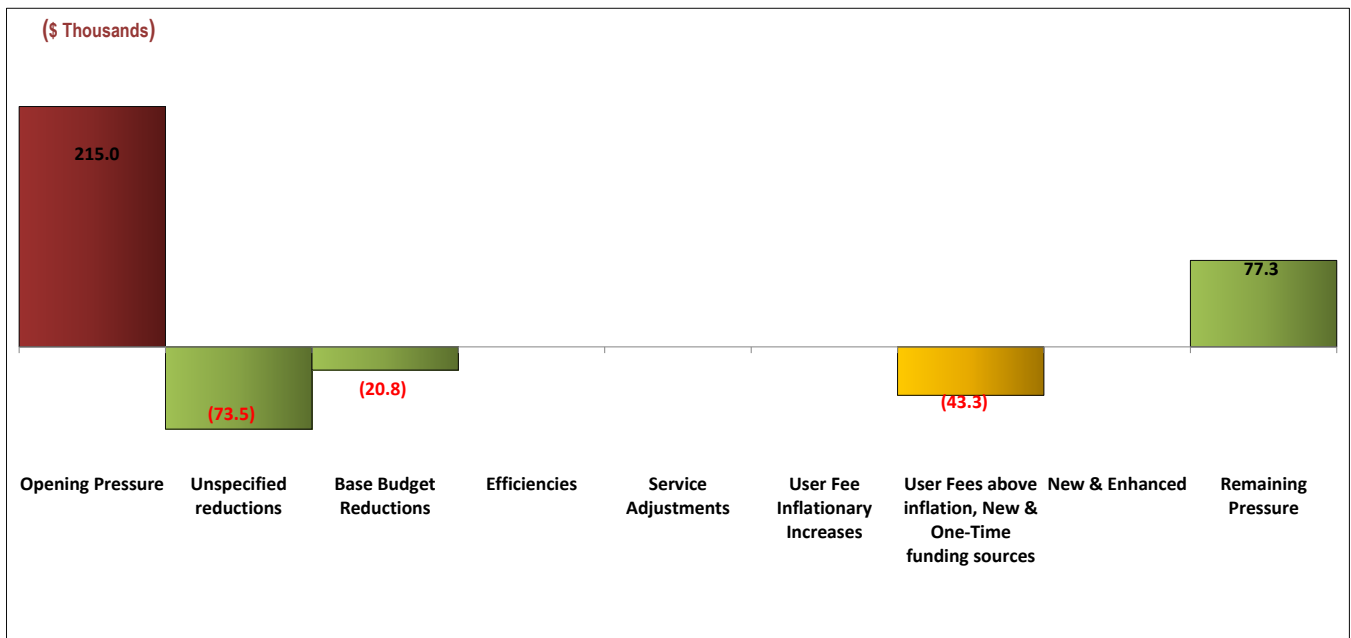


The following graphs summarize the operating budget pressures for this Program and the actions taken to offset these pressures and meet the budget target.

### Key Cost Drivers



### Actions to Reduce Budget



The TTC initially identified \$215 million in opening operating pressures for 2017. Through a full review of costs and exploring opportunities to reduce the opening pressure, \$73.5 million in previously identified pressures have been reduced resulting in the remaining total pressure of \$141.5 million as detailed above.

**Table 2**  
**Key Cost Drivers**  
**TTC - Conventional**

(In \$000s)	2017 Base Operating Budget		Total	
	TTC - Conventional			
	\$	Position	\$	Position
<b>Gross Expenditure Changes</b>				
<b>Prior Year Impacts</b>				
Annualization of 2016 Service	5,500.0		5,500.0	
Full-year impact of 2016 workforce additions	500.0		500.0	
Reversal of Reserve Draw (2016)	(1,001.2)		(1,001.2)	
<b>Operating Impacts of Capital</b>				
PRESTO & New Faregate maintenance.	14,500.0	(471.0)	14,500.0	(471.0)
TYSSE	5,958.6	169.0	5,958.6	169.0
TR Fleet out of warranty	1,643.8	6.0	1,643.8	6.0
Keele Yard	743.0	10.0	743.0	10.0
New IT System	661.9	6.0	661.9	6.0
Other	372.3	2.0	372.3	2.0
Transition to Automatic Train Control	303.5	3.0	303.5	3.0
One Person Train Operator (OPTO)	(940.7)	(12.0)	(940.7)	(12.0)
<b>Salary &amp; Benefits</b>				
Employee Benefits 3.5% base increase	10,500.0		10,500.0	
Collective Bargaining Agreements	25,100.0		25,100.0	
<b>Economic Factors</b>				
Utilities & Material Price increase	5,049.1		5,049.1	
<b>Other Base Changes</b>				
2017 service changes & maintain existing service Levels	6,000.0	345.0	6,000.0	<b>345.0</b>
Accident Claims	6,200.0		6,200.0	
Additional gapping allocation	(1,000.0)		(1,000.0)	
Various non-departmental reductions primarily related to changes in lease, property & consultant requirements,	(1,900.0)		(1,900.0)	
Capitalization of overhead, WT admin, vacation pay	(830.0)		(830.0)	
Bus Maintenance Requirements	1,343.6		1,343.6	
IT Maintenance Contracts	1,598.5		1,598.5	
CAP & TRADE	5,203.3		5,203.3	
Depreciation (reduction of expense)	(4,449.7)		(4,449.7)	
Hybrid Battery module replacement	8,514.7		8,514.7	
Passenger Revenue (8M rides reduction and lower average fare)	34,206.6		34,206.6	
Other base changes	(3,042.4)		(3,042.4)	
<b>Total Gross Expenditure Changes</b>	<b>120,734.9</b>	<b>58.0</b>	<b>120,734.9</b>	<b>58.0</b>
<b>Revenue Changes</b>				
Bus augmentation and bus replacement service that is required as a result of city construction projects	(5,800.0)		(5,800.0)	
<b>Total Revenue Changes</b>	<b>(5,800.0)</b>		<b>(5,800.0)</b>	
<b>Net Expenditure Changes</b>	<b>114,934.9</b>	<b>58.0</b>	<b>114,934.9</b>	<b>58.0</b>

Key cost drivers for TTC Conventional Service are discussed below:

- Prior Year Impacts:
  - The increased cost of \$4.999 million is mainly comprised of the annualization of new service priorities approved in 2016 (POP Fare inspection, Streetcar Service Reliability and Earlier Sunday Transit Service).
- Operating Impacts of Capital:
  - Increased cost of \$23.242 million inclusive of a reduction of 471 positions resulting from the implementation the PRESTO and associated transaction costs for this initiative that is being rolled out on all streetcars and subway stations.
    - ✓ This includes the reduction of (413) Collectors and (1) Supervisor Funds Control position due to the implementation of PRESTO smartcard, which will automate TTC's fare system and will no longer require Station Collectors to manage funds and fare media, and (57) positions no longer required to support legacy fare collection as a result of the implementation of PRESTO.
- Salaries and Benefits:
  - Salary and benefits cost will increase by \$25.1 million in 2017 to fund the Collective Bargaining Agreement (CBA). This increase represents the annualization of the 2016 and the 2017 costs associated with the CBAs that the TTC negotiated with its four unions in May 2014. These agreements expire on March 31, 2018
  - Employee Benefits are projected to increase by 3%, requiring an additional \$10.5 million.
  - Maintaining existing service levels results in an increase of \$6 million.
- Economic Factors:
  - The inflationary increases of \$5.049 million are largely due to a projected 7% hydro rate increase, in accordance with City inflationary increases.
- Other Base Changes
  - Maintaining existing service levels results in an increase of \$6 million.
  - The Province of Ontario's Cap-and-Trade Program, announced during the 2016 Ontario Budget earlier this year, is expected to increase the cost of diesel by 4.7 cents per litre effective January 2017. This result in an increase of \$5.2 million.
- Revenue Changes:
  - The most significant pressure in the 2017 Operating Budget is the \$34.206 impact arising from combination of a lower average fare and a decline of 8 million projected riders based on 2016 projected actual ridership.
  - Recoveries will increase by \$5.800 million as a result of TTC now recovering cost for bus augmentation and bus replacement service that is required to support City construction projects.

**Table 2  
Key Cost Drivers  
TTC – Wheel-Trans**

(In \$000s)	2017 Base Operating Budget		Total	
	TTC - Wheel Trans			
	\$	Position	\$	Position
<b>Gross Expenditure Changes</b>				
<b>Prior Year Impacts</b>				
Full-year impact of 2016 workforce additions	56.1		56.1	
<b>Operating Impacts of Capital</b>				
PRESTO Fees	68.8		68.8	
<b>Salaries and Benefits</b>				
Collective Bargaining Agreements	1,059.8		1,059.8	
Other Employee Costs	(99.4)		(99.4)	
<b>Economic Factors</b>				
Accessible Taxi Driver Costs	668.0		668.0	
Utilities	(109.8)		(109.8)	
Material Price Increase	159.2		159.2	
<b>Other Base Changes</b>				
Service re: Increase in Demand	17,705.3	2.0	17,705.3	<b>2.0</b>
Service re: AODA Mandated Eligibility	6,221.5	3.0	6,221.5	<b>3.0</b>
Accident Claims	50.0		50.0	
Cap & Trade	147.4		147.4	
Diesel - Consumption reduction	(885.2)		(885.2)	
Bus Maintenance Requirements	600.0		600.0	
All Other Expense Changes	116.9	1.0	116.9	<b>1.0</b>
Wheel-Trans Transformation Program	2,145.0		2,145.0	
<b>Total Gross Expenditure Changes</b>	<b>27,903.6</b>	<b>6.0</b>	<b>27,847.5</b>	<b>6.0</b>
<b>Revenue Changes</b>				
Passenger Revenue	(1,330.0)		(1,330.0)	
<b>Total Revenue Changes</b>	<b>(1,330.0)</b>		<b>(1,330.0)</b>	
<b>Net Expenditure Changes</b>	<b>26,573.6</b>	<b>6.0</b>	<b>26,517.5</b>	<b>6.0</b>

Key cost drivers for TTC Wheel-Trans are discussed below:

- Salaries and Benefits:
  - Salary and benefits cost will increase by \$1.06 million in 2017 to fund the Collective Bargaining Agreement (CBA). This increase represents the annualization of the 2016 and the 2017 costs associated with the CBAs that the TTC negotiated with its four unions in May 2014. These agreements expire on March 31, 2018
- Economic Factors:
  - Contracted taxi services is increasing by \$0.668 million, serving as the most cost effective service delivery mode within the current Wheel-Trans service design C
  - Contracted services are used to provide transport to smaller groups of customers and allow flexibility in the scheduling system for same-day service, and adjust service when disruptions occur.
  - With the increase in ambulatory customers, the contracted services are the best matched solution within the current Wheel-Trans fleet.

- Other Base Changes:
  - The \$27.904 million increase is predominantly driven by both service demand (17.705.3 million) and the expanded AODA Mandated Eligibility requirement (\$6.223 million) that has expanded 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.

In an effort to reduce budget pressure across both TTC Conventional and Wheel-Trans services, the 2017 service changes for TTC Conventional consists of base expenditure reductions of \$20.400 million net and base revenue changes of \$43.100 million net as detailed below.

**Table 3  
Actions to Achieve Budget Reduction Target  
2017 Preliminary Service Change Summary**

TTC Conventional Description (\$000s)	Service Changes		Total Service Changes			Incremental Change			
	TTC - Conventional		\$		#	2018 Plan		2019 Plan	
	Gross	Net	Gross	Net	Pos.	Net	Pos.	Net	Pos.
<b>Base Changes:</b>									
Unspecified Budget Reduction	(5,000.0)	(5,000.0)	(5,000.0)	(5,000.0)					
2.6% Target Reduction	(15,400.0)	(15,400.0)	(15,400.0)	(15,400.0)	(28.0)				
<b>Sub-Total</b>	<b>(20,400.0)</b>	<b>(20,400.0)</b>	<b>(20,400.0)</b>	<b>(20,400.0)</b>	<b>(28.0)</b>				
<b>Revenue Adjustments</b>									
10 cent Fare increase		(28,700.0)		(28,700.0)					
Withdrawal - TTC-Stabilization Reserve		(14,400.0)		(14,400.0)		14,000.4			
<b>Sub-Total</b>		<b>(43,100.0)</b>		<b>(43,100.0)</b>		<b>14,000.4</b>			
<b>Total Changes</b>	<b>(20,400.0)</b>	<b>(63,500.0)</b>	<b>(20,400.0)</b>	<b>(63,500.0)</b>	<b>(28.0)</b>	<b>14,000.4</b>			

**Base Expenditure Changes (Reductions of \$20.400 million gross & net)**

Unspecified Budget Reduction (\$5.0 million gross and net)

- The 2017 Preliminary Operating Budget for the TTC includes a \$5.0 million unspecified budget reduction.
- It is recommended that the TTC report back by March 31, 2017 with the detailed budget changes and any associated service impacts arising from the budget reduction once specified.

2.6 Target Reduction (\$15.4 million gross and net)

- The reduction is comprised mainly of the following items
  - Removal of telephone land lines
  - Workforce related reductions
  - Reduced overtime allowance
  - Reduced training and travel
  - Reduced stand-by labour costs
  - Reduced materials and supplies requirements

- Impact of not proceeding with service additions approved for September 2016
- Reduced healthcare costs (\$10.3M)

**Revenue Adjustments (Savings of \$43.100 million net)**

*10 Cent Fare Increase (Increased Revenue of \$28.7 million)*

- The TTC is implementing a 10-cent fare increase effective January 1, 2017, which was approved by the TTC Commission at its Board at the November 21, 2016 TTC Board meeting.
- This fare increase is expected to generate \$28.7 million in net revenue in 2017.
- The table below identifies changes in 2017 fares:

<b>2017 FARE SCHEDULE (10 Cent Fare Increase)</b>		
	<u>Current Fare</u>	<u>New Fare</u>
<b><u>Adult</u></b>		
-Cash	\$3.25	\$3.25
-Token	\$2.90	<b>\$3.00</b>
-PRESTO E-Purse	\$2.90	<b>\$3.00</b>
-Weekly Pass	\$42.25	<b>\$43.75</b>
-Regular Metropass	\$141.50	<b>\$146.25</b>
-VIP Tier 1 (50 - 249)	\$127.25	<b>\$131.75</b>
-VIP Tier 2 (250 - 499)	\$125.75	<b>\$130.25</b>
-VIP Tier 3 (500+)	\$124.50	<b>\$128.75</b>
-MDP	\$129.75	<b>\$134.00</b>
-Post-Secondary Metropass	\$112.00	<b>\$116.75</b>
<b><u>Senior/Student</u></b>		
-Cash	\$2.00	<b>\$2.10</b>
-Ticket	\$1.95	<b>\$2.05</b>
-PRESTO E-Purse	\$1.95	<b>\$2.05</b>
-Weekly Pass	\$33.00	<b>\$34.75</b>
-Regular Metropass	\$112.00	<b>\$116.75</b>
-MDP	\$102.75	<b>\$107.00</b>
<b><u>Child</u></b>		
-Cash	\$0.00	\$0.00
-Ticket	\$0.00	\$0.00
-PRESTO E-Purse	\$0.00	\$0.00
<b><u>Other</u></b>		
-Day Pass/Family Pass/E-Ticket	\$12.00	<b>\$12.50</b>
-GTA Weekly Pass	\$61.00	<b>\$63.00</b>
-Downtown Express Sticker	\$41.50	<b>\$43.00</b>
<b>Note: values in bold represent increase from current pricing</b>		

*TTC Stabilization Reserve – One-Time Withdrawal (Increased Revenue of \$14.4 million)*

- TTC's 2017 Preliminary Operating Budget includes a one-time withdrawal from the TTC Stabilization Reserve Fund in the amount of \$14.4 million in 2017.
- This draw reflects a one-time bridging strategy to reduce 2017 expenditure pressures.
- This funding will not be available in 2018 and will form a \$14.4 million pressure in the 2018 Plan.

TTC Wheel-Trans Description (\$000s)	Service Changes		Total Service Changes			Incremental Change			
	TTC - Conventional		\$	\$	#	2018 Plan		2019 Plan	
	Gross	Net	Gross	Net	Pos.	Net	Pos.	Net	Pos.
<b>Base Changes:</b>									
2.6% Target Reduction	(400.0)	(400.0)	(400.0)	(400.0)					
<b>Sub-Total</b>	(400.0)	(400.0)	(400.0)	(400.0)					
<b>Revenue Adjustments</b>									
10 cent Fare increase	(208.0)	(208.0)	(208.0)	(208.0)					
<b>Total Changes</b>	(608.0)	(608.0)	(608.0)	(608.0)					

**Base Expenditure Changes reductions of \$0.400 million gross & net**

- The reduction is comprised of inflationary items.

**Revenue Adjustments of 0.208 million net**

*10 Cent Fare Increase (Increased Revenue of \$28.7 million)*

**Table 5**  
**2018 and 2019 Plan by Program**

Description (\$000s)	2018 - Incremental Increase					2019 - Incremental Increase				
	Gross Expense	Revenue	Net Expense	% Change	Position	Gross Expense	Revenue	Net Expense	% Change	Position
<b>Known Impacts:</b>										
<b>Prior Year</b>										
<b>Bridging Strategies</b>										
One time Contr. from TTC stabilization Reserve Fund		(14,400.0)	14,400.0							
<b>Other Base Changes</b>										
CBA	24,500.0		24,500.0	4.5%		25,200.0		25,200.0	4.3%	
Employee Benefits	10,800.0		10,800.0	2.0%		11,100.0		11,100.0	1.9%	
Service	4,000.0		4,000.0	0.7%		11,000.0		11,000.0	1.9%	
Interim Bus Garage	6,000.0		6,000.0	1.1%						
Diesel	21,500.0		21,500.0	3.9%		3,000.0		3,000.0	0.5%	
Other Energy	1,000.0		1,000.0	0.2%		4,500.0		4,500.0	0.8%	
TYSSE	26,000.0		26,000.0	4.8%						
PRESTO	(12,000.0)		(12,000.0)	-2.2%						
Other	31,179.0		31,179.0	5.7%		9,053.0		9,053.0	1.5%	
<b>Revenue</b>										
Revenue Change - Increase in Passenger Trips		8,899.2	(8,899.2)	(1.6%)			21,978.9	(21,978.9)	-3.7%	
<b>Sub-Total</b>	<b>112,979.0</b>	<b>(5,500.8)</b>	<b>118,479.8</b>	<b>21.7%</b>		<b>63,853.0</b>	<b>21,978.9</b>	<b>41,874.1</b>		
<b>Anticipated Impacts:</b>										
Stations Transformation	45,000.0		45,000.0	8.3%	388.0	(5,250.0)		(5,250.0)	(0.9%)	
Anticipated Fare increase							20,000.0	(20,000.0)	(3.4%)	
Other		(1,500.0)	1,500.0	0.3%						
<b>Sub-Total</b>	<b>45,000.0</b>	<b>(1,500.0)</b>	<b>46,500.0</b>	<b>8.5%</b>	<b>388.0</b>	<b>(5,250.0)</b>	<b>20,000.0</b>	<b>(25,250.0)</b>	<b>(4.3%)</b>	
<b>Total Incremental Impact</b>	<b>157,979.0</b>	<b>(7,000.8)</b>	<b>164,979.8</b>	<b>30.3%</b>	<b>388.0</b>	<b>58,603.0</b>	<b>41,978.9</b>	<b>16,624.1</b>	<b>2.8%</b>	

Future year incremental costs are primarily attributable to the following:

**Known Impacts:**

**Bridging Strategy**

The one time bridging strategy will create \$14.4 million pressure in 2018. The TTC stabilization Reserve will be depleted in 2017.

**Other Base Changes**

- 2018 incremental collective agreement cost only reflect the costs associated with the current agreement that expires March 31, 2018. Additional 2018 costs are subject to future negotiations.
- YYSSE expenses of \$26 million, reflect the incremental annualized effect of operating the extension for its first full year. The extension is expected to open in late 2017

**Anticipated Impacts:**

- The Stations Transformation initiative was presented at the September 28, 2016 TTC Board meeting. The current station collector role will be eliminated with the implementation of PRESTO.
  - Moving forward, the TTC has requested that Customer Service at TTC subway stations be provided by Customer Service Agents. This initiative is not included in the 2017 Preliminary Operating Budget for the TTC but is included as a Board approved enhancement for Council's consideration.
  - The 2018 cost is mainly comprised of the cost of for Customer Service agents.
- One Person Train Operation is anticipated to reflect savings of \$18.000 million dollars once fully implemented.

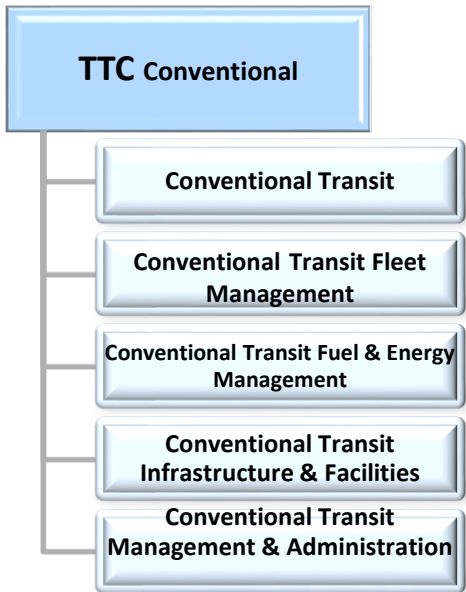




# Part 2:

## 2017 Preliminary Operating Budget by Service

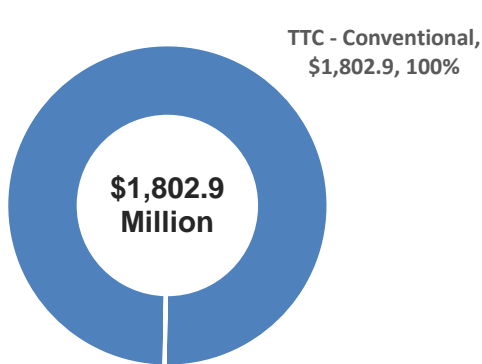
### TTC Conventional



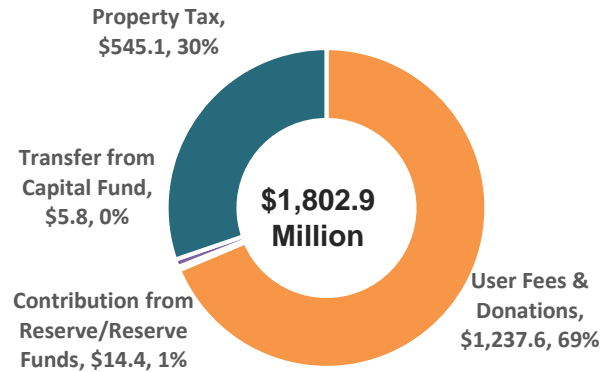
#### What We Do

- TTC Conventional Service provides transit bus, streetcar, subway and rapid transit to 544 million riders with service that spans 248 million kilometers and 9.5 million hours.
- Ensures mobility of approximately 2.8 million residents of the City of Toronto and additional commuters from other municipalities.
- Provides repair and preventative maintenance services for vehicles and equipment to support Conventional Transit operations and comply with legislative requirements.
- Provides fuel and energy to support Conventional Transit operations.

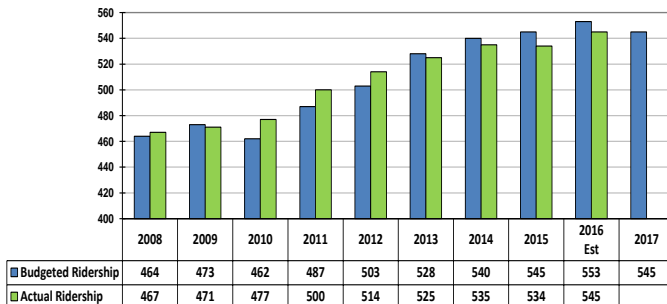
#### 2017 Service Budget By Activity (\$M)s



#### Service by Funding Source (\$Millions)



TTC Conventional Ridership 2008 - 2017



- Ridership is 10.6 million or 2.6% less than budgeted in 2016 due to severe cold temperatures experienced in January through March 2015, and the impact of planned system closures
- The TTC's 2017 Operating Budget forecasts ridership being flat year over year, 544 million riders is the projected actual in 2016.

## 2017 Service Levels

### TTC Conventional

City Council directed TTC staff to continue to work with City staff to establish service standards and service levels for both the TTC Conventional Service and Wheel-Trans Service.

Service	Activity	Type	Sub-Type	Service Level 2017	
Conventional Transit		Bus Service		TBD	
		Rail Service	Subway	TBD	
			Streetcar	TBD	
			Scarborough Rapid Transit (SRT)	TBD	
	Streetcar Charter			TBD	
Conventional Transit Fleet Management	Conventional Fleet Acquisition	Buses		TBD	
		Streetcars		TBD	
		Subway Cars		TBD	
		Light Rail		TBD	
		Railyard Equipment		TBD	
		Non-Revenue Light Duty Vehicles		TBD	
	Conventional Fleet Maintenance	Buses		TBD	
		Streetcars		TBD	
		Subway Cars		TBD	
		Light Rail		TBD	
		Railyard Equipment		TBD	
		Non-Revenue Light Duty Vehicles		TBD	
	Conventional Fleet Disposal	Buses		TBD	
		Streetcars		TBD	
		Subway Cars		TBD	
		Light Rail		TBD	
		Railyard Equipment		TBD	
		Non-Revenue Light Duty Vehicles		TBD	
	TTC Driver & Operator Safety				TBD
	Conventional Transit Fuel & Energy Management	Conventional Fuel & Energy Acquisition	Natural Gas		TBD
Bio-Diesel				TBD	
Gasoline				TBD	
Conventional Fuel & Energy Distribution		Hydro		TBD	
		Natural Gas		TBD	
		Bio-Diesel		TBD	
Conventional Transit Infrastructure & Facilities Management	Track & Structure Management	Tunnels		TBD	
		Bridges		TBD	
		Rail		TBD	
		Right-of way		TBD	
	Stations & Buildings Management	Custodial Care		TBD	
		Safety & Security		TBD	
		Facilities Maintenance		TBD	
	Signals/Electrical/Communications Management	Signals		TBD	
		Switches		TBD	
Conventional Transit Management & Administration		CEO		TBD	
		Corporate Communications		TBD	
		Human Resources		TBD	
		Human Rights & Internal Audit		TBD	
		Finance		TBD	
		ITS		TBD	
		Marketing & Customer Service		TBD	
		Materials & Procurement		TBD	
		Legal & Claims		TBD	
		Pension Fund Society		TBD	
		Property Development		TBD	
		Revenue Operations		TBD	
Safety and Non-Departmental			TBD		

**Table 6**  
**2017 Preliminary Service Budget by Activity**

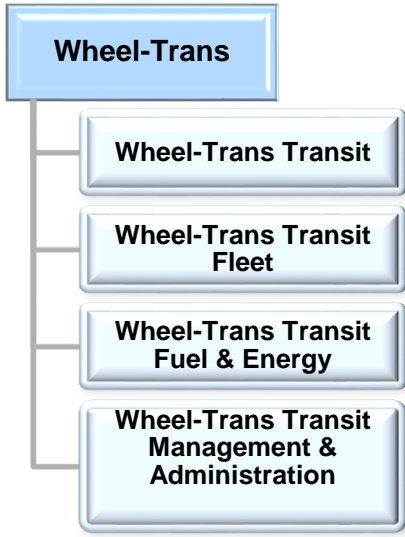
TTC - Conventional  (\$000s)	2016		2017 Preliminary Operating Budget							Incremental Change						
	Budget	Projected Actual	Base Budget	Service Changes	Preliminary Base	Prelim. Base Budget vs. 2016 Budget		New/Enhanced	Prelim. Budget	2017 Prelim. Budget vs. 2016 Budget		2018 Plan		2019 Plan		
						% Change				%	%	\$	%	\$	%	
<b>GROSS EXP.</b>																
TTC - Conventional Service	1,736,756.4	1,703,089.4	1,802,884.7		1,802,884.7	66,128.3	3.8%		1,802,884.7	66,128.3	3.8%	157,979.0	8.8%	58,600.3	3.0%	
<b>Total Gross Exp.</b>	1,736,756.4	1,703,089.4	1,802,884.7		1,802,884.7	66,128.3	3.8%		1,802,884.7	66,128.3	3.8%	157,979.0	8.8%	58,600.3	2.9%	
<b>REVENUE</b>																
TTC - Conventional Service	1,243,129.7	1,204,329.7	1,257,821.9		1,257,821.9	14,692.2	1.2%		1,257,821.9	14,692.2	1.2%	(7,000.8)	-0.6%	41,978.9	3.4%	
<b>Total Revenues</b>	1,243,129.7	1,204,329.7	1,257,821.9		1,257,821.9	14,692.2	1.2%		1,257,821.9	14,692.2	1.2%	(7,000.8)	-0.6%	41,978.9	3.2%	
<b>NET EXP.</b>																
TTC - Conventional Service	493,626.7	498,759.7	545,062.8		545,062.8	51,436.1	10.4%		545,062.8	51,436.1	10.4%	164,979.8	30.3%	16,621.4	2.3%	
<b>Total Net Exp.</b>	493,626.7	498,759.7	545,062.8		545,062.8	51,436.1	10.4%		545,062.8	51,436.1	10.4%	164,979.8	30.3%	16,621.4	2.3%	
<b>Approved Positions</b>	13,975.0	14,687.0	14,005.0		14,005.0	30.0	0.2%		14,005.0	30.0	0.2%	388.0	2.8%			

The **TTC Conventional Service** provides transit bus, streetcar, subway, and rapid transit to 544 million riders and provides repair and preventative maintenance services for vehicles and equipment to support Conventional transit operations and complies with legislative requirements.

The 2017 Preliminary Operating Budget for *TTC Conventional Service* of \$1.803 billion gross and \$545.063 million net is \$51.436 million or 10.4% above the 2016 Approved Net budget due to the following:

- The base budget pressure of \$114.934 million net is primarily attributable to inflationary increases in labour costs (\$35.6 million) and increased costs associated with anticipated ridership change in average fare (\$34.207 million).
- The above pressures have been partially offset through expenditure reductions of \$20.400 million and \$43.1 million in additional revenue generated through Board approved 2017 10 cent fare increases and a one-time draw from the TTC-Stabilization Reserve.
- Anticipated future year incremental costs of \$164.979 million in 2018 and \$16.621 million in 2019 are primarily attributable to inflationary increases to both labour and non-labour costs, PRESTO fees, Station Transformation, service increases to accommodate increased ridership and the annualized effect of the Toronto-York Spadina Subway Extension.

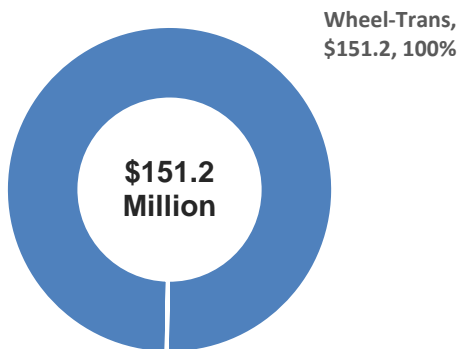
## Wheel-Trans



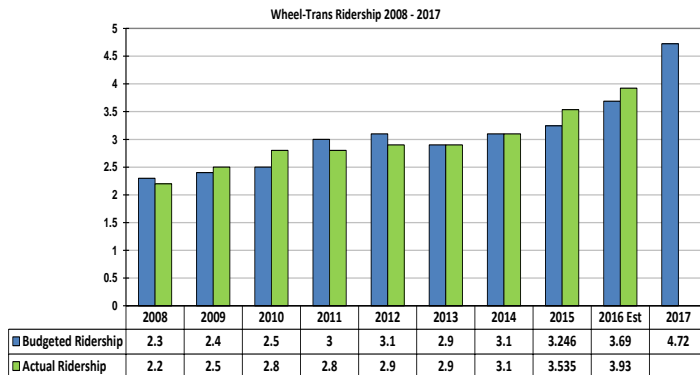
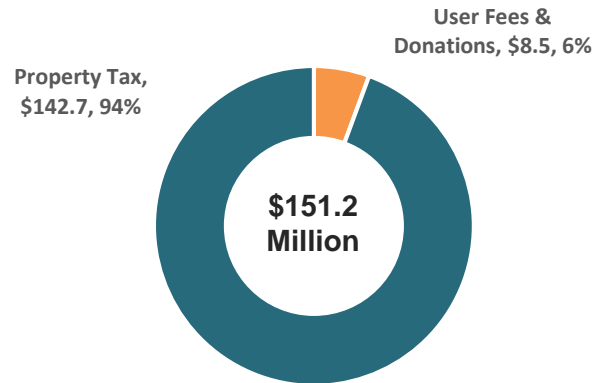
### What We Do

- TTC Wheel-Trans Service provides door-to-door accessible transit service for 4.72 million rides for riders with physical disabilities using accessible buses, contracted accessible and sedan taxis.
- Provides repair and preventative maintenance services for vehicles and equipment to support Wheel-Trans transit operations and comply with legislative requirements.
- Provides fuel and energy to support Wheel-Trans transit operations.

### 2017 Service Budget By Activity (\$M)s



### Service by Funding Source (\$Millions)



- 2016 ridership results to date are consistent with the trend identified in 2015 where ridership demand continues to outpace expectations. To date, demand for service is more than 5% higher than anticipated and 11% above the comparable 2015 results.
- Wheel-Trans ridership is steadily increasing (28% increase over 2016)

**Table 6**  
**2017 Preliminary Service Budget by Activity**

TTC-Wheel Trans  (000s)	2016		2017 Preliminary Operating Budget							Incremental Change						
	Budget	Projected Actual	Base Budget	Service Changes	Preliminary Base	Prelim. Base Budget vs. 2016 Budget	% Change	New/Enhanced	Prelim. Budget	2017 Prelim. Budget vs. 2016 Budget		2018 Plan		2019 Plan		
	\$	\$	\$	\$	\$	\$	%	\$	\$	\$	%	\$	%	\$	%	
<b>GROSS EXP.</b>																
Wheel-Trans Service	123,665.9	125,756.0	151,169.3		151,169.3	27,503.4	22.2%		151,169.3	27,503.4	22.2%	20,730.0	13.7%	17,403.0	10.1%	
<b>Total Gross Exp.</b>	123,665.9	125,756.0	151,169.3		151,169.3	27,503.4	22.2%		151,169.3	27,503.4	22.2%	20,730.0	13.7%	17,403.0	9.2%	
<b>REVENUE</b>																
Wheel-Trans Service	6,953.5	7,060.0	8,491.5		8,491.5	1,538.0	22.1%		8,491.5	1,538.0	22.1%	1,205.8		1,674.8	17.3%	
<b>Total Revenues</b>	6,953.5	7,060.0	8,491.5		8,491.5	1,538.0	22.1%		8,491.5	1,538.0	22.1%	1,205.8		1,674.8	14.7%	
<b>NET EXP.</b>																
Wheel-Trans Service	116,712.4	118,696.0	142,677.8		142,677.8	25,965.4	22.2%		142,677.8	25,965.4	22.2%	19,524.2	13.7%	15,728.2	9.7%	
<b>Total Net Exp.</b>	116,712.4	118,696.0	142,677.8		142,677.8	25,965.4	22.2%		142,677.8	25,965.4	22.2%	19,524.2	13.7%	15,728.2	8.8%	
Approved Positions	565.0		571.0		571.0	6.0	1.1%		571.0	6.0	1.1%		0.0%			

The **Wheel-Trans Service** provides door-to-door accessible transit service for 4.72 million rides for riders with physical disabilities using accessible buses, contracted accessible and sedan taxis. The service provides repair and preventative maintenance services for vehicles and equipment to support Wheel-Trans transit operations and complies with legislative requirements.

The 2017 Wheel-Trans Operating Budget has been developed to address an increasing demand for service, respond to current demand, and prepare for evolving service delivery methods. The Budget also includes the impact of expanded service capability to include redefined 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.

The 2016 Preliminary Operating Budget for **Wheel-Trans Service** is \$151.169 million gross and \$142.678 million net. The net budget increase of \$25.965 million or 22.3% is due to the following:

- Base budget pressures of \$27.903 million primarily resulting from a 28% increase in ridership due in part to new AODA combined requiring that has expanded 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 with the addition of more resources to book trips in the Reservations call centre and improvements in on-time performance.
- The base budget pressures has been partially offset through the ability to accommodate increased ridership predominately through the use of Taxi contracts.



# Part 3:

## Issues for Discussion

## Issues Impacting the 2017 Budget

### *Budget Reduction Target*

- At its meeting on July 12, 2016, the "2017 Budget Process: Budget Directions and Schedule" staff report (EX16.37) was submitted for consideration and adopted by City Council regarding the establishment of the 2017 Budget Process and the scheduling of the review and approval of the Tax and Rate Supported 2017 Operating Budget and 2017-2026 Capital Budget and Plan for the City of Toronto.  
<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94519.pdf>
- City Council adopted an across the board budget reduction target of -2.6% net below the 2016 Approved Net Operating Budgets for all City Programs and Agencies utilizing strategies including but not limited to controlling expenditures through cost saving measures, and exploring all services for efficiency savings including opportunities from business process reengineering, streamlining, transformation and innovation to service delivery.
- The Operating Budget's outlook forecasted 2017 was going to be a challenging year from a financial perspective due to a series of pressures from 2016 approved service priorities. COLA adjustments, the implementation of PRESTO, the opening of the TYSSE, increasing in maintenance costs partly due to vehicles coming off warranty, energy costs (including an estimated \$5 million plus increase due to the Provincial Cap and Trade regime) and escalating accident claims costs.
  - All of these items suggested an opening TTC Operating Budget expenditure pressure in the order of \$152 million.
  - Further to these pressures, there is a flattening in ridership and the loss in revenue associated with the decline in ridership is projected at \$32 million.
  - Growth in Wheel-Trans ridership due to the new AODA criteria resulted in further increased costs of \$31 million.
  - Combined, this left the TTC with a year-over-year budget pressures of **\$215 million**.
  - To achieve the Council directed budget target of a 2.6% decrease from the 2016 Approved Net Budget, an additional \$15.8 million in reduction would be required, resulted in the TTC being required to identify **\$231 million in 2017 reductions** for the TTC Conventional and Wheel-Trans operating budgets to meet the budget target.
- At the September 21, 2016 TTC Budget Committee meeting, staff tabled a report entitled "Preliminary 2017 TTC and Wheel-Trans Operating Budgets" which included an initial \$15.8 million budget reduction primarily through reduction in healthcare estimates.
  - The TTC Budget Committee endorsed these reductions and directed staff to develop a list of possible options for eliminating the remaining budget pressures (to target) of \$215 million.  
[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Committee\\_meetings/Budget/2016/September\\_21/Reports/1\\_Preliminary\\_2017\\_TTC%20and\\_Wheel-Trans\\_Operating\\_Budgets.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Budget/2016/September_21/Reports/1_Preliminary_2017_TTC%20and_Wheel-Trans_Operating_Budgets.pdf)
- Subsequently TTC conducted a thorough review of all base expenditures and revenues to identify areas for cost and efficiency savings with minimal to no impact on service levels. Through this analysis, TTC worked to reduce the opening \$231 million pressure down to \$99 million (inclusive of \$6.8M in New & Enhanced request) through the following measures:
  - Expenditure Reductions of \$75 million include:



- ✓ Revising the estimate of the PRESTO fee down by \$16 million due to the delayed phasing out of the Metropass;
- ✓ Reducing energy costs based on current diesel futures pricing and lower electricity costs by \$12 million;
- ✓ Capitalizing the impact of city construction on TTC service totalling about \$6 million;
- ✓ Delaying the implementation of reliability centered maintenance (RCM) in bus operations, conditional on the bus purchases requested as part of the federal government Public Transit Infrastructure Fund (PTIF) being approved. Capital funding would allow for a slower phasing in of RCM and removal of the \$6 million originally included in the budget pressures;
- ✓ Reducing contracted services across-the-board \$6 million;
- ✓ Other reductions totalling about \$24 million includes workforce reductions and adjustments (\$10M), overtime reductions (\$2M), refinements to the Wheel-Trans budget (\$4M), employee benefits reductions (\$1M), materials, supplies and other base reductions (\$7M); and
- ✓ Unspecified cut of \$5 million in expenses.
- Revenue increase of \$41.4 million include:
  - ✓ A 10-cent fare increase generating \$28.7 million in net revenue; and
  - ✓ A one-time draw from the TTC Stabilization Reserve Fund in the amount of \$14.4 million in 2017. This will result in an equivalent 2018 pressure as a bridging strategy.
- Further reductions approved by the TTC Board to meet budget target that are not included in the 2017 Preliminary Operating Budget include:
  - ✓ Deletion of depreciation expense funding, with expenditures transferred to the Capital Budget.
    - The 2017 Preliminary Operating does not include these operating reductions given they do not reflect true savings, rather these costs would need to be accommodated within a Capital Program that already includes \$2.4 billion in unmet needs.
    - Reductions in depreciation expenses will also require an upfront cost of over \$100 million to fund past depreciated expenses.
    - Neither of these expenditures have been funded in TT's 2017-2026 Preliminary Capital Plan.
- Additional reductions to meet budget target were submitted to the TTC Board for Consideration on November 21, 2016. These options were not approved by the TTC Board due to service level and ridership impacts:
  - The complete list of additional reductions were provided to the TTC Board at its November 21, 2016 meeting, report titled "2017 TTC and Wheel-Trans Operating Budgets" includes "Appendix C: Options to Address Shortfall" which details the full list.  
[http://ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2016/November\\_21/Reports/1\\_2017\\_TTC\\_and\\_Wheel\\_-\\_Trans\\_Operating\\_Budgets.pdf](http://ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2016/November_21/Reports/1_2017_TTC_and_Wheel_-_Trans_Operating_Budgets.pdf)

## Ridership and Revenue

- 2016 TTC ridership is projected to be between 540 - 545 million by year-end, representing an 8 million or 1.4% rider decrease over the 2016 budgeted ridership of 553 million riders.
- In recognition of the employment-ridership relationship, the TTC utilizes an assortment of information, including economic and population information from the City, economic forecasts of employment and economic activity from the Conference Board of Canada and other sources.
  - Projections also reflect the anticipated impact of a 10 cent fare increase.
- Ridership is expected to remain flat at 544 million riders in 2017.
- Early this year it was determined ridership was running below budget and lower than the same period in 2015. This was specifically reported on at the March 21, 2016 TTC Board meeting in the report entitled "2016 Ridership Update". The report discussed possible measures to be undertaken should the declining ridership trend endure.
  - One of those measures was "A freeze on further service additions until it can be determined if the year-to-date ridership results are only temporary or more indicative of a lasting trend."

The link to that report is provided below:

[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2016/March\\_23/Reports/2016\\_Ridership\\_Update.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2016/March_23/Reports/2016_Ridership_Update.pdf)

## Issues Impacting Future Years

### *Operating Impacts of Capital Projects*

- As the TTC replaces older fleet, adds vehicles and expands or builds facilities, there is an associated operating cost as well as some savings that TTC will experience as a result. The transit system growth has impacted and will continue to impact the operating costs with no corresponding funding.
- Each year TTC will experience increased costs due to the completion of capital projects and each year the pressure will continue to grow. For example, in 2017, TTC has operating budget pressures as well as some efficiencies due to:
  - Vehicle Maintenance: The cost of maintaining the TTC's revenue vehicle fleet is budgeted at \$398 million as the warranty coverage for Toronto Rocket trains expire.
  - PRESTO Commissions and New Faregate Maintenance: PRESTO payments will be enabled on all TTC buses, streetcars and subway stations by the end of 2016. The 5.25% fee on PRESTO transactions is now being paid and will increase as more customers adopt this new payment method.
    - ✓ Fees are expected to increase by \$14 million in 2017 as customers transition to PRESTO throughout the year and are expected to grow in the order of \$60 million per year once full adoption occurs.
    - ✓ Subway stations are also being equipped with new faregates as approved by the board on July 29, 2015 and May 31, 2016. The cost to maintain the new faregates will be \$2.5 million in 2017. The cost to support legacy fare collection will be reduced by \$2 million as customers transition to PRESTO.
- Additional funding will be necessary for the TTC on an annual basis to support growth required for TTC services. This is separate and distinct from the funding pressures arising from transit expansion.
- Despite ridership and revenue decline

**Transition to PRESTO**

- The 2017 Preliminary Operating Budget includes \$14.5 million in funding for the TTC PRESTO fees, anticipated incremental costs as customers transition to PRESTO throughout the year, cost is expected to grow once full adoption occurs.
- While the additional PRESTO costs will be significant, the TTC currently spends a substantial amount on fare handling. All fare media will be discontinued by late 2018, the anticipated implementation of PRESTO will provide the following :
  - Existing Fares
    - ✓ Tickets, tokens, passes will be available for sale in 2017
    - ✓ Accepting tickets, tokens until 2018
  - Collectors
    - ✓ Working on migration/mobile strategy
    - ✓ Collectors will be moved out of booth by end of 2018
  - Economic Benefits
    - ✓ Sophisticated fraud detection and reporting
    - ✓ Significantly reduced cash handling requirements.
- It is recommended that City Council direct the Chief Executive Officer of the TTC to report to Executive Committee in June 2017 to provide an update on PRESTO transition savings that will be used to offset processing fees and associated cost increases.

**Transit Expansion Operating Costs**

- There are three major transit expansion projects currently underway in Toronto: the Toronto-York Spadina Subway Extension (TYSSE), the Light Rail Transit (LRT) lines and the Scarborough Subway. Once these projects are completed, TTC will be operating additional subway service covering 8.6 kilometres to six new stations, three new light rail transit lines and additional subway service covering 7.6 kilometres to three new stations.
  - The LRT lines are estimated to be completed by 2020 and the Scarborough Subway is planned to be completed by 2024. These new lines will require significant funding increases to operate these service expansions as they come on stream over the next 10 years.
  - An operating funding strategy will be needed to accommodate these transit expansion costs in future years.

***Disbanding the Transit Patrol Unit***

- During the approval of the 2011 Operating Budget, Council adopted this item in regards to officers dedicated to providing transit security and the roles and responsibilities within <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX3.4>
- "Following Council's approval of revised roles and responsibilities for transit security, the 2010 budgeted complement and expenditures for the TPS and TTC have included the following changes
  - An increase of 42 uniformed positions, in addition to the 38 PORF funded Officers. These 80 officers were dedicated to providing transit security.
- As part of the Task force Interim Report – Recommendation 6 addresses the Disbanding of the Transit Patrol Unit.
- "The Unit was originally established to supplement the day-to-day role of Divisions to respond to calls for service related to Toronto Transit Commission vehicles, subways and properties. However, this role is no longer required since the Toronto Transit Commission now has a highly capable Special Constable Program in place, and local Divisions will continue to respond to calls as required. Transit Patrol Unit members will be redeployed to other priorities."
- As part of the 2017 Operating Plan, TPS will redeploy these officers to other priorities within the service.

***Wheel-Trans (Impact of AODA's change to the definition of disability)***

- 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 expansion of 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.
  - The 2017 Preliminary Operating Budget includes the service impacts for this new expanded eligibility with funding also provided for the new interview and appeals process. Contemplating the impact of the change on service and costs and working to ensure sustainability, Wheel-Trans developed a 10-Year Strategy which includes a service delivery model that is based on the scheduling of trips based on the customers' ability versus disability, which will include trip planning on the conventional system to ensure optimal and strategic best use of all TTC resources.

- The Family of Services (FOS) premise is to holistically approach customer service and trip reservation and scheduling 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 and conventional 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 portion of the journey will serve their transit.
- The 2017 Wheel-Trans Operating Budget has been developed to address an increasing demand for service, respond to current demand, and prepare for evolving service delivery methods. The Budget also includes the impact of expanded service capability to include redefined 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.

### ***New & Enhanced Not Included in the 2017 Preliminary Operating Budget***

New / Enhanced Service Description (\$000s)	2017 Impact			
	Gross	Revenue	Net	Positions
<b><i>Not Included</i></b>				
<b>Referred to the Budget Process</b>				
Fit For Duty	1,300.0		1,300.0	
Track Safety Plan	1,330.2		1,330.2	18.0
Signal, Track, Traction Power Reliability	1,228.0			13.0
Stations Transformation - Training	1,855.8		1,855.8	388.0
Transit Enforcement Officers	97.6		97.6	5.0
<b>Total New/Enhanced Services (Not Included)</b>	<b>5,811.6</b>	<b>0.0</b>	<b>4,583.6</b>	<b>424.0</b>

- Due to funding constraints the following \$5.8 million in TTC Board Approved new and enhanced initiatives are not included within the 2017 Preliminary Operating Budget. However, they are detailed below for Budget Committee's consideration in the 2017 Budget process.
- Fitness For Duty (\$1.3 million net)
  - At the March 23, 2016 TTC Board meeting, the Board approved funding for random testing as part of the Fitness for Duty program. \$1.3 million is required to fully implement the program.  
The link to that report is provided below:  
[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2016/March\\_23/Reports/Fitness\\_For\\_Duty.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2016/March_23/Reports/Fitness_For_Duty.pdf)
  - At the November 30, 2016 TTC board meeting, the board received an update on the proposed implementation, program design and funding with a confidential attachment.  
The link to that report is provided below:  
[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2016/November\\_30/Reports/8\\_Random\\_Drug\\_%26\\_Alcohol\\_Testing\\_Implementation.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2016/November_30/Reports/8_Random_Drug_%26_Alcohol_Testing_Implementation.pdf).

- As a result, the TTC publicly announced random testing of operations. However no funding has been approved for this initiative and is subject to Council consideration within the 2017 Operating Budget.
- Track Safety Plan (\$1.330 million net)
  - Funding requested to improve the safety of TTC workers during work at subway track level, 18 dedicated watchpersons will be added whose sole responsibility will be to provide dedicated attention to the approach and management of train traffic.
- Signal, Track, Traction Power Reliability (\$1.228 million net)
  - 13 positions are required for signal, track and traction power reliability that will improve Subway performance, compliance and safety critical systems.
- Station Transformation – Training (\$1.856 million net)
  - With the advent of PRESTO, Customer Service at TTC subway stations will be provided by Customer Service Agents. Funding of \$1.9 million is required to develop and deliver the training program for the new role and also cover the costs of collector backfills when current collectors attend the new CSA training program. These changes were described in this TTC Board Report:  
[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2016/September\\_28/Reports/6\\_Stations\\_Transformation.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2016/September_28/Reports/6_Stations_Transformation.pdf)
- Transit Enforcement Officers (\$0.098 million net)
  - At the request of the Toronto Transit Commission (TTC) and with the approval of the Minister of Community Safety and Correctional Services, the Toronto Police Services Board (the Board) has designated Transit Enforcement members responsible for law enforcement and security as Special Constables.
  - The additional Transit Enforcement Officers (TEO) will allow for employees with Special Constable status to support the Fare Inspection program by providing a higher level of enforcement opportunities and will have new powers under the Highway Traffic Act (HTA) to respond to traffic related issues negatively affecting service.



# Appendices

# Appendix 1

## 2017 Service Performance

### Key Service Accomplishments

In 2016 TTC accomplished the following:

- ✓ PRESTO enabled system-wide
- ✓ Faregate installation ongoing
- ✓ WI-FI enablement ongoing
- ✓ LRVs rollout continues (expect 30 in revenue service by year-end)
- ✓ One Person Train Operation (OPTO) pilot on Line 4
- ✓ Overall customer satisfaction: a high of 80% in Q2 2016
- ✓ Customer perception of value for money: a high of 92% of telephone respondents received average, good or excellent value
- ✓ Start subway service on Sundays one hour earlier, at 8:00 a.m.
- ✓ Introduce five new express services to reduce crowding and provide faster bus service
- ✓ Introduce new streetcar service on Cherry Street to the West Donlands, to serve a growing new neighbourhood
- ✓ Install an external route announcements system on all streetcars, subway trains and buses



## Appendix 2

### 2017 Preliminary Operating Budget by Expenditure Category

#### Program Summary by Expenditure Category

TTC-Conventional Category of Expense (\$000's)	2014	2015	2016	2016	2017	2017 Change		Plan	
	Actual	Actual	Budget	Projected	Preliminary	from 2016		2018	2019
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	1,137,880.8	1,206,446.0	1,244,470.0	1,244,470.3	1,306,908.7	62,438.7	5.0%	1,366,276.4	1,392,107.8
Materials and Supplies	287,808.1	303,018.0	303,037.0	303,037.1	315,984.8	12,947.8	4.3%	357,396.1	378,014.3
Equipment	28,330.8	30,144.0	29,148.0	29,148.0	28,998.8	(149.2)	(0.5%)	28,998.8	28,998.8
Services & Rents	64,132.9	74,684.0	82,608.0	82,608.0	110,029.1	27,421.1	33.2%	163,929.1	172,379.8
Other Expenditures	27,790.7	33,385.0	40,145.0	40,145.0	40,963.3	818.3	2.0%	44,263.3	47,963.3
Interdivisional Charges	3,596.0	3,608.0	3,681.0	3,681.0		(3,681.0)	(100.0%)		
<b>Total Gross Expenditures</b>	<b>1,549,539.3</b>	<b>1,651,285.0</b>	<b>1,703,089.0</b>	<b>1,703,089.4</b>	<b>1,802,884.7</b>	<b>99,795.7</b>	<b>5.9%</b>	<b>1,960,863.7</b>	<b>2,019,464.0</b>
User Fees & Donations	1,156,553.5	1,178,697.8	1,203,328.0	1,203,328.5	1,237,621.9	34,293.9	2.8%	1,245,021.1	1,287,000.0
Transfers from Capital Fund					5,800.0	5,800.0		5,800.0	5,800.0
Contribution from Reserve/Reserve Funds			1,001.2	1,001.2	14,400.0	13,398.8	1338.3%		
<b>Total Revenues</b>	<b>1,156,553.5</b>	<b>1,178,697.8</b>	<b>1,204,329.2</b>	<b>1,204,329.7</b>	<b>1,257,821.9</b>	<b>53,492.7</b>	<b>4.4%</b>	<b>1,250,821.1</b>	<b>1,292,800.0</b>
<b>Total Net Expenditures</b>	<b>392,985.8</b>	<b>472,587.2</b>	<b>498,759.8</b>	<b>498,759.7</b>	<b>545,062.8</b>	<b>46,303.0</b>	<b>9.3%</b>	<b>710,042.6</b>	<b>726,664.0</b>
<b>Approved Positions</b>	<b>12,730.0</b>	<b>13,131.0</b>	<b>13,975.0</b>	<b>14,687.0</b>	<b>14,005.0</b>	<b>30.0</b>	<b>0.2%</b>	<b>14,393.0</b>	<b>14,393.0</b>

TTC-Wheel Trans Category of Expense (\$000's)	2014	2015	2016	2016	2017	2017 Change		Plan	
	Actual	Actual	Budget	Projected	Preliminary	from 2016		2018	2019
	\$	\$	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	54,391.0	60,295.4	57,658.5	58,633.0	59,030.0	1,371.5	2.4%	60,897.5	62,882.4
Materials and Supplies	13,548.1	15,018.8	13,861.0	14,095.3	13,498.6	(362.4)	(2.6%)	14,109.5	14,014.3
Services & Rents	40,405.2	44,791.4	51,236.7	52,102.7	77,610.0	26,373.3	51.5%	94,100.1	109,324.3
Other Expenditures	497.8	551.8	909.7	925.1	1,030.7	121.0	13.3%	2,792.1	3,081.2
<b>Total Gross Expenditures</b>	<b>108,842.1</b>	<b>120,657.5</b>	<b>123,665.9</b>	<b>125,756.0</b>	<b>151,169.3</b>	<b>27,503.4</b>	<b>22.2%</b>	<b>171,899.3</b>	<b>189,302.2</b>
User Fees & Donations	5,778.1	6,508.9	6,953.5	7,060.0	8,491.5	1,538.0	22.1%	9,697.3	11,372.1
<b>Total Revenues</b>	<b>5,778.1</b>	<b>6,508.9</b>	<b>6,953.5</b>	<b>7,060.0</b>	<b>8,491.5</b>	<b>1,538.0</b>	<b>22.1%</b>	<b>9,697.3</b>	<b>11,372.1</b>
<b>Total Net Expenditures</b>	<b>103,064.0</b>	<b>114,148.6</b>	<b>116,712.4</b>	<b>118,696.0</b>	<b>142,677.8</b>	<b>25,965.4</b>	<b>22.2%</b>	<b>162,202.0</b>	<b>177,930.1</b>
<b>Approved Positions</b>	<b>549.0</b>	<b>550.0</b>	<b>565.0</b>	<b>565.0</b>	<b>571.0</b>	<b>6.0</b>	<b>1.1%</b>	<b>571.0</b>	<b>571.0</b>

Projections to year-end indicate that the minor net unfavourable variance that is mainly driven by lower than expected ridership revenue as result attributable to 8M less riders. This revenue-shortfall will be partially offset by under spending in the service expenditures resulting from planned fall 2016 service additions not being implemented due to the 2016 ridership trends being below budget.

For additional information regarding the 2016 Q3 operating variances and year-end projections, please refer to the attached link for the report entitled "Operating Variance Report for the Nine-Month Period Ended September 30, 2016" considered by City Council at its meeting on December 13, 2016.

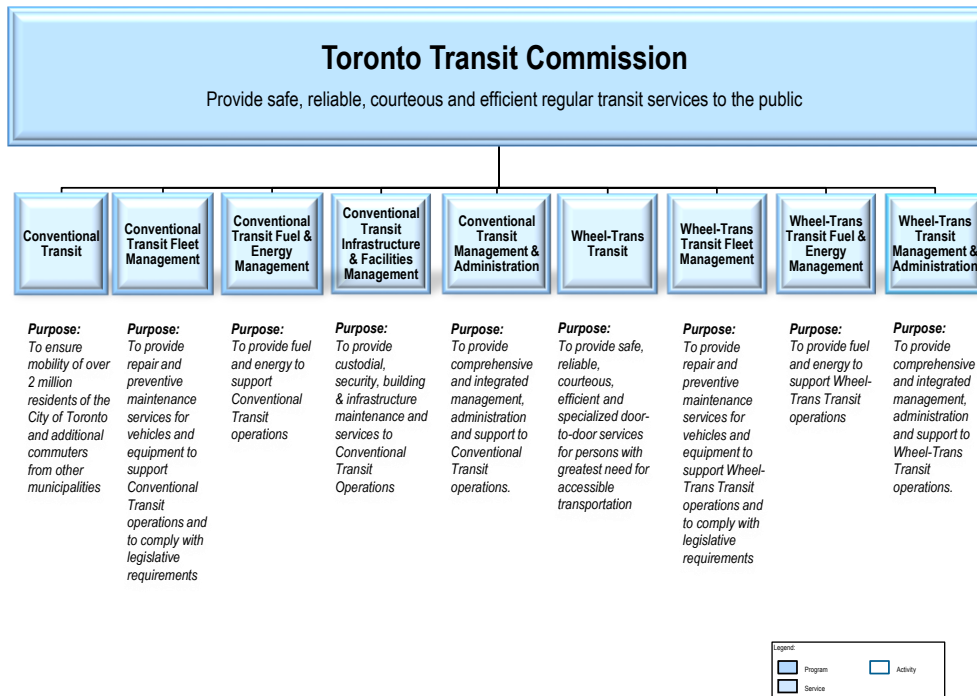
<http://www.toronto.ca/legdocs/mmis/2016/bu/bgrd/backgroundfile-97953.pdf>

#### Impact of 2016 Operating Variance on the 2017 Preliminary Operating Budget

- The 2017 service budget does not include additional hours for ridership growth. The projected level of 544 million passenger trips can be accommodated by service improvements made in early 2016.
- The 2017 service budget includes the annualization of service changes made in 2016 including resources to sustain ridership at current levels, service initiatives such as expansion of express bus services, adjustments to streetcar & bus schedules to improve service reliability, and increased bus and streetcar service from the introduction of earlier subway service on Sunday mornings.
- Various other expenditures, including Employee Benefits and Collective Bargaining have been increasing.

# Appendix 3

## 2017 Organization Chart



Service Customer

**Conventional Transit**

- Riders
  - Businesses
  - Employers
  - Neighbouring Municipalities
- Indirect (Beneficial)
- Residents
  - Staff – City Divisions
  - Staff – Agencies & Boards
  - Mayor & City Council
  - City Manager & DCMs

**Wheel-Trans Transit**

- Riders
  - Businesses
  - Employers
  - Neighbouring Municipalities
- Indirect (Beneficial)
- Residents
  - Staff – City Divisions
  - Staff – Agencies & Boards
  - Mayor & City Council
  - City Manager & DCMs

### 2017 Total Complement

Category	Senior Management	Management	Exempt Professional & Clerical	Union	Total
Permanent	70.0	2,906.0	327.0	10,558.0	13,861.0
Temporary		41.0		103.0	144.0
<b>Total</b>	<b>70.0</b>	<b>2,947.0</b>	<b>327.0</b>	<b>10,661.0</b>	<b>14,005.0</b>

## Appendix 6

### Inflows/Outflows to/from Reserves & Reserve Funds

#### Program Specific Reserve / Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Projected Balance as of Dec. 31, 2016 *	Withdrawals (-) / Contributions (+)		
			2017	2018	2019
		\$	\$	\$	\$
<b>Projected Beginning Balance</b>		14,390.2	14,390.2	(9.8)	(9.8)
TTC Stabilization	XQ1056				
<i>Proposed Withdrawals (-)</i>			(14,400.0)		
<i>Contributions (+)</i>					
<b>Total Reserve / Reserve Fund Draws / Contributions</b>		14,390.2	(9.8)	(9.8)	(9.8)
<b>Other Program / Agency Net Withdrawals &amp; Contributions</b>					
<b>Balance at Year-End</b>		14,390.2	(9.8)	(9.8)	(9.8)

\* Based on 9-month 2016 Reserve Fund Variance Report