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2019 OPERATING BUDGET BRIEFING NOTE

TTC Subsidy Period 2016 - 2019

Issue/Background:

- At its meeting of February 13, 2019, the City Budget Committee requested that the Executive Director, Financial Planning provide a budget briefing note on the increase in subsidy to the Toronto Transit Commission over the last four years.

Key Points:

- Provincial operating subsidies for municipal transit services ended January 1, 1998 as a result of the “Who Does What” Provincial government initiative which made municipalities fully responsible for local transportation services, including transit.
- Beginning in 2004, the City allocated approximately \$91 million in funding to the TTC’s Operating Budget of Provincial Gas Tax proceeds to offset operating costs.
- With respect to the Wheel-Trans operating budget, prior to January 1, 1998, the City and the Province effectively shared responsibility (subject to the eligibility of expenses as determined by the Province) for funding this service. Effective January 1, 1998, Provincial operating subsidy for Wheel-Trans ceased and no portion of the Provincial Gas Tax has been applied to the Wheel-Trans operating budget.
- As noted in the 2017 TTC Briefing Note on the "Impact of Provincial Decisions on the TTC Annual Operating Costs" - between the period 2004 and 2009 the TTC did receive periodic one-time subsidies from the Province including \$70M in 2004, \$100M in 2006 and \$100M in 2007, \$149M in 2008 and \$239M in 2009 for a one time contribution to fund transit debt service cost.
- Table 1 below provides a summary of the key revenue sources and annual operating subsidy including subsidy sources to the TTC for the years 2016 to 2019 Budget submissions.
 - Between 2016 and 2019 TTC operating expenditures increased by +\$199.137M, funded in large part by increased support from the tax levy + \$152.517M, contributions from City reserves +\$21.689M and fare revenue + \$21.657M.
 - Fares have increased in budget years 2016, 2017 have been approved for an increase in 2019.
 - Budgeted revenue from fares in 2017 and 2018 were below 2016 budgeted levels despite fare increase in 2017 as a result of projected lower ridership.

- Following Board approval of the 2019 fare increase, the 2019 fare revenue is projected to exceed 2016 budgeted fare revenue levels.

Table 1: 2016 to 2019 Summary TTC Operating Subsidy (\$000)

	2016 ²	2017 ²	2018	2019 ²	\$ Change 2016-2019	Change 2016 / 2019
TTC Conventional	1,736,756	1,804,282	1,844,221	1,910,540	173,784	10%
Wheel Trans	123,666	151,169	152,855	149,019	25,353	21%
Gross Expense	1,860,422	1,955,452	1,997,076	2,059,559	199,137	11%
TTC Non-Fare Revenue	67,829	89,077	77,319	92,782	24,953	37%
Fares ²	1,182,254	1,176,852	1,178,891	1,203,911	21,657	2%
Sub-Total TTC Revenue	1,250,083	1,265,929	1,256,210	1,296,693	46,610	4%
TTC Operating Subsidy	610,339	689,523	740,866	762,866	152,527	25%
Year Over Year Change		79,183	51,343	22,000		
Year Over Year Change		13%	7%	3%		
TTC Operating Subsidy Sources:						
City Tax Levy ¹	518,739	597,924	649,266	671,266	152,527	29%
Provincial Gas Tax	91,600	91,600	91,600	91,600	0	0%
Total TTC Operating Subsidy Sources	610,339	689,524	740,866	762,866	152,527	25%
1 City Tax Levy Support:	2019					
Operating Subsidy	671,266					
Debt Charges Non Program	314,898					
Total City Levy TTC Support	986,164					
2 Fare Increases:						
- 2016 10 cent increase fare media, 25 cent cash fares						
- 2017 10 cent increase fare media						
- 2019 10 cent increase fare media						

- Please note that Table 1 does not include TTC related debt charges supported by the tax levy in the City Non-Program account. In 2019, TTC debt service costs will total \$314.898M or 56% of the total City debt charges.
 - Combining City operating and debt servicing costs the total City levy subsidy to the TTC in 2019 is \$986.164M. Including reserve contributions (\$15.691M TTC Stabilization Reserve) the total City operating subsidy in 2019 is \$1.002B.
- Table 2 below provides a summary of the key funding sources by year.
 - Fare revenue as a percentage of total revenue supporting the TTC Conventional and Wheel Trans operating budget has decreased from 64% in 2016, to 58% in the 2019 Budget submission.
 - Tax levy supporting the TTC operating budget has correspondingly increased from 28% in 2016 to 33% of total operating funding in 2019.

Table 2: 2016-2019 TTC Budgeted Operating Funding Sources as % Total

TTC Operating Funding	2016	2017	2018	2019
Fares	64%	60%	59%	58%
City Tax Levy	28%	31%	33%	33%
Provincial Gas Tax	5%	5%	5%	4%
Other TTC Revenue	4%	4%	3%	3%
Reserves	0%	1%	1%	1%
Total	100%	100%	100%	100%

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