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## 2020 OPERATING BUDGET BRIEFING NOTE

### TTC Subsidy Period 2014 - 2020

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#### Issue/Background:

- At its meeting of January 17, 2020, 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 five years.

#### Key Points:

- Prior to January 1, 1998, the TTC Operating Budget was funded by 68% TTC revenues, 32% from the City and Province subject to eligibility of expenses as determined by the Province, draws from reserves/other funds, and special one-time subsidies.
- 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.
- Between January 1, 1998 and December 31, 2003, the Province did not provide any operating subsidies for public transit.
- Beginning in 2003, the City allocated funding to the TTC’s Operating Budget of \$91.6M 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 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 2020 Budget submissions.
  - Between 2014 and 2020 TTC operating expenditures increased by +\$424.4M, funded in large part by increased support from the tax levy + \$242.9M as well as fare revenue +\$148.7M and non-fare revenue sources (advertising, parking, etc) of +\$32.8M.

- Fares have increased in budget years 2014, 2015, 2016, 2017, 2019 and are proposed to increase in 2020.
- 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, projected lower average fares and service level enhancements including the two hour transfer and the children 12 and under ride free program.

**Table 1: 2014 to 2020 Summary TTC Operating Budget (\$000)**

(\$000)	2014	2015	2016	2017	2018	2019	2020	\$ Change 2014-2020	% Change 2014-2020
TTC Conventional	1,606,684	1,699,020	1,736,756	1,804,282	1,844,221	1,910,540	1,987,171	380,487	24%
Wheel Trans	112,562	115,313	123,666	151,169	152,855	149,019	156,483	43,921	39%
<b>Gross Expense</b>	<b>1,719,246</b>	<b>1,814,333</b>	<b>1,860,422</b>	<b>1,955,452</b>	<b>1,997,076</b>	<b>2,059,559</b>	<b>2,143,654</b>	<b>424,408</b>	<b>25%</b>
TTC Non-Fare Revenue	65,603	75,307	67,829	89,077	77,319	92,782	98,364	32,761	50%
Fares <sup>2</sup>	1,106,739	1,151,297	1,182,254	1,176,852	1,178,891	1,203,911	1,255,462	148,723	13%
<b>Sub-Total TTC Revenue</b>	<b>1,172,342</b>	<b>1,226,604</b>	<b>1,250,083</b>	<b>1,265,929</b>	<b>1,256,210</b>	<b>1,296,693</b>	<b>1,353,826</b>	<b>181,484</b>	<b>15%</b>
<b>TTC Operating City Funding</b>	<b>546,904</b>	<b>587,729</b>	<b>610,339</b>	<b>689,523</b>	<b>740,866</b>	<b>762,866</b>	<b>789,828</b>	<b>242,924</b>	<b>44%</b>
<b>Year Over Year Change</b>		<b>40,825</b>	<b>22,610</b>	<b>79,183</b>	<b>51,343</b>	<b>22,000</b>	<b>26,962</b>		
<b>Year Over Year Change</b>		<b>7.5%</b>	<b>3.8%</b>	<b>13.0%</b>	<b>7.4%</b>	<b>3.0%</b>	<b>3.5%</b>		

**Table 2: City Funding Operating Sources (\$000)**

(\$000)	2014	2015	2016	2017	2018	2019	2020	\$ Change 2014-2020	% Change 2014-2020
<b>City Tax Levy</b>	<b>455,304</b>	<b>496,129</b>	<b>518,739</b>	<b>597,924</b>	<b>649,266</b>	<b>671,266</b>	<b>698,228</b>		
Provincial Gas Tax	91,600	91,600	91,600	91,600	91,600	91,600	91,600		
<b>Total TTC City Funding</b>	<b>546,904</b>	<b>587,729</b>	<b>610,339</b>	<b>689,524</b>	<b>740,866</b>	<b>762,866</b>	<b>789,828</b>	<b>242,924</b>	<b>44%</b>

**Table 3: Total 2020 TTC City Funding including Debt Servicing (\$000)**

<b>City Levy Support</b>	<b>2020</b>
Operating City Funding	789,828
Debt Charges Non Program	340,634
<b>Total</b>	<b>1,130,462</b>

- Please note that Table 1 does not include TTC related debt charges supported by the tax levy in the City Non-Program account. In 2020, TTC debt service costs will total \$340.6M or 51% of the total City debt charges.
  - Combining City operating and debt servicing costs the total City levy subsidy to the TTC in 2020 is \$1,130.5M.

**Table 4: 2014-2020 TTC Operating Funding Sources as % Total**

<b>TTC Operating Funding</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Fares	64%	63%	64%	60%	59%	58%	59%
City Levy	26%	27%	28%	31%	33%	33%	33%
Provincial Gas Tax	5%	5%	5%	5%	5%	4%	4%
Other TTC Revenue	4%	4%	4%	4%	3%	3%	4%
Reserves	0%	0%	0%	1%	1%	1%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- Table 2 above provides a summary of the key funding sources by year.
  - Fare revenue as a percentage of total revenue supporting the TTC operating budget has decreased from 64% in 2014, to 59% in the 2020 Budget submission.
  - Tax levy supporting the TTC operating budget has corresponding increased from 26% in 2014 to 33% of total operating funding in 2020.

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