

**For Action**

2021 TTC and Wheel-Trans Operating Budgets

Date: December 21, 2020
To: TTC Board
From: Interim Chief Financial Officer

Summary

This report presents the staff-recommended 2021 Operating Budget for the Toronto Transit Commission (TTC) and seeks the Board's approval of a combined operating budget for TTC Conventional and Wheel Trans Services in support of delivering conventional and accessible transit in the City of Toronto.

The staff recommended combined 2021 Operating Budget totals \$2.153 billion in gross expenditures and \$0.567 billion in revenues, requiring \$1.586 billion in net funding to fully fund the 2021 Operating Budget. Of the total net funding required, \$796.4 million, is to fund the continued financial impact of COVID-19, while the balance of \$789.8 million is necessary to fund the ongoing operations of the TTC. This latter amount represents a 0% increase over the 2020 approved net funding level. In addition, TTC fares will remain at 2020 rates as there is no fare increase recommended for 2021.

Development of the 2021 Operating Budget was guided by the following four key service objectives to meet priority outcomes:

1. Provide safe, seamless and reliable transit service to improve customer satisfaction;
2. Transform how we do business to solidify TTC as a financially sustainable and efficient system;
3. Become a more inclusive and accessible organization and service provider; and,
4. Innovate for the future to ensure a resilient system that makes transit the mobility mode of choice.

The 2021 Base Budget is \$13 million lower than the 2020 approved budget on a net basis. A net expenditure increase of \$56.5 million to fund unavoidable operational cost pressures due to prior year impacts; legislative and inflationary increases; completed capital projects and other expenses has been more than fully offset by \$69.5 million in expenditure reductions; savings from efficiency measures; the continued implementation of Auditor General recommendations and

the recommended use of planned proceeds from the Metrolinx settlement to be concluded in early 2021.

TTC's commitment to expenditure management and its business transformation agenda has produced \$53.8 million in savings that do not impact service levels. The business transformation capacity funded in 2020 will result in service delivery efficiencies to be realized in 2021 and a portion of the savings generated from Auditor General recommendations are being reinvested to complete the implementation of materials and procurement transformation that began in 2020. In 2021, proceeds from the anticipated settlement with Metrolinx are recommended to be used to offset time limited bus augmentation and closure costs of \$15.8 million due to Eglinton and Finch West LRT construction. These reduction actions avoid reliance on and offset \$9.3 million in reserve withdrawals which were included in 2020 and help to solidify TTC's fiscal foundation in 2021 and into the future.

The additional \$13 million in savings (above the \$56.5 million used to offset cost pressures) is recommended to be reinvested in new and enhanced service priorities, comprised of \$6.4 million to implement Council approved priorities and \$6.6 million to advance TTC's key service objectives and priority outcomes.

As part of the Demand Responsive Service Plan, bus service is being restored to pre-pandemic levels overall, with rebalancing between routes to match capacity with demand. Capacity will be optimized across all routes by continuing to apply COVID-19 modified maximum planning capacity thresholds of 25 per bus and adjusting to 35 as ridership increases by year end. Service on streetcar and subway routes as well as for the Wheel-Trans service will be maintained at current 2020 levels, with a provision made to enable the TTC to restore these modes to 2020 budgeted levels of service in the latter half of 2021, should ridership demand warrant the increase.

Building on the base funding for vehicle maintenance, as warranties associated with buses and LRVs expire, new funding is being recommended for new vehicle maintenance programs to ensure repairs are completed proactively prior to failure, to maintain strong, safe vehicle performance. This investment, combined with TTC's Demand Responsive Service Plan for 2021 are intended to provide safe, reliable and seamless service that meets riders needs.

The 2021 Operating Budget includes new funding for diversity and accessibility initiatives which will be advanced through TTC's Embrace Diversity Action Plan and Anti-Racism Strategy. New funding will deliver enhanced training for all employees and diversity outreach programs designed to ensure that the TTC's workforce is representative of the community that it serves. In addition, call wait times for Wheel Trans customers will be improved through the implementation of call overflow service. These actions support the TTC's objective to become a more inclusive and accessible organization and service provider.

Additionally, recommended new funding will provide the TTC with the capacity for business continuity and emergency management operations; to prepare for ModernTO and cybersecurity implementation; and the start up of the Council-approved Line 5 Eglinton LRT operations. Combined with planned 2021 work on service integration with regional partners and an automated shuttle service, these actions help ensure that the TTC system is ready for and resilient to changes in the future.

While 2021 base pressures and the cost of new & enhanced service priorities have been accommodated without increasing the City's 2020 net funding of \$789.8 million, the financial impact of COVID-19 cannot. The COVID-19 financial impact is estimated to be \$796.4 million in 2021 and comprises the following:

- Lost passenger revenues of \$725 million, based on a projected 2021 ridership of 214.4 million rides. This includes projections for ridership to be comparable to current levels in the first half of the year, before gradually increasing to average 49% in the fourth quarter as widespread vaccination begins to occur. More substantial ridership recoveries are not anticipated until 2022 and 2023 when a new post-pandemic normal will begin to emerge and a restrictions regarding attendance at workplaces, schools and events are removed.
- Lost ancillary revenues of \$15.9 million, including lower budgeted commuter parking, advertising and subway concession revenue and;
- Incremental expenses of \$55.5 million, to continue safety measures, including vehicle disinfection, personal protective equipment and employee screening, amongst others.

In 2022 and 2023, forecasted budgetary increases of \$153 million and \$59 million, respectively, are based on the costs of restoring streetcar, subway and Wheel-Trans service to 2020 budgeted levels and operating the new Eglinton Crosstown LRT and in 2023 the Finch West LRT. It should be noted that these forecasted budgetary changes exclude the impact of any cost of living adjustment which may result from the collective bargaining process in 2021. Separately, the COVID-19 financial impact is expected to diminish over time but extend for longer than the health emergency itself due to broader economic impacts as well as any lasting changes to travel patterns and remote working arrangements. Order of magnitude impacts of \$386 million in 2022 and \$136 million in 2023 are forecasted but are, largely dependent on the pace and extent of ridership recovery.

On December 16, 2020, the Province of Ontario released new details on Phase 2 of the Safe Restart Agreement (SRA), and an official letter was transmitted by the Province to the City, which is attached in Appendix E.

In total under Phase 2 of the public transit stream of the SRA, the TTC has an allocation of up to \$776 million to address eligible expenditures incurred from October 1, 2020 to December 31, 2020, and those incurred from January 1, 2021.

SRA funding is anticipated to offset COVID-19 financial impacts to March 31, 2021. Discussions continue regarding the opportunity to utilize Phase 2 SRA funding post March 31, 2021.

Recommendations

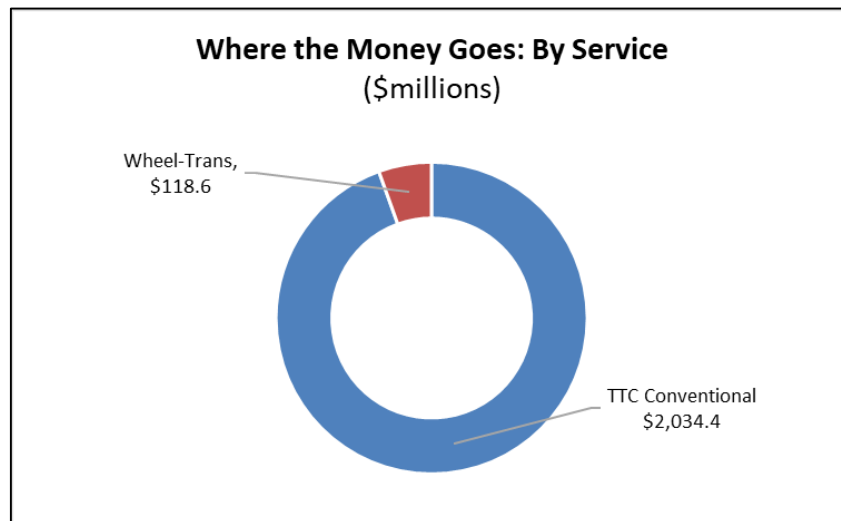
It is recommended that the TTC Board:

1. Approve the recommended 2021 TTC Conventional Operating Budget of \$2.034 billion in gross expenditures, revenues of \$0.562 billion in revenues and a net funding requirement of \$1.472 billion, inclusive of the \$794.6 million TTC Conventional COVID-19 financial impact, as detailed in this report;
2. Approve the recommended 2021 Wheel-Trans Budget of \$118.6 million in gross expenditures, \$4.3 million in revenues and a net funding requirement of \$114.3 million, inclusive of the \$1.8 million Wheel-Trans COVID-19 financial impact, as detailed in this report;
3. Request City Council to authorize a special contribution to the TTC Stabilization Reserve, equal to the proceeds to be received from the anticipated settlement with Metrolinx, to provide a funding source for LRT construction disruption service.
4. Approve a 2021 year-end workforce complement of 16,313 positions, reflecting an increase of 69 positions to support service delivery and 77 positions for capital project delivery, as described in Appendix C; and
5. Forward this report to the City Budget Committee and the City Manager as the official 2021 Operating Budget submission for the Toronto Transit Commission.

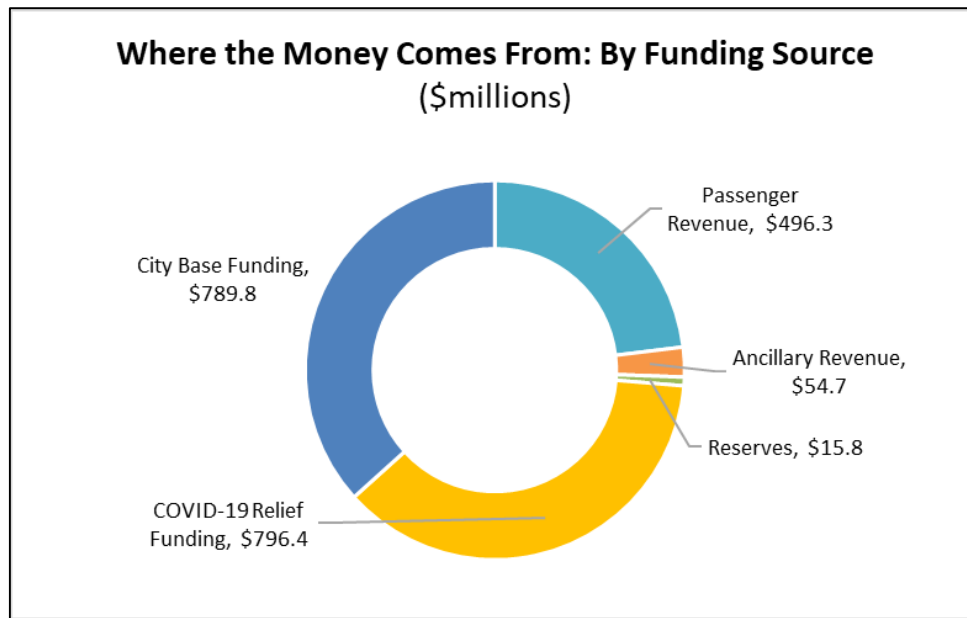
Financial Summary

The recommended combined TTC Operating Budget, is \$2.153 billion gross and \$1.586 billion net. Of the total net funding required, \$796.4 million is to fund the continued financial impact of COVID-19, while the balance of \$789.8 million is necessary to fund the ongoing operations of the TTC, as summarized on the following charts and table.

- 94.5% of gross expenditures are used to fund the TTC Conventional Service, with 5.5% used to fund the Wheel-Trans service.



- Combined with the Wheel-Trans Service, 23% of the funding will be generated from passenger fare revenue which is down substantially from the 59% funded by passenger fares in the 2020 Budget. Anticipated COVID-19 relief funding comprises 37% of funding requirements, with a further 37% sourced from base City operating funding. The remaining 3% will be funded from ancillary revenues and a planned reserve draw to fund the LRT construction disruption service costs.



The recommended 2021 Base Operating Budget is \$2.117 billion gross and \$776.8 million net. In addition, recommended New & Enhanced service priorities total \$13 million gross and net. As a result, total requested City funding before the financial impact of COVID-19 is \$789.8 million, which represents a 0% increase over the 2020 approved net funding level as summarized in the following table.

TTC Conventional & Wheel-Trans Operating Budgets								
(In \$Millions)	2020 Approved Budget	2021 Base Budget Changes	2021 Base Budget	2021 New & Enhanced	2021 COVID Impact	2021 Rec'd Budget	Change vs. 2020 Budget	
							\$	%
By Service								
Revenues								
TTC Conventional	1,344.6	(8.8)	1,335.8	-	(773.3)	562.5	(782.1)	-58.2%
Wheel-Trans	9.2	(5.0)	4.3	-	-	4.3	(5.0)	-53.7%
Total Revenues	1,353.8	(13.8)	1,340.1	-	(773.3)	566.8	(787.1)	-58.1%
Expenses								
TTC Conventional	1,987.2	14.7	2,001.8	11.3	21.3	2,034.4	47.2	2.4%
Wheel-Trans	156.5	(41.4)	115.0	1.7	1.8	118.6	(37.9)	-24.2%
Total Gross Expenditures	2,143.7	(26.8)	2,116.9	13.0	23.1	2,153.0	9.3	0.4%
City Funding								
TTC Conventional	642.6	23.5	666.0	11.3	794.6	1,472.0	829.4	129.1%
Wheel-Trans	147.2	(36.5)	110.7	1.7	1.8	114.3	(33.0)	-22.4%
Total City Funding	789.8	(13.0)	776.8	13.0	796.4	1,586.2	796.4	100.8%
Total City Funding ex COVID	789.8	(13.0)	776.8	13.0	0.0	789.8	0.0	0.0%
COVID Impact	-	-	-	-	796.4	796.4	796.4	N/A
Approved Positions	16,167	(141)	16,026	270	17	16,313	146	0.9%

Base Budget Changes

The base net expenditure decrease of \$13 million, is the result of base cost pressures of \$56.5 million net offset by base budget reductions, efficiency savings and balancing actions of \$69.5 million. Of the \$56.5 million in base budget pressures, \$28.4 million or approximately half is due to prior year decisions, economic factors and legislative impacts and \$13.6 million relates to the impacts of completed capital projects, including Bus & LFLRV vehicles coming out of warranty, the opening of the new McNicoll Garage and impacts of new IT systems, including Vision and Enterprise Data. Additional base pressures include higher WSIB claim costs and average labour rates, both consistent with the 2020 experience; and the reversal of an unsustainable reliance of reserve draws.

The \$69.5 million of staff recommended budget expenditure reductions, savings and balancing actions, have no impact on service levels for customers. Actions include savings identified through a review of current expenditure trends (i.e. line-by-line review), overtime reduction management, the continued implementation of Auditor General recommendations, savings achieved through new contracts for services and parts, fuel hedging and reduced hydro consumption, as well as service delivery efficiencies which do not impact customers.

As part of the Demand Responsive Service Plan, bus service is being restored to pre-pandemic levels overall, with rebalancing between routes to match capacity with demand. Service on streetcar and subway routes as well as for the Wheel-Trans service will be maintained at current 2020 levels, with a provision made to enable the TTC to restore these modes to 2020 budgeted levels of service, as ridership demand is expected to increase through the latter half of 2021.

New & Enhanced Service Priorities

New funding for new & enhanced service requests total \$13 million. \$6.6 million is recommended to fund TTC initiatives, including an increase in Wheel-Trans Contact Centre capacity to reduce call wait times and abandoned calls; proactive vehicle maintenance requirements and resources to support the implementation of TTC's Embracing Diversity Action Plan and Anti-Racism Strategy. The other \$6.4 million is recommended to implement City Council approved initiatives and includes funding to prepare for the commencement of Eglinton LRT operations, and to prepare for ModernTO and cybersecurity implementation.

COVID-19 impacts

In addition to the above, the 2021 anticipated impact of COVID-19 is estimated at \$796.4 million. This is comprised of the loss of passenger revenue (\$725 million, net of PRESTO commissions), reduced ancillary revenues such as commuter parking, advertising and subway concessions in the amount of \$15.9 million, and \$55.5 million for incremental expenses associated with safety measures such as vehicle & facilities disinfection, personal protective equipment and employee screening.

TTC expects that COVID-19 financial impacts will gradually diminish into 2022 and 2023 but remain a burden due to the loss of revenue ridership and the corresponding time that will be required to achieve a full economic recovery. Order of magnitude estimates of the COVID-19 financial impact are \$386.7 million in 2022 and \$136.3 million in 2023 and are largely dependent on the pace and extent of ridership recovery.

Safe Restart Agreement funding is anticipated to offset COVID-19 financial impacts to March 31, 2021. TTC staff continue to engage senior levels of government on funding to offset COVID-19 financial impacts post March 31, 2021.

Operating Budget Outlook for 2022 and 2023

The outlooks for 2022 and 2023 identify pressures of \$153 million and \$59 million, respectively, excluding residual COVID-19 impacts. Key drivers include the return of streetcar, subway and Wheel-Trans services to 2020 budget levels, the opening of the Eglinton LRT and energy and material price inflation.

It should be noted that future year estimates do not include provisions for wage or benefit improvement increases past March 31, 2021, due to the March 31, 2021 expiry of the Collective Agreement with ATU 113 (TTC's largest union).

Equity/Accessibility Matters

The TTC is strongly committed to making Toronto's transit system barrier-free and accessible to all. We believe all customers should enjoy the freedom, independence and flexibility to travel anywhere on the public transit system.

All expenditures required to meet the TTC's accessibility and equity requirements are provided for in this budget, including:

- \$1.7 million City funding increase to increase call centre capacity and reduce call wait times for trip booking.
- \$1.1 million in incremental funding in addition to the 2020 investment made now included in the base budget, to implement the Embrace Diversity Action Plan and Anti-Racism Strategy. This includes resources to improve community and recruiting outreach initiatives and ensure the continued implementation of anti-racism initiatives, consistent with the phased plan noted the 2021 budget outlook.

In addition, fares will be frozen at current rates. This action is particularly important to enhance equity and accessibility given that current ridership, relative to pre-pandemic levels is highest in Toronto's Neighbourhood Improvement Areas.

As a result of COVID-19 and the TTC's cost containment strategy, the service changes which occurred in 2020 may have had an impact on equity seeking groups and low income customers. During 2020, these concerns were addressed

by operating additional run as directed buses on key routes where warranted by ridership levels.

For 2021, service capacity on the conventional bus network will be restored to 2020 budgeted levels, and optimized across all routes by continuing to apply COVID-19 modified maximum planning capacity thresholds of 25 per bus and adjusting to 35 as ridership increases by year end. In addition, adjustments will be made to address the specific service needs of neighbourhood improvement areas. Planning to address these needs has been aided through consultations with local youth leaders from equity seeking groups in the development of the 2021 service plan.

Decision History

At its meeting on September 24, 2020 the TTC Board considered the COVID-19 Restart and Recovery Update, which requested the Chief Executive Officer in partnership with the City of Toronto to continue engaging the provincial and federal governments to advocate for ongoing operating funding and the development of a sustainable funding model for public transit.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2020/September 24/Reports/5 COVID 19 Restart and Recovery Update Updated.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2020/September%2024/Reports/5%20COVID%2019%20Restart%20and%20Recovery%20Update%20Updated.pdf)

At its meeting on December 15, 2020, the TTC Board considered the 2021 Annual Service Plan, which included the Demand Responsive Service Plan to optimize capacity on all routes, by continuing to apply COVID-19 modified capacity thresholds of 50% capacity (e.g. 25 per bus) and adjusting to 70% capacity (e.g. 35 per bus) as ridership increases by year-end, as projected.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2020/December 15/Reports/9 2021 Annual Service Plan.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2020/December%2015/Reports/9%202021%20Annual%20Service%20Plan.pdf)

Comments

Impact of COVID-19 on 2020 Priority Actions

With the onset of the COVID-19 Pandemic, TTC's most important priority became the effective and agile response to the COVID-19 pandemic. Key achievements in the pandemic response included:

- ✓ Successful demand responsive delivery of transit service throughout the pandemic.
- ✓ New and additional vehicle and facility cleaning and disinfection.
- ✓ Communications campaigns to keep customers and employees informed and safe.
- ✓ Partnering with City of Toronto staff to meet needs of individuals requiring assistance during the pandemic (Shelter, Support and Housing, Emergency Medical Services, Poverty Reduction Office).
- ✓ Cost Containment Strategy expected to achieve \$151 million in savings in 2020 to mitigate COVID-19's financial impact.
- ✓ Accelerated capital work to leverage low ridership, culminating with the recent 10-day closure from Finch to Sheppard stations.

The scope, scale and financial implications of the pandemic necessitated that some originally planned 2020 priority actions be deferred as part of the TTC's cost containment strategy, namely, the surface transit improvements which were originally planned for the fall and the hiring of additional fare inspection resources. Nevertheless, many priority actions were completed as noted in the following section.

Outcome of 2020 Priority Actions

In addition to TTC's COVID-19 response, the following priority actions were achieved in 2020, contributing to the advancement of these key service objectives.

1. Providing Seamless and Reliable Transit Service

- ✓ Continued improvement in vehicle reliability.
- ✓ Continued improvement in surface on-time performance.
- ✓ Completed Fleet Procurement Strategy & Plan.
- ✓ Received and rolled out final delivery of 204 LRVs & 60 E-Buses.
- ✓ Installed Automatic Train Control from Vaughan to Rosedale stations.

2. Transforming to Solidify Fiscal Foundation

- ✓ Advanced on business transformation priorities and efficiency initiatives.
- ✓ Anticipated agreement on Metrolinx settlement terms to form basis for financial settlement and framework for open payments.
- ✓ Implemented Auditor General Recommendations on alternate source parts and after-market part warranties.

3. Becoming a More Inclusive and Accessible Service Provider

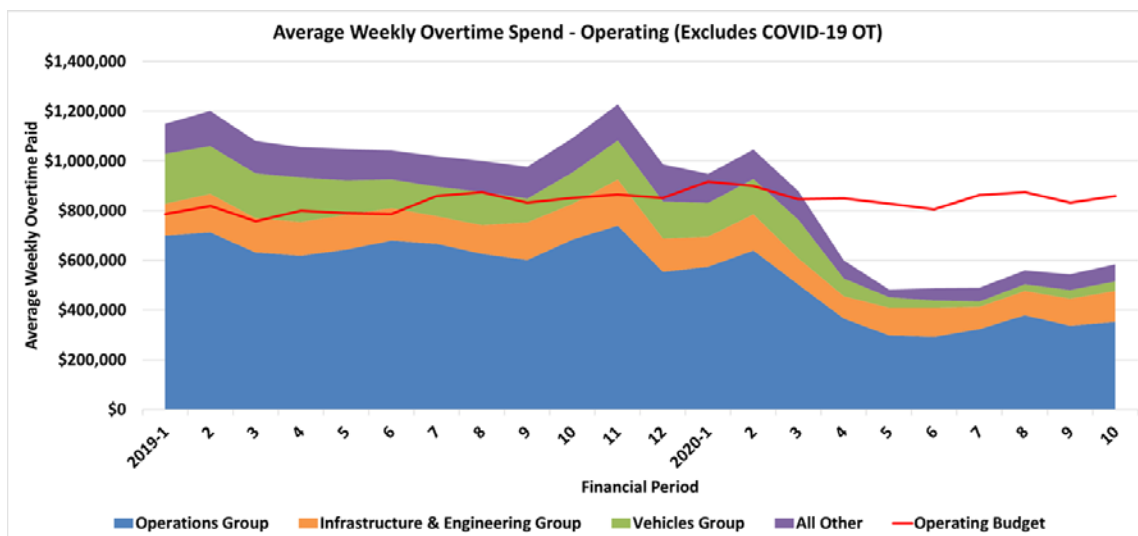
- ✓ Awarded Wheel-Trans reservations overflow contract to reduce call wait times and enhance call centre capacity.
- ✓ Implemented equity-based consultation in 2021 service planning process.
- ✓ Expanded diversity outreach with 2 online forums for female bus operators (4,000+ participants).
- ✓ Implementing Ombudsman recommendations related to the Anti-Racism strategy and the establishment of the Fare Inspector and Special Constable (FISC) Complaints Office.
- ✓ Completed construction at 4 additional stations, bringing the total number of accessible subway stations to 50.

4. Innovating for Future Demand

- ✓ Installed Eglinton East Bus Priority Lane
- ✓ Advanced service integration with regional partners
- ✓ Launched the 5 Year Fare Policy and 10 Year Fare Collection strategy review
- ✓ Advanced Eglinton LRT preparatory activities

Reduction in Operating Overtime Spending

In addition to the accomplishments noted above, TTC has been able to reduce overtime spending by approximately 50% as of the end of October as compared to February 2020. This reduction has mainly been driven by reduced Operator overtime spending. This has been accomplished through maximizing the use of regular time resources and leveraging schedule adjustments implemented to match service capacity with demand.



2021 Priority Actions

The 2021 Budget remains focused on achieving the following key outcomes:

1. Providing a Safe, Seamless and Reliable Transit Service
2. Transforming to Solidify the Fiscal Foundation
3. Becoming a More Inclusive and Accessible Service Provider
4. Innovating for Future Demand to ensure a resilient system

Providing Safe, Seamless and Reliable Transit Service

Through the pandemic, safety and ensuring customers feel safe has added importance in driving customer satisfaction. The budget addresses this need by providing the resources required to ensure an effective response to COVID-19 and by matching service capacity with demand.

TTC's COVID-19 response includes ensuring all augmented disinfection and cleaning practices necessary to keep customers and employees safe during the pandemic are in place. Hand sanitizer will be in stations, improved filters will be used on vehicles and all employees will be screened before entering workplaces and provided with appropriate personal protective equipment.

By matching service capacity with demand, overall service capacity on the bus network will be restored to pre-pandemic levels and capacity will be optimized on specific routes across the network as required. Schedules will also be rebalanced to account for changes in travel patterns. The aim of these actions is to optimize capacity across all routes by continuing to apply COVID-19 modified maximum planning capacity thresholds of 25 per bus and adjusting to 35 as ridership increases by year end, to enhance customer satisfaction.

In addition, a special focus will be placed on maintaining strong vehicle performance and reliability gained in recent years, by adding resources to proactively maintain vehicles, especially as warranties expire. This is necessary to avoid a fix on failure approach and thereby maximize vehicle, and therefore, service reliability.

Transforming to Solidify Fiscal Foundation

To ensure that needed investments can be made without increasing net City funding before the impact of COVID-19, this budget includes \$69.5 million in budget reductions, efficiencies and balancing actions. These actions do not impact service capacity provided to customers and include the implementation of business transformation initiatives, the implementation of Auditor General recommendations and service efficiencies which increase service speeds to improve service for customers, while decreasing costs. In 2021, proceeds from the anticipated settlement with Metrolinx are recommended to be used to offset time

limited bus augmentation and closure costs of \$15.3 million due to Eglinton and Finch West LRT construction. These reduction actions avoid reliance on and offset \$9.3 million in reserve withdrawals which were included in 2020. These actions help to solidify TTC's fiscal foundation.

TTC intends to build on this achievement through Business Transformation and the ModernTO initiative. Business Transformation will continue to examine current work practices and identify areas for potential improvement, with the ultimate goal of maximizing the efficiency with which we provide service to the public. The goal of ModernTO is to rationalize office space across City Agencies and Divisions to save occupancy costs and unlock valuable real estate assets for future redevelopment.

Becoming an Inclusive and Accessible Service Provider

Diversity, equity and inclusion are core TTC values. The TTC is strongly committed to making Toronto's transit system barrier-free and accessible to all. We believe all customers should enjoy the freedom, independence and flexibility to travel anywhere on the public transit system.

This budget includes additional resources to advance accessibility and inclusivity by providing:

- \$1.7 million to increase Wheel-Trans reservation call centre capacity and thereby reducing call wait times and abandoned calls thereby improving accessibility.
- \$1.1 million to support the implementation of the Embrace Diversity Action Plan. This will fund resources to improve community and recruiting outreach initiatives and ensure the continued implementation of anti-racism initiatives.

In addition, an equity lens is being applied to Service Planning decisions resulting in changes which benefit access in neighborhood improvement areas. Current examples include providing service to Stanley Greene in peak periods and extending mid-day service on the Torbarrie route.

Innovating for Future Demand

The TTC will be undertaking several initiatives to improve integration of transit services to ultimately improve customer satisfaction. These include:

- Improving efficiency of bus operation and reduce non-revenue driving time by opening the McNicoll bus garage.
- Advancing Service Integration with Regional Transit partners.
- Completing the 5 year Fare Policy and 10 year Fare Collection strategy review to maximize the benefits of PRESTO and meet customer needs.
- Enhancing capacity for business continuity and emergency management operations.

- Growing the network by preparing for the opening of the Eglinton LRT opening; and
- Participating in an automated shuttle trial.

2021 Staff Recommended Operating Budget

The 2021 financial plan to achieve the above noted objectives results in a base net expenditure decrease of \$13 million, before the impact of COVID-19. This \$13 million base net decrease, has been entirely reinvested in new & enhanced service priorities. The expenditure and related revenue changes are summarized in the following tables, with explanatory comments below.

2021 TTC Conventional & Wheel Trans Operating Budget				
(Millions)				
Description (\$Millions)	Gross	Revenue	Net	Positions
2020 Approved Funding	2,143.7	1,353.8	789.8	13,720
Economic Factors & Prior Year Impacts	31.2	6.3	24.9	(30)
Legislative Changes & Calendar Impact	0.5	(3.0)	3.5	
Operating Impact of Capital	13.6	-	13.6	49
Base Changes:				
Demand Responsive Service Changes	(53.9)	(5.0)	(48.8)	(105)
LRT Construction Service	(3.6)	(19.4)	15.8	(30)
WSIB Claims & Provision increase	12.2		12.2	
Average Labour rates	9.8		9.8	
Reserve Draw Reversals		(9.3)	9.3	
Corporate Insurance - Premium Increase	2.6		2.6	
Bus Brake Repair - Technical Standards	2.4		2.4	3
Other Base Changes	12.2	1.0	11.3	2
Subtotal: Base Changes	(18.3)	(32.8)	14.5	(130)
Reductions, Efficiencies & Balancing Actions	(53.7)	15.8	(69.5)	(107)
Total 2021 Operating Funding Pressure - Base	(26.8)	(13.8)	(13.0)	(218)
New Requests & Initiatives	6.6		6.6	30
Council Approved	6.4	-	6.4	240
Total 2021 TTC & WT before COVID Impact	(13.8)	(13.8)	-	52
COVID-19 Impacts				
Passenger Revenue Reduction, net of PRESTO Commissions	(32.4)	(757.4)	725.0	
Lost Ancillary Revenue		(15.9)	15.9	
Incremental Expenses	55.5		55.5	17
COVID-19 Impacts	23.1	(773.3)	796.4	17
Total Change in Funding Requirements including COVID Impact	9.3	(787.1)	796.4	69
Total 2021 Operating Funding Request	2,153.0	566.8	1,586.2	13,789
Change from 2020	0.4%	-58.1%	100.8%	0.5%

The following tables provide more details on base pressures, revenues, efficiencies and new and enhanced service priority actions.

Base Pressures (\$Millions)				
Description	Gross	Revenue	Net	Pos.
Base Pressures:				
Prior Year, Economic and Legislative Pressures				
Full Year Effect of 2020 Fare increase (Pre-COVID)		6.3	(6.3)	
Other prior year impacts (Primarily Collective Bargaining and 2019 mid-year workforce additions)	5.2		5.2	(30)
Economic Factors (Based on City Factors)	26.0		26.0	
Calendar Impact (2020 leap year)	(4.9)	(3.0)	(1.9)	
Legislative Changes (CPP & Carbon Tax)	5.4		5.4	
Subtotal: Prior Year, Economic & Legislative pressures	31.7	3.3	28.4	(30)
Subtotal: Operating Impact of Capital	13.6		13.6	49
Base Changes				
Demand Responsive Service Changes	(53.9)	(5.0)	(48.8)	(105)
LRT Construction Service	(3.6)	(19.4)	15.8	(30)
WSIB Claims & Provision increase	12.2		12.2	
Average Labour rates	9.8		9.8	
Reserve Draw Reversals		(9.3)	9.3	
Corporate Insurance - Premium Increase	2.6		2.6	
Bus Brake Repair - Technical Standards	2.4		2.4	3
Other Base Changes	12.2	1.0	11.3	2
Subtotal: Base Changes	(18.3)	(32.8)	14.5	(130)
Total 2021 Base Pressures	27.0	(29.5)	56.5	(111)

The 2021 TTC and Wheel-Trans Operating Budget funds base pressures of \$56.5 million net. Of this amount, \$28.4 million or approximately half is due to prior year decisions, economic factors and legislative impacts and \$13.6 million due to impacts of completed capital projects, including Bus & LFLRV vehicles coming out of warranty, the opening of the new McNicoll Garage and impacts of new IT systems, including Vision and Enterprise Data.

A further \$15.8 million relates to time-limited bus augmentation and closure costs due to Eglinton and Finch West LRT construction which will no longer be reimbursed by Metrolinx in accordance with the anticipated settlement agreement. Additional pressures include higher WSIB claim costs and average labour rates, both consistent with the 2020 experience and the reversal of prior year reserve draws that promote future financial sustainability. Further details on the base budget pressures are available in Appendix A2 for TTC Conventional and Appendix B1 for Wheel-Trans Service.

2021 TTC Conventional Service Budget

In 2020, as a result of COVID-19 and the TTC's cost containment strategy, service levels were reduced to approximately 85% of normal levels. This served to match service capacity to demand while allowing for physical distancing. Ridership trends

have been monitored throughout the pandemic and service levels have been augmented as required to adjust to changes in demand.

Throughout the pandemic, ridership demand for bus service has outpaced other modes as discussed in Appendix A1 and are currently at approximately 48% of pre-pandemic levels on bus, with streetcar and subway service only at 26%. Given the higher relative demand for bus services and consistent with the 2021 Annual Service Plan, service priorities for 2021 will include:

- Restoring bus service across the network to pre-pandemic service levels, overall, while adjusting service levels on specific routes to respond to changes in customer demand.
- Maintaining streetcar and subway service at a minimum of current service levels, while planning to restore to pre-pandemic service levels once downtown activity and travel patterns return to more normal levels.
- Optimizing capacity on all routes, in all times of day, to accommodate demand by continuing to apply COVID-19 modified capacity thresholds.

Based on these priorities, streetcar and subway service hours will be lower to align with the significant and sustained change in downtown travel patterns. It is important to note that this change is relative to the 2020 budget and service will continue to operate at current levels at a minimum, with a provision made to enable the TTC to restore these modes to 2020 budgeted levels of service in the later half of 2021, should ridership levels warrant.

The 2021 service budget also incorporates service efficiencies which do not impact capacity available to customers, but decrease operating costs, without reducing service capacity by improving travel requirements (faster operating speeds, shorter non-revenue service distances).

All service hour changes on a budget to budget basis are summarized in the following table, by mode:

2021 Service Hours Summary				
	Bus	Streetcar	Subway*	Total
2020 Service Budget**	7,615,000	1,048,000	1,198,000	9,861,000
2021 Service Changes				
Demand Responsive Service Changes	21,000	(147,000)	(100,000)	(226,000)
Service Efficiencies	(53,000)	23,000	(14,000)	(44,000)
Calendar and seasonal changes (2020 was a leap year)	(26,000)	(3,000)	(4,000)	(33,000)
Construction Disruption for Metrolinx Line 5 and Line 6***	(61,000)			(61,000)
Subtotal 2021 Service Changes**	(119,000)	(127,000)	(118,000)	(364,000)
2021 Service Budget**	7,496,000	921,000	1,080,000	9,497,000
*Includes SRT				
**Excludes Non-scheduled and Construction Service				
***Hours related to Construction Disruption for Metrolinx Line 5 and 6 based on each year's construction related requirements.				

Budget Reduction & Balancing Actions

The 2021 Operating Budget reflects \$53.8 million in base expenditure reductions and savings arising from efficiency measures and a \$15.8 million reserve draw to fund time-limited bus augmentation and closure costs due to Eglinton and Finch West LRT construction. Actions yielding savings include fuel hedging, reduced accident claim payments, the continued implementation of Auditor General recommendations and service efficiencies, all of which do not impact service capacity provided to customers. These measures are summarized in the following table and are further discussed below.

Efficiencies, Reduction & Balancing Actions				
(\$Millions)				
Description	Gross	Revenue	Net	Pos.
Base Budget Reductions:				
Fuel & Utilities	(30.0)		(30.0)	
IT: Software Maintenance & Cellular Phones	(2.9)		(2.9)	
Accident Claims	(8.2)		(8.2)	
Other Line by Line Reductions	(2.5)		(2.5)	(18)
Subtotal: Base Budget Reductions	(43.6)		(43.6)	(18)
Implementation of AG Recommendations:				
Alternate Source Savings	(0.3)		(0.3)	5
After Market Parts Warranty	(0.4)		(0.4)	2
Subtotal: Implementation of AG Recommendations	(0.7)		(0.7)	7
Efficiency Measures:				
Service Efficiencies	(3.9)		(3.9)	(51)
Service Delivery Efficiencies	(1.3)		(1.3)	(27)
Overtime Savings & Crew Efficiencies	(1.4)		(1.4)	(8)
Contract Efficiencies	(2.1)		(2.1)	
Divisional Clerical Efficiencies	(0.8)		(0.8)	(10)
Subtotal: Efficiency Measures	(9.5)		(9.5)	(96)
Total 2021 Efficiencies & Reduction Measures before Reserve Draw	(53.7)		(53.7)	(107)
MX Settlement Reserve Draw		15.8	(15.8)	
Total 2021 Efficiencies, Reduction & Balancing Actions	(53.7)	15.8	(69.5)	(107)

Base Budget Reductions (Line-by-Line)

Preliminary budgets are analyzed against spending trends and current market conditions as part of a line-by-line review. Through this review, \$43.6 million in savings were identified. These savings are based on reductions in:

- **Fuel & Utilities:** Lower average fuel prices are expected based on recent market trends and fuel requirements hedged to date.
- **IT: Software Maintenance & Cellular Phones:** Reductions made to account for external IT support and maintenance that was no longer required and to reflect reduced rates achieved for cellular phones.
- **Accident Claims:** \$8.2 million reduction to reflect lower cash payment trends.

Implementation of AG Recommendations

The continued implementation of Auditor General recommendations relating to the identification of alternate suppliers for vehicle parts and improved use of after market part warranties is expected to save \$0.7 million.

Efficiency Measures

To support efforts to achieve financial sustainability this budget includes \$9.5 million in efficiency savings. These initiatives include overtime reductions due to the management of overtime, contract efficiencies and adjustments to divisional clerk staffing. Also included are service efficiencies which do not impact service capacity for customers and include:

- Implementation of RapidTO on the Eglinton East corridor
- Opening of the McNicoll Bus Garage.
- Initial implementation of Automatic Train Control on Line 1.

In addition, the 2021 Operating Budget tentatively includes savings associated with the second sourcing of the functions related to certain maintenance related activities. This assumes that the tentative decisions with respect to second-sourcing will be implemented. Implementation of these decisions is dependent on the outcome of the consultation process required by the Collective Agreement. Depending on the outcome of the collective agreement process these projections may change.

New & Enhanced Service Priorities

The staff recommended new and enhanced service priorities address key service priorities and objectives, namely: Accessibility & Diversity, System Reliability & Resiliency and resources to advance Council Approved initiatives as summarized in the following table and discussed below.

New & Enhanced Service Priority Actions					
(\$Millions)					
Description	Gross	Revenue	Net	Pos.	Supports Key Issue/Challenge
New & Enhanced Service Request:					
Accessibility & Diversity					
Wheel-Trans Reservationist Wait-Time	1.7		1.7		Accessibility
Anti-Racism & Diversity	1.1		1.1	5	Diversity
Reliability					
Vehicle Maintenance (SOG & SWIS)	2.7		2.7	18	Reliability
Head of Night Operations	0.2		0.2	1	Safety & Reliability
Resiliency					
Business Continuity & Emergency Management	0.9		0.9	6	Resiliency
Council Approved					
Eglinton LRT Operations	3.9		3.9	235	Council Approved
Cybersecurity	1.8		1.8		Council Approved
ModernTO	0.7		0.7	5	Council Approved
Total 2021 New & Enhanced Service Priority Actions	13.0	-	13.0	270	

Accessibility & Diversity

- Wheel-Trans Reservationist Wait-time

In accordance with the September 24, 2020 report to the TTC Board *Award of Wheel-Trans Call Centre Overflow Contract*, \$1.7 million has been added, to establish a reservation overflow contract with a target to reduce average call wait times from 15 minutes to 2 minutes. This will also provide increased call handling capacity to address abandoned calls, and provide flexibility to handle varying call volumes, greatly improving the accessibility of the Wheel-Trans service to customers.

- Anti-Racism & Diversity

\$1.1 million has been recommended to implement the *Embrace Diversity Action Plan*, which was presented to the TTC Board at the December 15, 2020 meeting. This includes resources to improve community and recruiting outreach initiatives and ensure the continued implementation of anti-racism initiatives, consistent with the phased plan noted the 2021 Budget Outlook. The Anti-Racism strategy aims to identify, prevent and address racial bias, racial profiling and anti-racism at the TTC, and build trust with Black, Indigenous and racialized communities.

Reliability

- Vehicle Maintenance

To protect recent improvements in vehicle reliability, \$2.7 million is included in the budget to establish special work instruction crews to proactively address fleet issues in a timely manner. The funding will also allow for an interior and exterior state of good repair program for the streetcar fleet ensuring the new vehicles remain in good condition.

Resiliency

- Business Continuity & Emergency Management

This additional funding will strengthen business continuity and emergency management functions and support the implementation of a comprehensive corporate emergency management and enterprise resilience program. This program will improve system resiliency through clear continuity plans and leadership during major incidents and emergencies.

- Head of Night Operations

With increasing volume of overnight heavy maintenance work, a Head of Night Operations is required to establish direct oversight of overnight operations and maintenance activities to ensure the safe delivery of work being performed for system safety and reliability.

Council Approved Initiatives

- Eglinton Crosstown LRT

These resources are required in late 2021 to complete training requirements in advance of the anticipated opening of the new Eglinton Crosstown LRT in early 2022. These positions mainly consist of front-line employees such as operators, supervisors and customer service agents.

- ModernTO & Cybersecurity

These resources are required to enable the TTC's contributions to the City's efforts to optimize and modernize office space and ensure alignment with the City's cyber strategy, these initiatives are both essential to meeting the shared objectives of system resiliency and financial sustainability.

Workforce Complement

Consistent with the initiatives noted throughout this report, base operating complement requirements will be reduced by 218 (185 Conventional and 33 Wheel Trans). Overall complement will increase by 146 positions as the base reductions are more than offset by requirements to operate the Eglinton LRT and complement required to deliver on capital requirements, as summarized in the following table.

Workforce Complement Positions			
Budget	2020	2021	Change
Coventional Operating:			
Base	13,097	12,912	(185)
Eglinton LRT	-	235	235
Other New & Enhanced	-	35	35
COVID-19	-	16	16
Subtotal: Conventional Operating	13,097	13,198	101
Wheel-Trans Operating:			
Base	623	590	(33)
COVID-19	-	1	1
Subtotal: Conventional Operating	623	591	(32)
Subtotal: Capital	2,447	2,524	77
Total	16,167	16,313	146

It should be noted that the 2021 Budget does not include a provision for associated costs, recoveries and workforce that may arise from a potential staff services agreement with the Metrolinx for TTC to provide support to the transit

expansion projects. These requirements will be handled through an in-year report once requirements and reimbursement arrangements are confirmed.

Further details on 2021 workforce complement are in Appendix C.

2022 and 2023 Outlook

The outlook for 2022 and 2023 identifies pressures of \$152.9 million and \$58.9 million, respectively, before accounting for projected COVID-19 impacts. Key drivers include the opening of the Eglinton Crosstown LRT and Finch West LRT, restoration of the streetcar, subway and Wheel-Trans to 2020 service levels and energy and material price escalation.

It should be noted that future year estimates do not include provisions for wage increases or benefit improvements past March 31, 2021, due to the March 31, 2021 expiry of the Collective Agreement with ATU 113 (TTC's largest union).

TTC Outlook 2022 and 2023: Incremental Funding Requirements excluding COVID-19 Impact (\$Millions)		
TTC Conventional & Wheel-Trans	2022	2023
<u>Economic Factors</u>		
Diesel Price & Carbon Tax	30.6	2.6
Employee Benefits, Traction Power, Material Price	24.6	26.3
<u>Prior Year Impacts</u>		
Streetcar, Subway, Wheel-Trans: Restoring 2020 service levels	43.4	5.4
Other	3.5	2.1
<u>City Initiatives/Expansion</u>		
Eglinton Crosstown LRT	50.6	10.8
Finch West LRT		19.7
<u>Base Changes</u>		
Eglinton & Finch MX Augmentation Changes	(9.2)	(3.0)
Other Base Changes	17.6	9.9
<u>Base Reductions and Efficiencies</u>		
Scheduling Efficiencies	(5.6)	(18.0)
Other Efficiencies & Line by Line	(3.4)	(1.5)
<u>Revenue Changes</u>		
Eglinton Crosstown Increased Revenue	(5.4)	(2.4)
Finch West LRT Increased Revenue		(0.7)
Metrolinx/PRESTO Settlement Funding	9.2	3.0
Long-Term Liability Reserve	(3.5)	(3.5)
Other Revenue	(3.0)	(0.6)
Total 2022 & 2023 Operating Funding Pressure - Base	149.3	50.1
<u>New Requests & Initiatives</u>		
Cybersecurity	2.0	
5-Year Service Plan		9.6
Other Vehicle Maintenance/Safety/Reservations	1.6	(0.8)
Total 2022 & 2023 Operating Funding Pressure - Base & New	152.9	58.9

On-Going Major Transformational Projects

Several transformative projects are ongoing which will enhance customer service while generating costs savings and/or cost avoidance in future years. These include:

- Business Transformation
- Materials Management and Procurement Transformation to maximize value from procurement processes and commercial management.
- Automatic Train Control/Implementation of One-Person Train Operation
- Wheel-Trans Family of Services
- Purchase of Electric Buses
- VISION system to modernize the management of the bus and streetcar system
- SAP to modernize financial and human resources practices

The financial impact of these transformational projects has been incorporated into the 2021 budget and where known has been reflected in the 2022 and 2023 Outlooks.

Impact of COVID-19

With widespread COVID-19 vaccination not expected until the fall of 2021, COVID-19 will continue to have a significant financial impact on the TTC throughout 2021. Moreover, given the significant impacts to the economy, employment and anticipated changes in future travel patterns and working arrangements, the financial impact of COVID-19 will continue to significantly affect the TTC, even after the pandemic itself subsides.

The following table, provides an estimate of COVID-19 impacts based on expected ridership for 2021 and directional revenue ridership estimates for 2022 and 2023 which are discussed in Appendix A1. The 2021 anticipated impact of \$796.4 million is comparable to the projected \$760 million gross impact for 2020. Both amounts are net of PRESTO commission savings on lost passenger revenue.

COVID-19 Remaining Pressures (\$Millions)			
TTC Conventional & Wheel-Trans	2021	2022	2023
<u>COVID-19 Pressure</u>			
Passenger Revenues (Net of Presto Fees)	725.0	340.9	131.1
Ancillary Revenue	15.9	9.2	3.4
Incremental Expenses	55.5	36.6	1.8
Total COVID-19 Remaining Pressure	796.4	386.7	136.3

The TTC will also continue to experience lower ancillary revenues primarily due to lost commuter parking lot revenue and impacts on advertising and subway concession revenue.

Incremental expenses will be incurred to sustain critical and add incremental response activities. Incremental costs anticipated for 2021 total \$55.5 million and are summarized in the following table.

COVID-19 Incremental Expenses	
(\$Millions)	
TTC Conventional & Wheel-Trans	2021
COVID-19 Incremental Expenses	
<u>Safety & Other Required Measures:</u>	
Vehicle disinfecting	25.8
Personal Protective Equipment	5.9
Vehicle Ventilation Filters	1.4
Facility Disinfecting, Decals and Other	5.8
Hand Sanitizer for Customers	2.4
Employee Screening Costs	5.5
<u>Managing Resourcing:</u>	
Overtime & Reg Labour (Critical response activities)	1.4
Recertification Training Delayed due to COVID	1.3
SBA & Absence Impact	6.2
Total COVID-19 Incremental Expenses	55.5

Funding of COVID-19 Financial Impacts

TTC is actively engaged with senior levels of government to advise on the fiscal impact of COVID-19 on the TTC. In August 2020, the federal-provincial Safe Restart Agreement (SRA) was announced. The SRA provided up to \$4 billion in one-time emergency assistance to Ontario municipalities to address financial pressures related to COVID-19. This included up to \$2 billion specifically for municipal transit systems. The federal and provincial governments have each contributed 50% of the funding for public transit.

The SRA identified financial relief in two phases. Under Phase 1, the TTC was allocated \$404 million in immediate relief funding for impacts incurred between April 1, 2020 and September 30, 2020. At the time of the announcement, the allocation for TTC under Phase 2 of the SRA was still to be determined.

On December 16, 2020, the Province of Ontario released new details on Phase 2 of the Safe Restart Agreement, and an official letter was transmitted by the Province to the City, which is attached as Appendix E to this report.

Toronto has been provided a Phase 2 allocation of approximately \$472 million for eligible transit pressures incurred from October 1, 2020 to March 31, 2021. Payments will be based on a one-time claim for eligible expenditures. In addition, the Province has advised that Toronto will be eligible to receive an allocation of up to \$304 million in funding to address additional pressures based on ridership.

In total under Phase 2 of the public transit stream of the SRA, the TTC has been provided a total available allocation of up to \$776 million to address eligible expenditures incurred from October 1, 2020 to December 31, 2020, and those incurred from January 1, 2021. Combined with phase 1 SRA funding and 2020 TTC cost containment actions, the 2020 COVID-19 financial impact will be fully addressed.

Discussions continue regarding the formal details of the Phase 2 program, the required Transfer Payment Agreement, and the opportunity to utilize Phase 2 SRA funding post March 31, 2021.

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Signature

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Attachments

Appendix A1 TTC Ridership and Revenue Trends
Appendix A2 TTC Conventional Operating Budget
Appendix A3 TTC Conventional Operating Budget by Functional Area
Appendix B1 Wheel-Trans Operating Budget
Appendix B2 Wheel-Trans Operating Budget by Functional Area
Appendix C Workforce Complement
Appendix D TTC Stabilization & Long-Term Liability Reserve
Appendix E Provincial Safe Restart Agreement Phase 2 Letter

TTC Conventional: Revenue Ridership and Revenue Trends

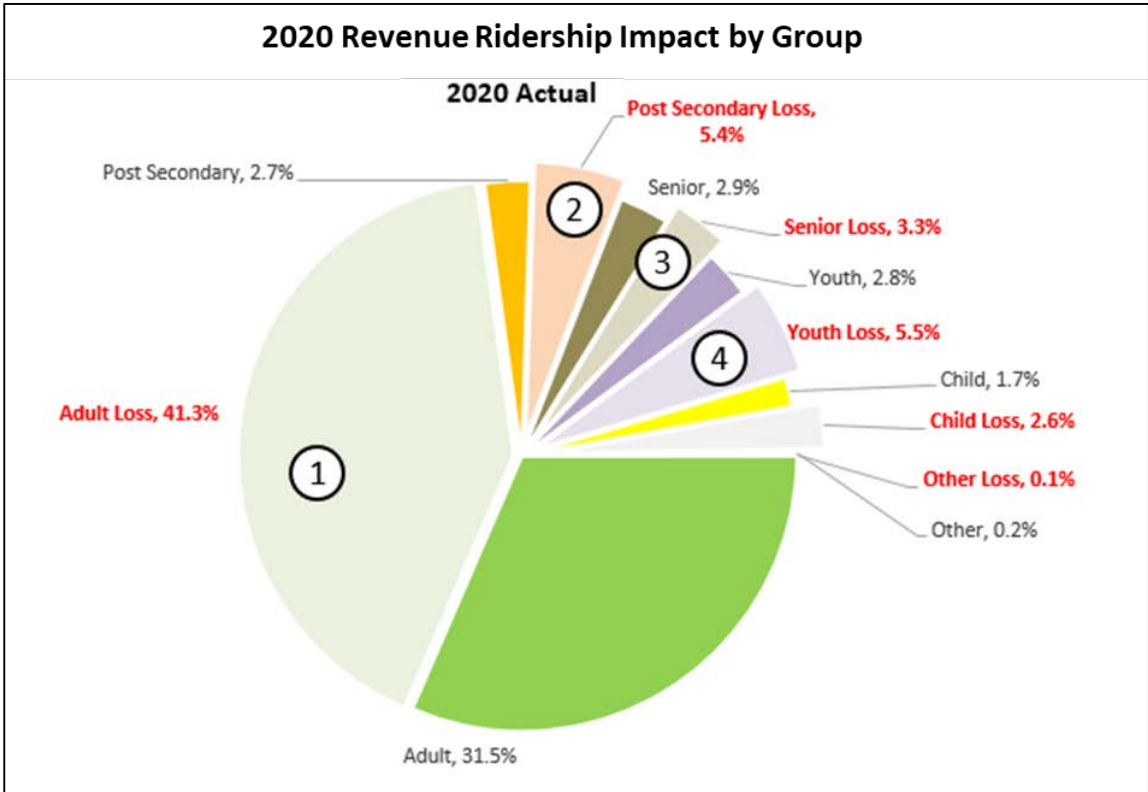
COVID-19 impact on 2020 Ridership

For the first 2 months of 2020, TTC ridership was in line with the 2020 Budget, with 44.7M rides in January and 40.3M rides in February. As the response to COVID-19 began to require restrictions, the TTC saw ridership decline to approximately 12% of its budgeted ridership in April 2020. As ridership began to recover to approximately 39% of budget in late August, rising COVID case counts and the Grey Lockdown have resulted in TTC ridership dropping to approximately 30% of Budget.

Who is Riding?

In an effort to understand the impacts of COVID-19 on 2020 ridership, and build a basis for our 2021 ridership forecast and beyond, PRESTO card data throughout the pandemic was analyzed. This included but was not limited to PRESTO card data by ridership group, frequency of travel, and mode. The goal here was to understand how changing ridership patterns throughout the pandemic will continue to impact the TTC in the short and long term.

The following chart examines 2020 ridership losses by ridership group and is discussed on the next page.



- **Adult**

TTC’s largest ridership impact came from the loss of adult-fare paying customers. Losses in this group were approximately 57%, representing a loss of 41% of all pre-COVID-19 ridership. Key drivers that contributed to this loss included work from home, less social travel, and reduced economic activity due to lockdowns.

- **Post-Secondary & Youth**

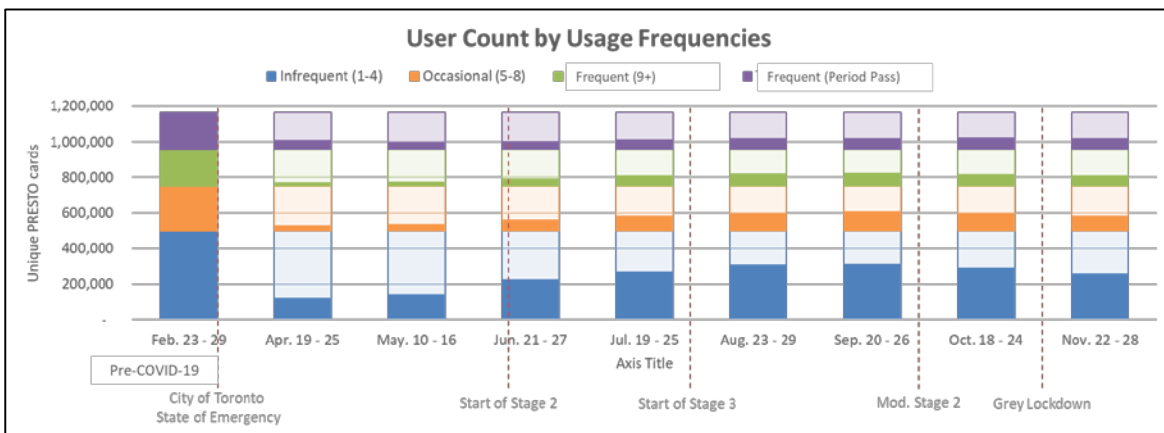
The next largest impact due to COVID-19 in 2020, was from the Post-Secondary and Youth concessions, which saw similar declines of approximately 65%, which on a combined basis equate to a loss of 11% of all pre-COVID-19 ridership. These losses are primarily related to post-secondary and school aged classes moving to virtual classes since the start of the pandemic, in addition to reduced social travel, and reduced economic activity due to lockdowns.

- **Senior**

The Senior concession group also had significantly reduced travel, but overall was the least impacted. The Senior concession category declined by approximately 53%, representing 3% of all Pre-COVID-19 ridership. Reduction in social travel is a key reason for this decline, but the relatively high proportion of essential trips made by seniors on the transit system, resulted in the decline for this group being less pronounced than other concession groups.

How Often Are Customers Riding?

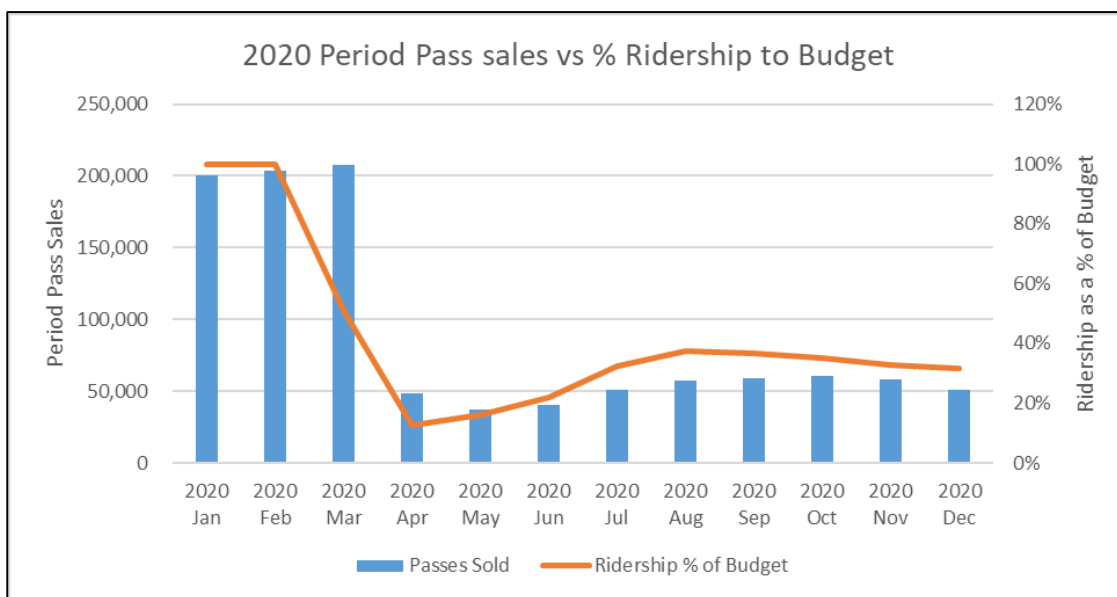
The number of rides taken by unique card users were examined throughout the pandemic to build an understanding of how riders’ use of the TTC was changing throughout the pandemic. This understanding helps to model projections around the circumstances that would need to exist for frequency of use to return to pre-pandemic levels in 2021 and beyond. The following chart examines the 2020 proportionate change in ridership frequency and is discussed below.



While ridership has declined amongst all usage profiles, it is notable that frequent usage (defined as 9 rides or more in a week) has declined in proportion from 35%

before COVID-19 to 25% at the end of November. When looking at proportionate changes in other ridership groups, infrequent riders, those using the transit system to make 1 to 4 rides a week, have seen a proportionate increase from 43% before COVID-19 to 57% at the end of November. This indicates that even riders who continue to rely on the TTC during the pandemic are using the system less on a weekly basis, due to factors such as work from home, virtual learning, and a reduction in social and other non-essential travel.

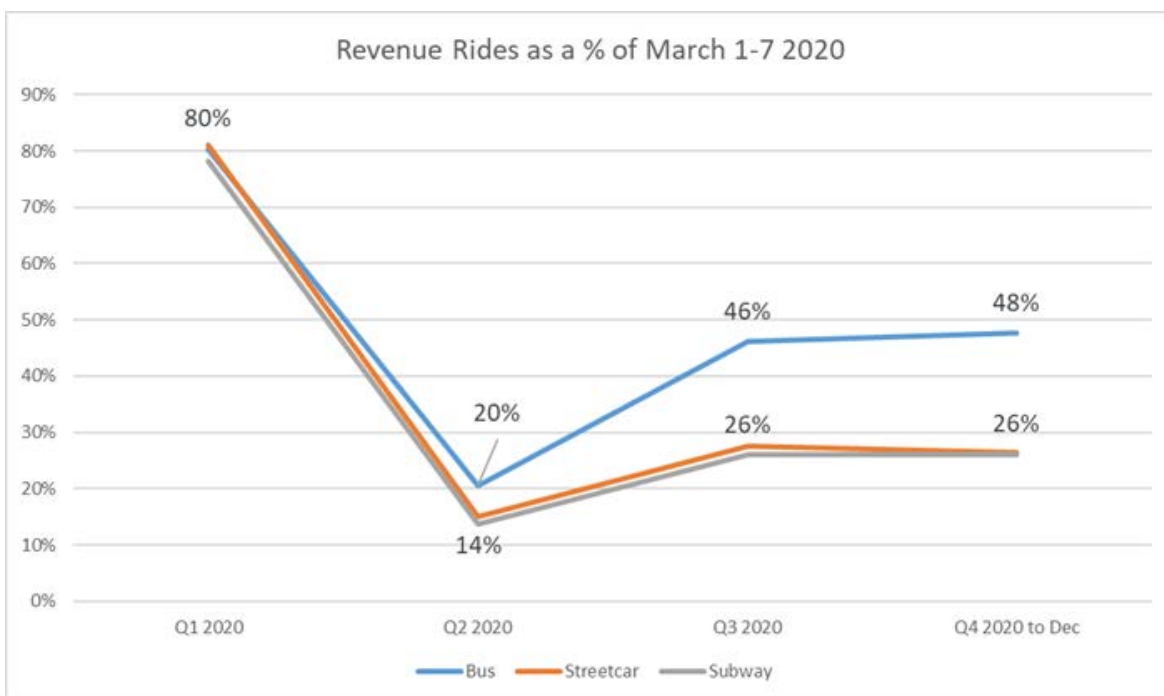
This trend is further confirmed when looking at those frequent riders who purchase period passes, and continued to do so throughout 2020. During January to March 2020, each had period pass sales above 200,000, (reaching 208,000 in March), as there were more frequent riders using the TTC to get to work, school, events, and their daily social and non-essential trips. As the pandemic restrictions began to impact travel patterns (work from home, virtual learning, social distancing), pass sales dropped to a low of 37,000 in May. Currently, pass sales are trailing the overall ridership recovery, with pass sales at 25% of normal levels with overall ridership at 30%. The slower recovery for pass sales as compared to overall ridership has been a consistent trend since June as shown in the following chart.



In order for pass sales to rebound and frequent riders to return to previous ridership patterns, pre-pandemic conditions related to travel for work, school, social events, and other essential trips, will be required.

COVID-19 Modal Impacts through 2020

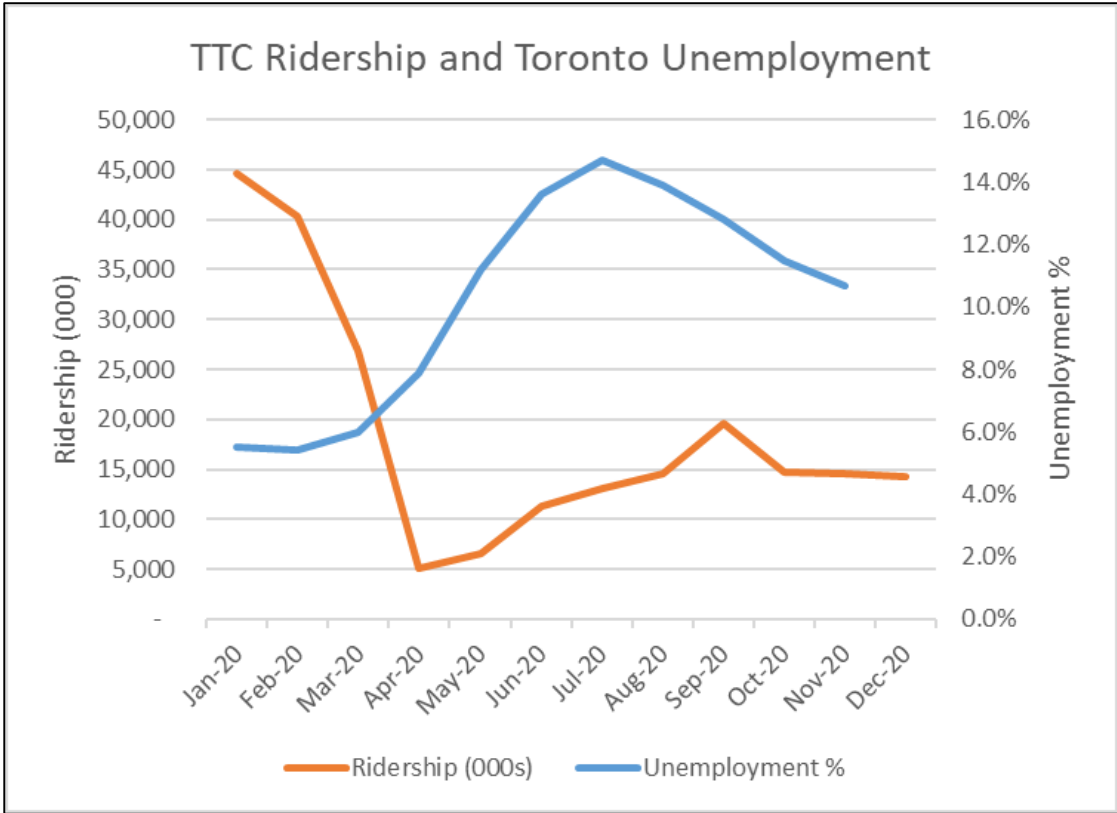
The chart below shows year-to-date PRESTO revenue rides by mode, compared to the first week of March 2020.



While bus has recovered to approximately 48% of its pre-pandemic ridership activity, subway and streetcar are only at 26%. This is indicative of a proportionally greater ridership impact in the downtown core which is most impacted by work from home, virtual learning, the cancellation of events and reduced social travel. These trends are expected to continue into 2021.

Employment and Revenue Ridership Correlation

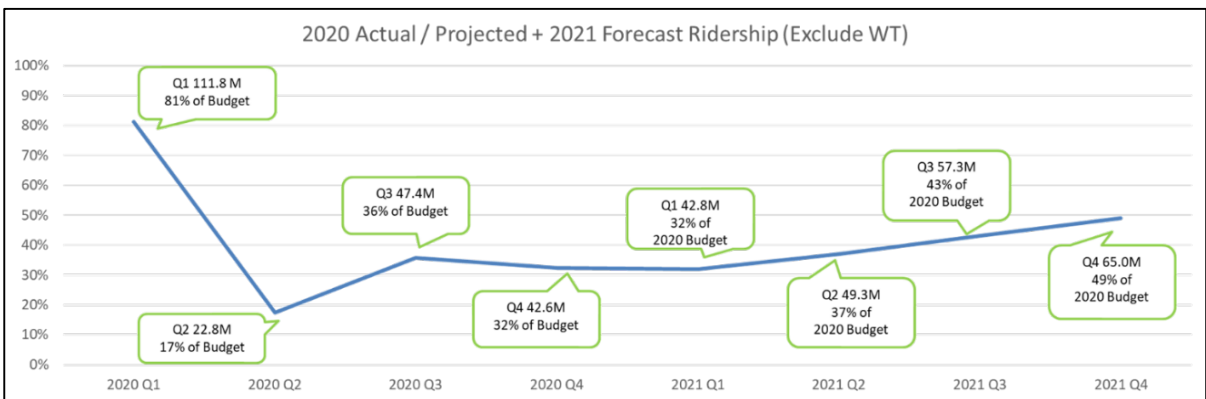
The seasonally adjusted moving average unemployment rate in Toronto was at approximately 5.4% in February 2020, and increased steadily throughout 2020 as the pandemic began to affect employment within the City. Unemployment peaked at 14.7% in July, and has since declined to 10.7% in November 2020. This significant increase in unemployment during the year is and will continue to result in adverse impacts to TTC ridership.



2021 Ridership Forecast

The TTC is expecting ridership trends experienced in the latter portion of 2020 to extend into the first quarter of 2021. Ridership will be dependent on a number of factors including but not limited to the extent of work from home and virtual learning, the easing of restrictions, and the timing and extent of vaccination efforts across the city.

The chart below shows ridership by quarter for 2020, and provides a forecast for 2021.



For 2021, the TTC is expecting approximately 214.4M rides, which is approximately 40% of the 2020 ridership budget of 531.7M rides (adjusted for

2020 being a leap year). For Q1 2021, ridership patterns are expected to stay similar to those being experienced in Q4 2020. This will mean that the TTC will continue to see less frequent riders across all modes, with ridership expected to be approximately 32% its 2020 budget.

For Q2 2021, the TTC is anticipating a slight increase in ridership, consistent with levels observed when Toronto was in stage 3 of the lockdown in 2020 (i.e. approximately 37% of 2020 budget levels). The ridership return is expected to come from a mix of all ridership groups (infrequent to frequent), across all modes as riders slowly return to workplaces that were impacted by modified stage 2 lockdowns and the grey lockdown in 2020. Initial phases of this return are likely to be on a rotational or partial basis.

For Q3 2021, the TTC is anticipating ridership patterns similar to Q2 2021, with increases coming from seasonal ridership activity. The key assumptions that are forecasted to push ridership upwards in Q3 2021 include a partial return to work and a partial return to school in the last month of the quarter, resulting in an overall projection of 43% of 2020 budget levels for the quarter.

For Q4 2021, the TTC is forecasting ridership to be at approximately 49% of 2020 budgeted levels. Key drivers of this increase are a further return to work (partial/full return) and a further return of youth and post-secondary students. A pre-requisite for this level of ridership is substantial progress being made on inoculations across the Toronto and the surrounding region, which is expected by Q4, 2021 spurring the early stages of a resumption in normal activities, which are likely to be gradual at first, leading to a 'new normal' emerging over the course of 2022 and 2023.

2022 and 2023 Outlook

As the pandemic has changed ridership patterns for many, including increased opportunities to work from home, and virtual learning, the TTC is expecting these changing patterns to impact its ridership in 2022 and 2023. Additional impacts include less ridership from social activities, events, and the impact of higher unemployment, relative to pre-pandemic levels.

Ridership return is expected to be driven by widespread vaccination efforts by the end of 2021, as riders begin to slowly return to their pre-pandemic patterns and more frequent riders return to the system. Current projections indicate that ridership will be approximately 73% of pre-pandemic levels in 2022 (386.8 million), and reach 90% in 2023 (480.2 million). These are directional estimates at this time and further modelling is required as vaccine rollout takes place and post pandemic patterns begin to emerge.

TTC Conventional Service

The 2021 recommended budget for the TTC Conventional service includes an increased City funding requirement of \$34.8 million before the impact of COVID-19. As shown in the following table, this is comprised of:

- \$26.5 million in prior year, economic and legislative pressures
- \$13.6 million related to the Operating Impact of Capital
- \$49.2 million in other base changes
- Offset by \$65.8M in reductions, efficiencies and balancing strategies.

The above results in a base pressure for the TTC Conventional service, before COVID-19 impact of \$23.5 million. In addition, \$11.3 million of new and enhanced service priorities are included in the budget to arrive at the total operating funding increase for TTC Conventional service before COVID-19 of \$34.8 million. These cost drivers are discussed in greater detail below.

Key cost drivers are summarized in the following table and discussed below.

2021 TTC Conventional Key Cost Drivers (Millions)				
Description (\$Millions)	Gross	Revenue	Net	Positions
2020 Approved Funding	1,987.2	1,344.6	642.6	13,097
Economic Factors & Prior Year Impacts				
Full Year Effect of 2020 Fare increase (Pre-COVID)		6.2	(6.2)	
Other prior year impacts (Primarily Collective Bargaining and 2020 mid-year workforce additions)	6.1		6.1	(30)
Economic Factors (Based on City Factors)	23.1		23.1	
Calendar Impact (2020 was leap year)	(4.8)	(3.0)	(1.8)	
Legislative Changes (CPP & Carbon Tax)	5.3		5.3	
Subtotal: Prior Year, Economic & Legislative pressures	29.7	3.2	26.5	(30)
Operating Impact of Capital				
Bus & LFLRV vehicles out of warranty	7.2		7.2	17
McNicoll Garage	3.7		3.7	23
IT Systems & Other	2.7		2.7	9
Subtotal: Operating Impact of Capital	13.6	0.0	13.6	49
Base Changes:				
Demand Responsive Service Changes	(13.5)		(13.5)	(84)
LRT Construction Service	(3.6)	(19.4)	15.8	(30)
WSIB Claims & Provision increase	12.0		12.0	
Average Labour rates	9.2		9.2	
Reserve Draw Reversals		(9.3)	9.3	
Corporate Insurance - Premium Increase	2.6		2.6	
Bus Brake Repair - Technical Standards	2.4		2.4	3
Other Base Changes	12.4	1.0	11.4	2
Subtotal: Base Changes	21.4	(27.8)	49.2	(109)
Reductions, Efficiencies & Balancing Strategy				
Base Budget Reductions (line by line)	(41.7)		(41.7)	(18)
Implementation of AG Recommendations	(0.7)		(0.7)	7
Service Efficiencies	(2.7)		(2.7)	(51)
Other Efficiencies	(5.0)		(5.0)	(33)
MX Settlement Reserve Draw		15.8	(15.8)	
Subtotal: Reductions & Efficiencies	(50.1)	15.8	(65.8)	(95)
Total 2021 Operating Funding Pressure - Base	14.7	(8.8)	23.5	(185)
New Requests & Initiatives				
Anti-Racism & Diversity	1.1		1.1	5
Vehicle Maintenance (SOGR & SWIS)	2.7		2.7	18
Business Continuity & Safety	1.1		1.1	7
Council Approved				
Eglinton LRT Operations	3.9		3.9	235
Cybersecurity & ModernTO	2.5		2.5	5
Subtotal: New Requests & Initiatives	11.3	0.0	11.3	270
Total 2021 Operating Funding Change before COVID Impact	26.0	(8.8)	34.8	85
Change from 2020 before COVID Impact	1.3%	-0.7%	5.4%	0.6%
COVID-19 Impacts				
Passenger Revenue Reduction	(32.4)	(757.4)	725.0	
Lost Ancillary Revenue		(15.9)	15.9	
Incremental Expenses	53.7		53.7	16
COVID-19 Impacts	21.3	(773.3)	794.6	16
TTC Conventional 2021 Operating Funding Request including COVID Impact	2,034.4	562.5	1,472.0	13,198
TTC Conventional Net Funding Increase including COVID Impact	47.3	(782.1)	829.4	101

Prior Year Decisions:

- Prior Year Impacts: \$6.2 million gross, \$0 net. This reflects the full year effect of 2020 changes including the 2020 wage increase for union employees in accordance with the 2018 Collective Agreements and the scheduled 2021 wage increase for employees belonging to the TTC's smaller unions (Local 2 & 5089 and Lodge 235) as the collective agreement for these unions expires March 31, 2022. Also included is the full year effect of the March 1, 2020 fare increase based on 2020 budgeted levels (i.e. pre-COVID).

Economic Factors & Legislative Changes:

Energy Prices: \$14.3 million

- Reflects City economic factors for diesel and hydro prices. TTC has mitigated this pressure through diesel price hedging and assuming a market price forecast more in line with today's current market pricing. This adjustment is reflected in reductions and efficiencies below.

Employee Benefits & Material Price Inflation: \$8.8 million

- This reflects anticipated inflationary pressure in accordance with specific contracts for materials and supplies as well as cost escalation pressures on employee benefit plans as projected by the plan administrator.

Legislative Factors: \$5.3 million

- Legislative factors include the scheduled carbon tax increase, effective April 1, 2021, which will increase diesel and natural gas costs as well as the scheduled increase in Canada Pension Plan contribution rates and contributory earnings.

Operating Impact of Capital projects:

McNicoll Garage: \$3.7 million

- McNicoll Garage is scheduled to open in March 2021 with funding required to operate the additional facility.

Bus and LFLRV vehicles out of warranty: \$7.2 million

- As vehicles purchased over the past few years come out of warranty periods, an increase in maintenance costs is expected. Warranty coverage for 226 buses and 87 LRVs is expiring.

Base Changes:

Demand Responsive Service Changes: (\$13.5 million)

- Service on streetcar and subway routes will be maintained at current pandemic levels of service (approximately 86% of 2020 budgeted levels) until travel demand in the downtown core increases.

LRT Construction Service: \$15.8 million

- Based on an anticipated settlement with Metrolinx, the TTC will no longer be reimbursed for supplemental service due to LRT construction. As such the previously budgeted recovery from Metrolinx has been reversed which is partly offset by a decrease in required service. As part of the balancing strategies below, settlement proceeds will be used to fund the continuation of this supplemental service to mitigate customer impacts during construction.

WSIB Claims & Provision Increase \$12 million

- In recent years, WSIB claim payments have increased. In accordance with Public Sector Accounting Standards, a provision is established for the estimated value of the claim upon commencement, which magnifies the budget impact of the increased cash claim costs, in the short term. Amongst the drivers of the increased claim costs is the January 1, 2018 legislative change which expanded the definition of Traumatic or Chronic Mental Stress. In addition, these claims are typically more complex and have a longer average length resulting in a higher provision being required. TTC is actively working to mitigate these costs through the establishment of working groups, increased targeted safety campaigns and is in the final stages of securing a vendor for a Mental Health and Wellbeing program.

Average Labour Rates \$9.2 million

- Due to reduced employee turnover in operator and maintenance roles, average labour costs for these roles will be higher due to a reduced number of employees expected at entry level wage rates. In accordance with collective agreement provisions, most union employees progress to top wage rates within 2 years of their employment start date.

Other Base Changes

- See Appendix D for details regarding the reserve draw reversal.
- Corporate insurance premium increases are consistent with market trends for large municipalities and transit agencies, in part due to the industry's response to COVID-19

Budget Reductions, Efficiencies and Balancing Strategies

There are \$65.8 million in reductions, efficiencies and balancing strategies which are included in the TTC Conventional budget and are described below. There are no service implications to these reduction actions.

- **Line-By-Line Reviews: (\$41.7 million)**
Requested budgets were reviewed against historical spending patterns as part of line-by-line reviews. Through these reviews \$41.7 million in reductions were made including:
 - **Fuel & Utilities: \$29.3 million** anticipated lower pricing than City Economic pricing factors, includes the use of hedging.
 - **IT - \$2.9 million**
 - Removal subscriptions no longer required - \$1.0 million
 - Moved from maintenance to subscription based contracts - \$1.2 million
 - New cellular phone contract - \$0.6 million
 - **Accident Claims: \$8.2 million** to reflect continued 2020 experience of lower claims due to lower ridership.
 - **Alignment of vacation backfills: \$1.3 million** to align assumptions on vacation backfill to actual experience.

- **Implementation of AG Recommendations: (\$0.7 million)**
Savings will be realized from the identification of alternate suppliers for vehicle parts and improved use of after market part warranties. A portion of the savings are being reinvested to complete the implementation of materials and procurement transformation.

- **Service Efficiencies: (\$2.7 million)**
These operational savings will be achieved as a result of the opening of McNicoll Bus Garage, the implementation of RapidTO on Eglinton East and the initial implementation of Automatic Train Control on Line 1. These service efficiencies reduce costs, while providing faster service and having no impact on service capacity.

- **Efficiency Measures: (\$5 million)**
These measures include overtime reductions, contract efficiencies and adjustments to divisional clerk staffing. In addition, the 2021 Operating Budget tentatively includes savings associated with the second sourcing of the functions related to certain maintenance related activities. This assumes that the tentative decisions with respect to second-sourcing will be implemented. Implementation of these decisions is dependent on the outcome of the consultation process required by the Collective Agreement. Depending on the outcome of the collective agreement process these projections may change.

New and Enhanced Service Priority Actions:

The TTC Conventional budget, includes \$11.3 million to fund new and enhanced service priority actions, as shown in the table below. These actions are described on page 20 of this report.

TTC Conventional: New & Enhanced Service Priority Actions					
(\$Millions)					
Description	Gross	Revenue	Net	Pos.	Supports Key Issue/Challenge
New & Enhanced Service Request:					
Accessibility & Diversity					
Anti-Racism & Diversity	1.1		1.1	5	Diversity
Reliability					
Vehicle Maintenance (SOG & SWIS)	2.7		2.7	18	Reliability
Head of Night Operations	0.2		0.2	1	Safety & Reliability
Resiliency					
Business Continuity & Emergency Management	0.9		0.9	6	Resiliency
Council Approved					
Eglinton LRT Operations	3.9		3.9	235	Council Approved
Cybersecurity	1.8		1.8		Council Approved
Modern TO	0.7		0.7	5	Council Approved
Total 2021 New & Enhanced Service Priority Actions	11.3	-	11.3	270	

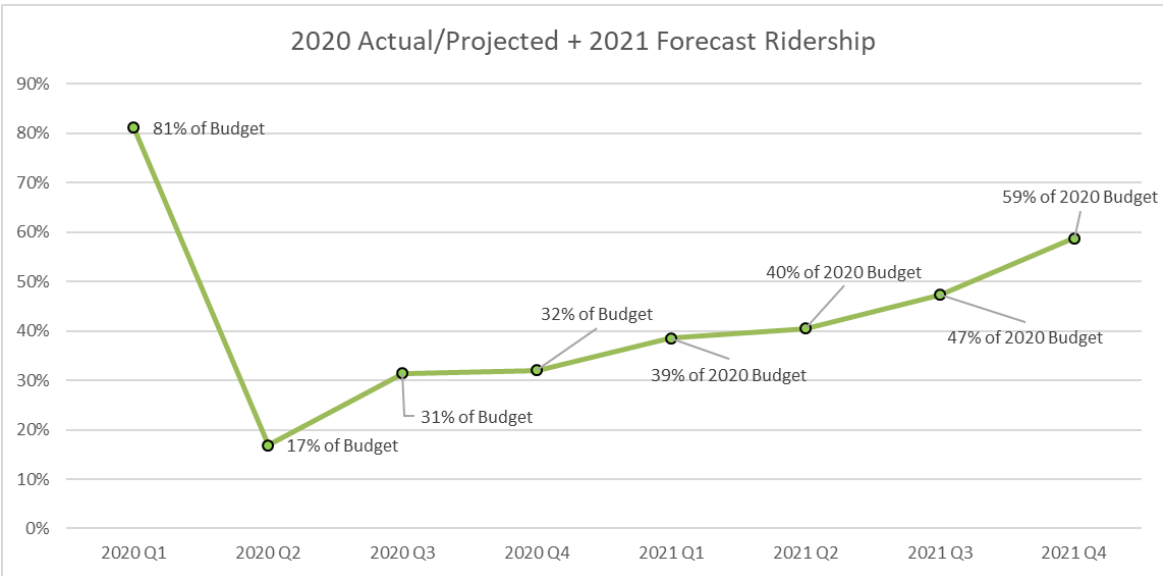
APPENDIX A3

TORONTO TRANSIT COMMISSION 2021 OPERATING BUDGET			
(\$000s)	2020 BUDGET	2021 BUDGET	2021 vs. 2020 BUDGET CHANGE
REVENUES			
Passenger Revenues	1,246,225	492,025	(754,200)
Outside City Services & Charters	7,715	7,725	10
Advertising	29,500	25,900	(3,600)
Rent Revenue	13,325	12,190	(1,135)
Commuter Parking	11,550	2,888	(8,662)
Other Income	26,974	6,012	(20,962)
Stabilization Reserve Draw	2,300	15,760	13,460
Long-term Liability Reserve Draw	7,000	0	(7,000)
TOTAL REVENUES	<u>1,344,589</u>	<u>562,500</u>	<u>(782,089)</u>
EXPENSES			
CEO's Office	23,874	26,983	3,109
Corporate Affairs	1,727	1,814	87
People Group	40,754	42,505	1,751
Diversity and Culture Group	8,965	10,114	1,149
Strategy and Customer Experience Group	69,904	73,221	3,317
Engineering and Construction Group	5,211	5,211	0
Corporate Services Group	78,345	82,906	4,561
Deputy CEO Group	3,241	4,132	891
Operations Group	648,383	645,483	(2,900)
Infrastructure & Engineering Group	166,805	166,665	(140)
Vehicles Group	297,887	315,058	17,171
Employee Benefits	331,510	355,332	23,822
Vehicle Fuel	85,994	71,029	(14,965)
Traction Power	60,410	56,083	(4,327)
Utilities	29,423	29,319	(104)
Depreciation	24,327	24,337	10
Taxes, Licences and Insurance	9,562	12,618	3,056
Accident Claim Payments/Contribution to Reserve	25,200	17,000	(8,200)
Non-Departmental Expenses	21,698	19,400	(2,299)
PRESTO Commissions	53,950	21,550	(32,400)
COVID-19 Incremental Expenses	0	53,678	53,678
TOTAL EXPENSES	<u>1,987,171</u>	<u>2,034,438</u>	<u>25,988</u>
Operating Funding Required	642,582	1,471,938	829,356
Operating Funding Available	642,582	642,582	0
COVID-19 Impact	0	<u>794,564</u>	<u>794,564</u>
TTC INCREASE IN NET FUNDING (excl. COVID)	(0)	<u>34,792</u>	<u>(34,792)</u>
WHEEL-TRANS (DECREASE) IN NET FUNDING (excl. COVID)		<u>(34,792)</u>	
Notes:			
1. All figures by group are subject to refinement.			
2. At May 17-19, 2005 City Council meeting, Council approved the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. In addition, as part of City Council's approval of the 2010 TTC and Wheel-Trans operating budgets a long-term receivable for non-cash accident claim expenses was also established. Consistent with these approvals and practice since then, the budget for these non-cash expenses are not included in the current year net funding requirement from the City and the actual non-cash costs incurred will be added to the respective long-term receivable balances.			
3. Refer to Appendix B2 for details of the Wheel-Trans shortfall & Appendix D for details on the contribution to reserve.			

2021 Wheel-Trans Ridership

COVID-19 has resulted in a significant reduction in Wheel-Trans ridership demand, which is expected to only gradually recover over the course of 2021. The 2021 Wheel-Trans budget incorporates a 15% growth rate between the latest 2020 projected ridership and the 2021 budgeted ridership of 1.94 million, based on the anticipated gradual return of riders, as described below.

Since the start of the pandemic in March, Wheel-Trans ridership has been significantly impacted, falling as low as 17% of budget in Q2 2020. It had recovered to 39% of budgeted ridership in late August but since the recent lockdown, ridership has been reduced to approximately 30% of budgeted levels. Consistent with TTC Conventional trends discussed in Appendix A1, ridership demand for the first half of 2021, is anticipated to be broadly consistent with the last 6 months of 2020, with increases in demand anticipated for Q3 and Q4 as vaccination becomes more prevalent and a gradual return to schools, day programs, facilities and businesses occurs. The following chart summarizes 2020 and forecasted 2021 ridership demand.



2021 Wheel-Trans Budget Pressures and Actions Taken

Due primarily to the reduction in ridership demand, the 2021 budget for the Wheel-Trans service includes a reduced City funding requirement of \$32.9 million, or \$34.8 million before the impact of COVID-19 incremental expenses. This \$34.8 million budget to budget funding decrease is comprised of:

- \$1.9 million increase for prior year impacts and economic factors
- \$34.7 million decrease in base changes; primarily the demand responsive service change.
- \$3.7 million decrease related to line-by-line reductions and efficiency measures.
- \$1.7 million increase for the new and enhanced priority action related to the Wheel-Trans call centre overflow capacity service.

These changes are summarized in the following table and discussed below:

2021 Wheel-Trans Budget Pressure				
Description (\$Millions)	Gross	Revenue	Net	Pos.
2020 Approved Budget	156.5	9.2	147.2	623
<u>Economic Factors & Prior Year Impacts</u>				
Prior Year Impacts	(0.9)	0.1	(1.0)	
Economic Factors	2.9		2.9	
Subtotal: Economic Factors & Prior Year Impacts	2.0	0.1	1.9	0
<u>Base Changes:</u>				
Demand Responsive Service Changes	(40.4)	(5.0)	(35.3)	(21)
Other Base Changes	0.7		0.7	
Subtotal: Base Changes	(39.7)	(5.0)	(34.7)	(21.0)
<u>Reductions, Efficiencies & Balancing Strategy</u>				
Line-By-Line Review	(2.0)		(2.0)	
Procedural Updates for Wheel-Trans Dispatchers	(1.2)		(1.2)	
Reservationist Efficiency	(0.4)		(0.4)	(12)
Overtime Savings and Other	(0.2)		(0.2)	
Subtotal: Reductions & Efficiencies	(3.7)	0.0	(3.7)	(12)
Total 2021 Operating Funding Pressure - Base	(41.4)	(5.0)	(36.5)	(33)
<u>New Requests & Initiatives</u>				
Wheel-Trans Reservationists Wait Time Reduction	1.7		1.7	
Subtotal: New Requests & Initiatives	1.7	0.0	1.7	0
Total 2021 Operating Funding Change before COVID Impact	(39.7)	(5.0)	(34.8)	(33)
Change from 2020	-25.4%	-53.7%	-23.6%	-5.3%
COVID-19 Impacts	1.8	0.0	1.8	1
Wheel-Trans 2021 Operating Budget Request including COVID	118.6	4.3	114.3	591
Wheel-Trans Reduction in Net Funding Request	(37.9)	(5.0)	(32.9)	(32)

Economic Factors & Prior Year Impacts

- **Prior Year Impacts**
This reversal relates to one-time and time limited costs which were included in the 2020 budget and are no longer required, including \$0.7 million related to an upgrade of in-vehicle communication equipment, and \$0.4 million related to the Wheel-Trans Transformation Program. Offsetting these decreases is the full

year effect of the 2020 wage increase for union employees in accordance with the Collective Bargaining Agreement.

- **Economic Factors**
This primarily related to contractual cost escalation for contracted taxi services. Escalation related to employee benefits and other material contracts is also included.

Base Changes

Demand Responsive Service Changes

Due to the aforementioned reduction in ridership, contract taxi requirements to meet ridership demand are expected to be consistent with 2020 actual experience and significantly lower than the 2020 budget. While this adjustment is being made to align budgeted resources with anticipated demand, Wheel-Trans remains committed to serving all eligible customers.

Partially offsetting the above, is the reduced average customers per hour being served on Wheel-Trans vehicles, which is expected to average 1.7 customers per hour in 2021, down from 2.1 in the 2020 budget. This reduced efficiency is due to increased safety measures such as mid-day cleaning and delivering single rides to support physical distancing on vehicles, which is anticipated to continue until September 2021. As a result, the average kilometers per ride is expected to increase by 12% due to minimal ride-sharing and increased deadhead, resulting in an approximate 20% reduction in operator efficiency, relative to the 2020 budget.

Wheel-Trans Expenditure Reduction & Efficiency Actions

Included in the 2021 budget are savings of \$3.7 million in efficiencies and base budget reductions, which do not impact service capacity provided to customers.

- **Base Budget Reductions (Line-By-Line)**
Requested budgets were reviewed against historical spending patterns as part of line-by-line reviews. Through these reviews \$2.0 million in reductions were identified mainly related to lower average fuel prices expected based on recent market trends and a lower operator average rate based on 2020 experience.
- **Procedural Updates for WT Dispatchers:**
These procedures to be updated over the course of the year are expected to improve dispatch and decrease any gaps in a bus schedule, particularly when cancellations occur, in order to maximize the use of bus fleet.
- **Reservationist Efficiencies:**
The budget includes expected savings associated with increasing the use of the third-party overflow contract as reservationist attrition occurs. Depending on the actual attrition rate realized, these projections may change.

New Requests & Initiatives

- **Wheel-Trans Reservationist Wait Time Reduction**
Based on the Board Report entitled “*Award of Wheel-Trans Reservations Call Centre Overflow Contract*” approved by the TTC Board on September 24, 2020, the TTC is committed to improving the service level for call wait times for the Wheel-Trans Reservations Contact Centre from an average of 15 minutes to a maximum wait time of two minutes. This initiative with the help of a third-party contract will also allow for increased call handling capacity and address abandoned calls to improve customer’s experience as well as flexibility to handle varying call volumes, including the anticipated influx when Family of Service becomes mandatory. \$1.7 million is needed to fund anticipated requirements to achieve the new call wait time target and increase call capacity which is expected to greatly improve the accessibility of the Wheel-Trans service.

COVID-19 Impacts

Included in the 2021 budget is \$1.9 million for increased safety measures such as vehicle & facilities disinfection, employee screening and personal protective equipment.

The Wheel-Trans service budget is summarized in Appendix B2 by functional area.

WHEEL-TRANS 2021 OPERATING BUDGET			
(\$000s)	2020 BUDGET	2021 BUDGET	2021 vs. 2020 BUDGET CHANGE
<u>REVENUES</u>			
Passenger Revenues	9,237	4,276	(4,961)
<u>EXPENSES</u>			
Contracted Taxi Service	66,456	31,102	(35,354)
Operators	32,085	28,742	(3,343)
Divisional Staff	695	666	(29)
Mobile Supervision	773	876	103
Dispatch	5,978	5,315	(663)
Equipment Maintenance	14,058	14,420	362
Senior Manager's Office	1,292	1,355	63
Reservations	3,951	5,524	1,573
Taxi Administration	308	304	(4)
Customer Service	2,587	2,262	(325)
Lakeshore Garage Costs	753	762	9
Employee Benefits	17,429	16,110	(1,320)
Vehicle Fuel	3,161	2,280	(881)
Utilities	602	698	96
Accident Claim Payments/Contribution to Reserve	570	640	70
Non-Departmental Expenses	5,785	5,674	(111)
COVID-19 Incremental Expenses	0	1,836	1,836
TOTAL EXPENSES	156,483	118,566	(37,917)
Operating Funding Required	147,246	114,290	(32,956)
Operating Funding Available	147,246	147,246	0
COVID-19 Impact	0	1,836	1,836
WHEEL-TRANS (DECREASE) IN NET FUNDING	0	(34,792)	(34,792)
Notes:			
1. All figures by group are subject to refinement.			
2. At the May 17-19, 2005 City Council meeting, Council approved the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. In addition, as part of City Council's approval of the 2010 TTC and Wheel-Trans operating budgets a long-term receivable for non-cash accident claim expenses was also established. Consistent with these approvals and practice since then, the budget for these non-cash expenses are not included in the current year net funding requirement from the City and the actual non-cash costs incurred will be added to the respective long-term receivable balances.			
3. Refer to Appendix D for details on the contribution to reserve.			

TTC Operating Complement

The Operating Budget year-end workforce will increase by 101 positions as summarized in the following table and described below:

TTC Conventional Operating Complement	
	Total
2020 Budget	13,097
Base Changes	
<u>Prior Year Decisions</u>	
Scheduled Conclusion of Master Sign-up training (re McNicoll Garage opening)	(28)
Warehouse Consolidation move - net change	(2)
<u>Operating Impacts of Capital</u>	
McNicoll Garage	23
Bus & LFLRV vehicles out of warranty	17
Plant Maintenance: Incremental Facilities, Systems, Green Roofs	9
<u>Base Changes</u>	
Demand Responsive Service Changes	(84)
Service Disruptions: LRT Construction	(30)
Bus Brake Repair - Technical Standards	3
Other Base Changes	2
<u>Efficiencies</u>	
Second Sourcing Proposals	(15)
AG Recommendations (Procurement/Materials Management)	7
Overtime Savings & Crew Efficiencies	(8)
Divisional Clerical Efficiencies	(10)
<u>Service Efficiencies</u>	
Scheduling Efficiencies	(34)
McNicoll Deadhead savings	(2)
Eglinton East	(8)
ATC Line 1 (train efficiency)	(7)
<u>Line-by-Line Review</u>	
Adjustment to vacation backfill requirements	(18)
Subtotal: Base Changes	(185)
New and Enhanced Service Priority Actions	
Anti-Racism & Diversity	5
Vehicle Maintenance (SOGR & SWIS)	18
Safety: Business Continuity & Emergency Management	6
Safety: Head of Night Operations	1
Eglinton Crosstown LRT	235
ModernTO	5
Subtotal: New and Enhanced Service Priority Actions	270
Total Base & New changes, prior to COVID-19 Impact	85
COVID-19 Impact	
Facility Disinfection & Training delayed due to COVID	16
Subtotal: COVID-19 Impact	16
Total 2021 Budget Increase	101
Total 2021 Operating Budget Workforce	13,198

Base Changes – (185) positions

Given significant financial pressures due to the pandemic, considerable effort has been focused on reducing workforce requirements while aligning service capacity with ridership demand on streetcar and subway routes. Prior to any new & enhanced initiatives, a net of 185 base position reductions has been identified. The key drivers of these reductions are outlined below:

- **Prior year decisions – (30) positions**
This change primarily relates to the scheduled conclusion of Master Sign-up training as the McNicoll garage opens. With training concluding for various workforce moves between operational garages and carhouses these instructors and backfill operator positions will no longer be required.
- **Demand Responsive Service Changes – (84) positions**
This reduction mainly consists of a reduction in operator workforce as resources have been re-distributed to high volume routes to prevent overcrowding and to optimize capacity across the network.
- **Service Disruptions (LRT Construction) – (30) positions**
This adjustment reflects a reduced requirement for LRT construction disruption service as construction of the Eglinton LRT nears completion.
- **Efficiencies & Line-by-Line reductions – (95) positions**
There are several initiatives underway at the TTC that will result in efficiencies in the way service is delivered, without impacting service capacity for customers. These initiatives mainly relate to service related scheduling, second sourcing proposals under consideration amongst other initiatives previously discussed in this report.

These base reductions are offset by additional positions required to address the following operating impacts of capital projects:

- 23 positions added for the opening of McNicoll bus garage to accommodate bus fleet. Positions include divisional clerical staff, service persons and material store-persons.
- 17 positions added to address maintenance requirements of buses and LRVs with expiring warranties. These positions include additional LRV technicians and engineers.
- 9 additional positions required for incremental maintenance of new systems and facilities.

A further 5 positions are required to address new standards related to bus brake repairs and other base changes, resulting in a net total base complement reduction for TTC Conventional of 185 positions.

New & Enhanced Service Priority Actions – 270 positions

270 positions are required for new & enhanced service priority actions as follows.

- **Eglinton Crosstown LRT – 235 positions**
235 positions are required in late 2021 in order to complete training requirements in advance of the anticipated opening of the new Eglinton Crosstown LRT in early 2022. These positions mainly consist of front-line employees such as operators, supervisors and customer service agents.
- **ModernTO – 5 positions**
5 positions are required to support this important City wide initiative which will ultimately modernize how the TTC uses office space and unlock considerable ongoing savings and real estate.
- **Other Priority Actions – 30 positions**
A total of 30 positions are required to support the TTC's remaining new and enhanced service priorities, including:
 - 5 positions to support implementation of the Embracing Diversity Action Plan and Anti-Racism Strategy.
 - 18 positions for ongoing vehicle maintenance requirements which will establish special work instruction crews and establish an interior and exterior state of good repair program for the streetcar fleet ensuring the new vehicles remain in good condition. These positions will mainly include Technicians and Repairpersons.
 - 6 positions to sustain Business Continuity and Emergency Management initiatives and leadership.
 - 1 Head of Night Operations to be in charge of overnight maintenance activities, to both ensure safety of work being performed and overall system reliability.

COVID-19 Impact – 16 positions

- 3 positions are required to ensure proper and sufficient disinfection of garages and facilities throughout the pandemic and as employees working from home return to the workplace.
- 13 additional positions are required to support training initiatives that have been deferred due to the pandemic.

Wheel-Trans Complement

The Wheel-Trans year-end workforce will decrease by (32) positions as summarized in the following table:

2020 Wheel-Trans Complement	623
Demand Responsive Service Changes	(21)
Reservationist	(12)
COVID-19 Impact	1
Total Wheel-Trans Complement Decrease	(32)
2021 Wheel-Trans Complement	591

The net reduction in complement is a result of reduced demand expected in 2021. The reduction of 12 reservationists is tentative, based on the actual attrition rate realized.

Capital Budget Complement

The Capital Budget year-end workforce will increase by 77 positions as shown in the following table:

2020 TTC Capital Complement	2,447
New Technology & Innovation	8
Train Door Monitoring, Video Equipment and other Communications Projects	8
Easier Access	7
Major Control Centre	6
Bloor-Yonge Capacity Improvements	5
Enterprise Asset Management	5
Line 1 & Line 2 Capacity Enhancements	5
Waterfront LRT	5
Fall Prevention Systems	4
Fire Ventilation Upgrade & Second Exit	4
Health & Safety Related Roles	4
Surface Track Replacement Program	2
Automatic Train Control	2
Opportunities to Improve Transit	2
All Other Changes (Net)	10
2021 Total Capital Complement Change	77
2021 TTC Capital Complement	2,524

Long-Term Liability Reserve

This reserve was created in 2014 specifically for TTC accident claim requirements and is projected to have a 2020 closing balance of \$25.0 million. While long term accident claim requirements are generally constant, annual variations in cash payments exist based on timing uncertainty associated with actual accident claim payments.

To manage annual variation in accident claim expenses while ensuring a constant annual budgeted reserve contribution, this budget incorporates authorization to contribute up to \$17.6 million (\$17.0 million for TTC and \$0.64 million for Wheel-Trans) to the Long Term Liability Reserve Fund (XR1728) in 2021.

TTC and Wheel-Trans are then authorized to draw from this reserve as required to support actual accident claim payments at the time of settlement. Given reduced accident claim cash payments expected to continue into 2021, the accident claims cash payment budget and the budgeted reserve draw have both been reduced for the 2021 budget and on a net basis no draw is anticipated in 2021. It is expected that net draws will resume again in 2022, consistent with an anticipated increase in accident claim cash payments.

TTC Stabilization Reserve

This reserve was created to stabilize the funding of TTC's operating expenditures over time. Prior to special contributions, for which authority is being requested through this report, this reserve is projected to have a 2020 closing balance of \$4.3 million.

This report recommends that one-time settlement proceeds from an anticipated Metrolinx settlement be contributed to this reserve upon receipt. These funds are required to offset the cost of LRT construction disruption service and the 2021 budget includes a \$15.8 million draw from the Stabilization reserve to cover these costs.

Projected reserve balances based on the staff recommended 2021 Operating Budget are outlined on the next page.

TTC Reserves: Continuity Schedule

(In \$000s)	Reserve / Reserve Fund Number	2021	2022	2023
		\$	\$	\$
		Long Term Liability Reserve		
Projected Opening Balance	XR1728	24,970.3	24,970.3	21,470.3
Budgeted Contribution		17,640.0	17,640.0	17,640.0
Projected Accident Claim Payments		(17,640.0)	(21,140.0)	(24,640.0)
Projected Closing Balance		24,970.3	21,470.3	14,470.3
TTC Stabilization Reserve				
Projected Opening Balance	XR1056	22,300.4	6,540.0	-
Contribution from Settlement - TBD				
Service Disruptions LRT Construction		(15,760.4)	(6,540.0)	(3,500.0)
Projected Closing Balance		6,540.0	-	(3,500.0)
<p>*The available balance of the TTC Stabilization Reserve is expected to be augmented by proceeds from a potential settlement with Metrolinx and therefore a negative balance will not result.</p>				

**Ministry of
Transportation**

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December 15, 2020

107-2020-5044

Mayor John Tory
City of Toronto
City Hall, 2nd Floor, 100 Queen Street West
Toronto ON M5H 2N2

Dear Mayor Tory:

Our government is committed to supporting municipal transit, and we will continue to champion the needs of our municipal partners and transit users as we collectively fight against the impacts of the COVID-19 pandemic. Together with our federal partners, the Province is working to help municipalities mitigate the financial impacts of the pandemic on their transit systems through the provision of Safe Restart Agreement (SRA) funding for public transit.

This letter is to provide your municipality with an update on funding for Phase 2 of the SRA program.

Phase 2 allocations reflect a program envelope of \$1.5 billion. The envelope includes Phase 1 funding already provided, Phase 1 top-up funding and Phase 2 funding. This approach better aligns Phase 2 allocations with the financial impacts that were reported through Phase 1 of SRA, while allowing the Province to assist municipalities with higher than anticipated COVID-related impacts.

As for Phase 1 of the SRA program, municipal funding allocations under the program will continue to be based on a formula of transit ridership, plus a base amount of \$40,000 applied to each total program allocation, to provide meaningful support for municipal transit systems of all sizes.

In response to the need to have a confirmed funding commitment in place in order to accrue revenue for the 2020 municipal fiscal year, and in support of this, I am pleased to share that the **City of Toronto** ("Recipient") will be eligible to receive an allocation of up to **\$472,072,294** to support your COVID-19 municipal transit pressures for Phase 2, incurred from October 1, 2020 to March 31, 2021. Payments are to be based on a one-time claim for eligible expenditures.

Additionally, the Province has set aside \$500 million in funding to be available for additional municipal transit needs. I am pleased to share that the **City of Toronto** ("Recipient") will be eligible to receive an allocation of up to **\$304,027,527** to address additional pressures based on ridership.

Please note as part of the Phase 1 reporting submission, the **City of Toronto** forecasted a financial impact from COVID-19 in the amount of \$216,800,771 for the period of October to December 2020, and the amount of \$211,350,511 for the period of January to March 2021. For budgeting purposes, the total available allocation of up to **\$776,099,821** for the **City of Toronto** can be used to address eligible expenses incurred from October 1, 2020 to December 31, 2020, and those incurred from January 1, 2021. This accounts for the entirety of the Phase 2 public transit stream of the SRA.

Eligible Expenditures

Like Phase 1, eligible expenditures under Phase 2 of the SRA funding program include both COVID-19 related financial pressures (losses) associated with the need to continue to operate with reduced revenue, as well as new expenditures resulting from COVID-19. The losses and new expenditures will have to be incurred on or after October 1, 2020 and on or before March 31, 2021, and the new expenditures will have to be paid prior to having submitted to the Province for payment through your municipality's Phase 2 reporting submission.

For the categories below, your municipality will also have to consider savings associated with COVID-19 (e.g., reduced service levels, lower maintenance costs, etc.) as these savings will need to be included as part of your municipality's Phase 2 reporting submission. The Province will only provide funding for net municipal expenditures (i.e., net COVID-related financial impacts above budgeted 2020 expenditures). The SRA funding is not to replace the budgeted subsidy that the municipality provides to transit operations.

Reported revenue and expense impacts include those changes (increases/decreases) resulting from COVID-19, measured versus projected figures from your municipal transit system's 2020 operating budget. Please note that this also applies to eligible expenditures incurred between January 1 and March 31, 2021, for which period municipalities can use their January to March 2020 operating budgets as a baseline for establishing COVID-related impacts.

Eligible expenditures will include, at the Province's sole discretion, the following:

a. Revenue Losses:

- farebox revenue losses;
- advertising revenue losses;
- parking revenue losses;
- contract revenue losses; and
- any other revenue loss the Recipient incurred as a result of the COVID-19 pandemic that, in the opinion of the Province, is considered eligible.

b. Operating Costs:

- costs associated with vehicle cleaning, except for those for which MTEC funds have been provided or claimed;
- costs associated with changes in fuel consumption (e.g., increases due to running additional buses or savings in consumption relating to lower service levels than budgeted, or both);
- costs associated with vehicle maintenance;
- costs associated with transit facilities;
- costs resulting from existing contracts with expanded scope/new contracts;
- employee related costs (i.e., salaries, wages, benefits);
- costs for employee personal protection equipment (e.g., face masks, gloves, sanitizer);
- costs for signage and other means of communications related to COVID-19 pandemic (e.g., social distance guidance); and
- any other operating cost the Recipient incurred as a result of the COVID-19 pandemic that, in the opinion of the Province, is considered eligible.

c. Capital Costs:

- costs associated with installing driver protection barriers and other protection measures for transit drivers;
- costs associated with providing passenger protection equipment and other passenger safety measures; and
- any other capital cost the Recipient incurred as a result of the COVID-19 pandemic that, in the opinion of the Province, is considered eligible.

The following are the steps and actions the municipality will be required to undertake to receive SRA Phase 2 funding:

1. Confirmation of interest in seeking SRA Phase 2 funding

- If your municipality is interested in seeking SRA Phase 2 funding, please complete the attached Request for Recipient Information Form and send it back via email to the SRA funding program email account (**MTO-COVID_Transit_Funding@ontario.ca**) **as soon as possible.**

2. Execution of the TPA

- MTO will prepare the TPA and send it to your municipality for execution by the municipality's authorized representatives prior to Provincial execution of the TPA.
- This process will be carried out electronically and, once fully executed, an electronic version of the TPA will be provided to your municipality.

3. Provision of an authorizing by-law and, if applicable, resolution(s)

- Prior to the Province signing the TPA, the municipality will be required to provide MTO with a copy of the by-law(s) and, if applicable, resolution(s) authorizing the municipality to enter into the TPA with the Province.
- This requirement must be fulfilled prior to the Ministry providing funding to the municipality.

4. Provision of Phase 2 financial reporting

- The municipality will be required to provide a report for the eligible expenditures incurred during the Phase 2 eligibility period. The deadline for submitting Phase 2 financial reporting will be set out in the TPA.
- Once received, MTO will review the report and may initiate the payment of SRA Phase 2 funding.

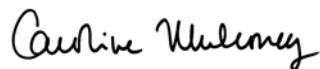
All communications for the above noted steps, as well as any questions or concerns, should be addressed to the SRA funding program email account:

MTO-COVID_Transit_Funding@ontario.ca

Should you not wish to receive SRA Phase 2 funding, we ask that you please advise us by return email to the address above.

I look forward to working with you as we proceed together with the execution of a TPA in support of addressing COVID-19 related financial impacts on municipal public transit.

Sincerely,



Caroline Mulroney
Minister of Transportation