



December 29, 2021

John Elvidge
City Clerk
Toronto City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Dear John Elvidge:

Subject: 2022 TTC Conventional and Wheel-Trans Operating Budgets

Recommendation:

The Toronto Transit Commission recommends that City Council:

1. Approve the recommended 2022 TTC Conventional Operating Budget of \$2.102 billion in gross expenditures, \$0.916 billion in revenues and a net funding requirement of \$1.185 billion, inclusive of the \$459.2 million TTC Conventional COVID-19 financial impact, as detailed in this report;
2. Approve the recommended 2022 Wheel-Trans Budget of \$133.2 million in gross expenditures, \$6.0 million in revenues and a net funding requirement of \$127.2 million, inclusive of the \$2.0 million Wheel-Trans COVID-19 financial impact, as detailed in this report;
3. Approve a 2022 year-end workforce complement of 16,467 positions, reflecting a reduction of 11 operating positions and an increase of 131 positions for capital project delivery, as described in Appendix C.

Background

At its meeting on Monday, December 20, 2021, the TTC Board considered the attached report entitled “2022 TTC Conventional and Wheel-Trans Operating Budgets”.

The Board adopted the recommendations in the staff report, as follows:

It is recommended that the TTC Board:

1. Approve the recommended 2022 TTC Conventional Operating Budget of \$2.102 billion in gross expenditures, \$0.916 billion in revenues and a net funding requirement of \$1.185 billion, inclusive of the \$459.2 million TTC Conventional COVID-19 financial impact, as detailed in this report;

2. Approve the recommended 2022 Wheel-Trans Budget of \$133.2 million in gross expenditures, \$6.0 million in revenues and a net funding requirement of \$127.2 million, inclusive of the \$2.0 million Wheel-Trans COVID-19 financial impact, as detailed in this report;
3. Request the Provincial and Federal governments to:
 - a. Provide relief to offset the financial impacts of COVID-19 through recovery, which are estimated to be \$461.2 million in 2022, with forecasted impacts expected into 2023 and 2024; and,
 - b. Work with the TTC and the City of Toronto to develop a sustainable funding model for public transit.
4. Approve a 2022 year-end workforce complement of 16,467 positions, reflecting a reduction of 11 operating positions and an increase of 131 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 2022 Operating Budget submission for the Toronto Transit Commission.

The recommendations of the Toronto Transit Commission Board as set out above are submitted for City Council approval through the Budget Committee.

Sincerely,



Chrisanne Finnerty
Director – Commission Services

1-17
Attachment

**For Action**

2022 TTC Conventional and Wheel-Trans Operating Budgets

Date: December 20, 2021
To: TTC Board
From: Interim Chief Financial Officer

Summary

This report presents the staff recommended 2022 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 2022 Operating Budget totals \$2.235 billion in gross expenditures and \$0.922 billion in revenues, requiring \$1.313 billion in net funding to fully fund the 2022 Operating Budget. Of the total net funding required, \$461.2 million, is required to fund the continued financial impact of COVID-19, while the balance of \$851.4 million is necessary to fund the ongoing operations of the TTC. This latter amount represents a 7.8% increase over the 2021 approved net funding level. In addition, TTC fares will remain at 2020 rates as there is no fare increase recommended for 2022.

Development of the 2022 Operating Budget was guided by the following four key service objectives to achieve priority outcomes established in TTC's 2018 to 2022 Corporate Plan:

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. Lead as an inclusive and accessible service provider; and,
4. Innovate for the future to ensure a resilient system that makes transit the mobility mode of choice.

The 2022 Base Budget submission is \$59.4 million higher than the 2021 Approved Operating Budget on a net basis and is limited to funding unavoidable cost pressures: the operation of service on Eglinton Crosstown (ECLRT) or Line 5 beginning in late 2022; the restoration of pre-pandemic service capacity and fuel

price and legislatively determined cost increases such as the scheduled carbon price and Canada Pension Plan premium changes.

All other cost pressures required to maintain current transit service levels and operations (base budget) have been fully offset by \$38.6 million in balancing actions comprising \$25.6 million in efficiency savings and \$13.1 million in reserve withdrawal as a means to mitigate fuel price and insurance premium volatility through 2022.

The \$25.6 million and a reduction of 99 positions through efficiency savings and expenditure reductions arise from an array of measures that have no impact on service levels for customers. These include the continued implementation of Auditor General Recommendations, ongoing Business Transformation, overtime management and the full implementation of One Person Train Operation (OPTO) on Line 1.

The 2022 Operating Budget includes an additional \$3.2 million gross and \$2.1 million net in new and enhanced service funding required for key priority actions that advance TTC's service objectives and outcomes. A withdrawal from the TTC Stabilization reserve of \$1.1 million is recommended to be utilized to fund critical one-time costs to reset the TTC's Service Plan that will include a Ridership Reacquisition Strategy and to continue with the 10-year Fare Collection Strategy, both of which will lay the groundwork for post-COVID service recovery and financial sustainability. The \$2 million net request is allocated to enhancing diversity and training efforts, including mental health training for Special Constables; providing consulting support for the new Innovation and Sustainability Group with an inaugural independent sustainability assessment report; and to provide the capacity to plan and implement the rollout of the City's ModernTO initiative, which begins for the TTC in 2022.

In 2021, TTC ridership increased from 26% system-wide in January 2021 to 49% by November 2021. With ridership below budget in the first half of 2021, service levels were operated slightly below budgeted levels at approximately 96% of planned service until November 20, 2021. The implementation of the Mandatory Vaccination Policy effective November 21, 2021, required temporary reductions to service schedules on some routes to ensure that published services will be delivered given changes to operator availability.

For 2022, the TTC will continue to match service to demand. However, service hours have been reduced in Q1 to provide 93% percent of pre-pandemic service based on operator availability. With accelerated operator hiring underway to restore the workforce by Q2, service hours will be restored to 100% of pre-COVID capacity beginning in Q2 on all modes in accordance with 2022 ridership forecast and TTC's policy to deliver 100% of service when ridership reaches 50%.

Based on service demand projected for 2022 and current revenue ridership experience, the 2022 ridership revenue budget has been set to rise from 54% at the start of Q1, 2022 to 81% by the end of Q4, averaging 69% of normal, pre-COVID levels for 2022. Achieving this level of ridership revenue will be dependent on the continued reopening of the economy, hybrid working arrangements and limited effects from Omicron and any other potential variants. In an effort to ensure continued accessibility to transit, it is recommended that transit fares remain frozen at 2020 rates.

The approved operating complement will be reduced by a net 11 positions overall after accounting for additional resources required to restore service levels to pre-pandemic service capacity. This will be achieved through a reduction of 99 positions through the implementation of efficiency initiatives including One Person Train Operation and the ongoing transition to a third-party call centre to support Wheel-Trans reservations.

While the TTC has been advised that the 2022 Operating Budget base pressures and the cost of new and enhanced service priorities can be accommodated within the City's 2022 Operating Budget, the financial impact of COVID-19 cannot. The 2022 COVID-19 financial impact is projected to be \$461.2 million, comprising \$409.8 million in passenger and ancillary revenue losses and \$51.4 million for incremental COVID expenses required to maintain staff and customer safety measures in place. To date, the TTC has received \$1.3 billion in funding relief from the other orders of government which recognizes the importance of public transit as an essential service and the critical role it plays in the City's environmental, social and economic well-being and vitality, particularly in post-COVID recovery.

Discussions between the City, TTC and the other orders of government continue in order to secure funding relief to offset the \$461.2 million currently projected COVID-19 financial impact for 2022 and beyond as well as seeking more stable and predictable funding long term.

Looking forward, budgetary increases of \$125.6 million in 2023 and \$59.4 million in 2024 are forecasted and include:

- Annualized costs to operate the Eglinton LRT, and the Finch LRT, expected to open in 2023;
- Full restoration of Conventional service levels, temporarily reduced in Q1, 2022 due to operator availability;
- Restoration of Wheel-Trans service expenses to 2020 budgeted levels as ridership demand continues to return.

It should be noted that these forecasted budgetary increases exclude the impact of any cost-of-living adjustment which may result from the collective bargaining process in 2021, a settlement for which remains outstanding.

Separately, the COVID-19 financial impact is expected to diminish over time but will extend into 2023 and 2024. Order of magnitude impacts of \$250 million in 2023 and \$176 million in 2024 are forecasted but are, largely dependent on the pace and extent of ridership recovery which are forecasted at this time to reach 90% of pre-COVID normal levels by 2024 but will be informed by further study, experience and modelling. When the currently anticipated lingering impacts of COVID-19 are combined with forecasted budget increases, an additional \$375 million would be required in 2023 and \$235 million in 2024.

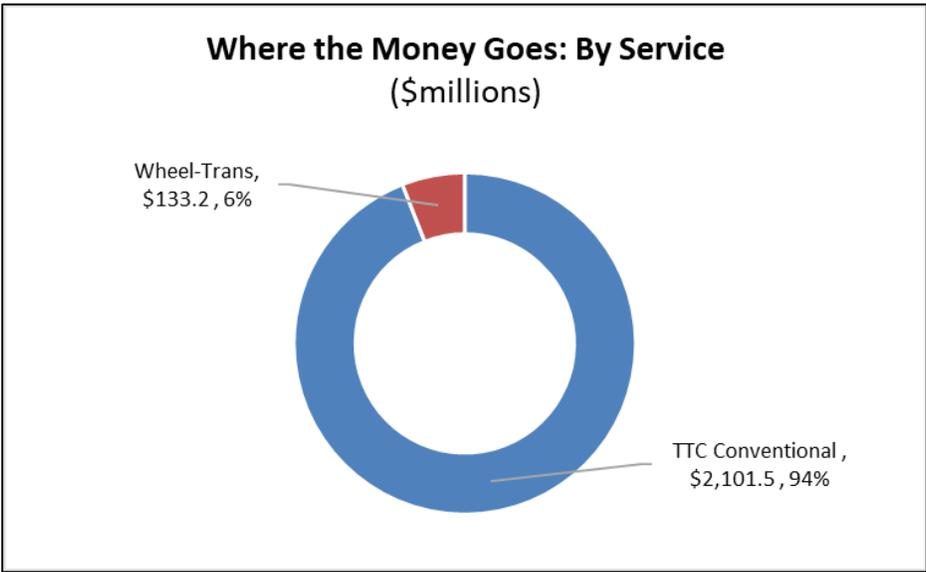
Recommendations

It is recommended that the TTC Board:

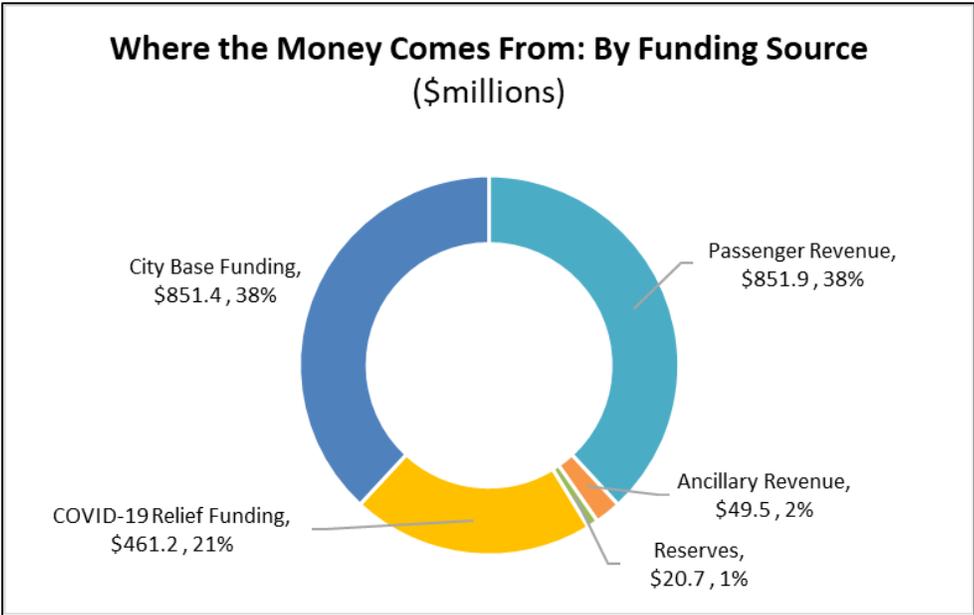
1. Approve the recommended 2022 TTC Conventional Operating Budget of \$2.102 billion in gross expenditures, \$0.916 billion in revenues and a net funding requirement of \$1.185 billion, inclusive of the \$459.2 million TTC Conventional COVID-19 financial impact, as detailed in this report;
2. Approve the recommended 2022 Wheel-Trans Budget of \$133.2 million in gross expenditures, \$6.0 million in revenues and a net funding requirement of \$127.2 million, inclusive of the \$2.0 million Wheel-Trans COVID-19 financial impact, as detailed in this report;
3. Request the Provincial and Federal governments to:
 - a. Provide relief to offset the financial impacts of COVID-19 through recovery, which are estimated to be \$461.2 million in 2022, with forecasted impacts expected into 2023 and 2024; and,
 - b. Work with the TTC and the City of Toronto to develop a sustainable funding model for public transit.
4. Approve a 2022 year-end workforce complement of 16,467 positions, reflecting a reduction of 11 operating positions and an increase of 131 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 2022 Operating Budget submission for the Toronto Transit Commission.

Financial Summary

The recommended combined TTC Operating Budget, is \$2.235 billion gross and \$1.313 billion net to deliver transit services in the City of Toronto, with 94% of gross expenditures allocated to TTC Conventional Service, and 6% required for Wheel-Trans service. On a net basis, \$461.2 million is required to fund the continued financial impact of COVID-19, while the balance of \$851.4 million is necessary to fund the ongoing operations of the TTC, as summarized on the following charts and table.



Combined with the Wheel-Trans Service, 38% of the funding will be generated from passenger fare revenue. An additional 38% is sourced from base City Operating funding and 3% will be funded from ancillary revenues and reserve funding. The remaining 21% represents 2022 COVID-19 relief funding requirements.



The recommended 2022 Base Operating Budget is \$2.231 billion gross and \$849.3 million net. In addition, recommended New & Enhanced service priorities total \$3.2 million gross and \$2.1 million net. As a result, total requested City funding before the financial impact of COVID-19 is \$851.4 million, which

represents a 7.8% increase over the 2021 approved net funding level as summarized in the following table.

TTC Conventional & Wheel-Trans Operating Budgets									
(In \$Millions)	2021 Approved Budget	2022 Base Budget Changes	2022 COVID Impact	2022 Base Budget	2022 New & Enhanced	2022 Recommended Budget	Change vs. 2021 Budget		
By Service							\$	%	
Revenues									
TTC Conventional	562.5	6.4	346.2	915.0	1.1	916.1	353.6	62.9%	
Wheel-Trans	4.3	1.7		6.0	-	6.0	1.7	40.2%	
Total Revenues	566.7	8.1	346.2	921.0	1.1	922.1	355.4	62.7%	
Expenses									
TTC Conventional	2,034.4	53.0	10.9	2,098.3	3.2	2,101.5	67.1	3.3%	
Wheel-Trans	118.6	14.5	0.1	133.2	-	133.2	14.6	12.3%	
Total Gross Expenditures	2,153.0	67.5	11.0	2,231.4	3.2	2,234.7	81.6	3.8%	
City Funding									
TTC Conventional	1,472.0	46.6	(335.3)	1,183.3	2.1	1,185.4	(286.6)	-19.5%	
Wheel-Trans	114.3	12.8	0.1	127.2	-	127.2	12.9	11.3%	
Total City Funding	1,586.3	59.4	(335.2)	1,310.4	2.1	1,312.5	(273.7)	-17.3%	
COVID Impact	796.4	-	(335.2)	461.2	-	461.2	(335.2)	-42.1%	
Total City Funding ex COVID	789.9	59.4	-	849.3	2.1	851.4	61.5	7.8%	
Approved Positions	16,347	123	(11)	16,459	8	16,467	120	0.7%	

The \$61.5 million requested increase in City (or net) funding, is comprised of \$59.5 million to support unavoidable base budget pressures and \$2.1 million for new and enhanced service priorities.

Base Budget Changes

The base budget increase of \$59.5 million is required to fund:

- The start-up and revenue service commencement costs of operating Line 5, Eglinton Crosstown.
- The continued restoration of pre-pandemic service levels which are planned to reach 100% of overall pre-pandemic system capacity for the TTC Conventional Service by Q2 2022.
- The continued restoration of Wheel Trans Service consistent with forecast demand at 65% of pre-COVID levels.
- Legislatively-determined increases to CPP Premium and Carbon Pricing.
- Rapid market price increases for diesel fuel, which are being partially mitigated by a planned Stabilization reserve contribution, which will only be utilized if required.

All other base budget pressures have been offset by \$25.6 million in efficiency savings and expenditure reductions and \$13.1 million in funding from planned reserve withdrawals to address the aforementioned volatility in fuel price escalation, accident claim cash payments and insurance premiums.

These staff recommended budget expenditure reductions, savings and balancing actions, have no impact on service levels for customers. These actions include an overtime reduction strategy, the implementation of One Person Train Operation, savings from Transformation initiatives, the continued implementation of Auditor General Recommendations as well as fuel hedging and consumption rate savings.

New & Enhanced Service Priorities

Funding for new & enhanced service requests total \$3.2 million gross and \$2.1 million, net of a Stabilization Reserve contribution to fund one-time initiatives. These priority requests, which advance the key service objectives and outcomes established in the TTC's 2018-2022 Corporate Plan, include:

- Service Plan reset and Ridership Reacquisition Strategy, both which are critical given anticipated changes in transit demand and travel patterns;
- Completion of the 10-Year Fare Collection Strategy to develop the business case to modernize the fare collection system;
- Innovation & Sustainability review focused on embedding innovation, environmental sustainability and climate change resilience at the TTC; and
- Resourcing to enable TTC to lead as an inclusive and accessible service provider by delivering enhanced diversity, anti-black racism and mental health training.

Workforce Complement

The approved operating complement will be reduced by a net 11 positions overall, after accounting for the additional resources required to restore service levels to pre-pandemic service capacity. This will primarily be achieved through a reduction of 99 positions from the implementation of efficiency initiatives including One Person Train Operation and the ongoing transition to a third-party call centre to support Wheel-Trans reservations.

Ridership Revenue

Based on anticipated ridership levels, ridership revenue is budgeted at \$851.9 million. Ridership is anticipated to gradually recover throughout 2022 based on projections that most offices will adopt a hybrid working model, the continued return to in-person class settings for post-secondary institutions and resumption of pre-pandemic levels of events and social gatherings. Ridership is projected to start 2022 at 54% of pre-COVID levels and end the year at 81%, averaging 69% of pre-COVID levels. In order to support the accessibility of transit for all riders and promote ridership recovery, TTC fares will be frozen for the second year in a row.

COVID-19 impacts

The COVID-19 financial impact is estimated to be \$461.2 million in 2022 and comprises the following:

- Lost passenger revenues, relative to pre-pandemic normal of \$387.3 million, based on a projected 2022 ridership of 369.4 million rides. This includes projections for gradual ridership recovery throughout the year based on projections for most offices to adopt a hybrid model, continued

return to in-person class settings for post-secondary institutions and resumption of pre-pandemic levels of events and social gatherings.

- Lost ancillary revenues of \$22.6 million, including lower than normal budgeted commuter parking, advertising and subway concession revenue and;
- Incremental expenses of \$51.3 million, to continue safety measures, including vehicle disinfection, personal protective equipment and employee screening, and increased absence benefit costs as a result of the pandemic.

To date, the TTC has received \$1.3 billion in funding relief from other orders of government which recognizes the importance of public transit as an essential service and as the foundation for the City's vitality and recovery. The City and TTC continue to hold discussions with other orders of government to address 2022 COVID impacts and secure stable and long-term funding.

The TTC expects that COVID-19 financial impacts will gradually diminish into 2023 and 2024 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 \$250.1 million in 2023 and \$176.4 million in 2024 and are largely dependent on the pace and extent of ridership recovery.

Outlook for 2023 and 2024

The outlooks for 2023 and 2024 identify pressures of \$125.6 million and \$59.4 million, respectively, excluding residual COVID-19 impacts noted above. Key drivers include: the annualized costs to operate Line 5 on Eglinton Avenue, commence service on the Line 6 Finch West, and annualized cost to fully restore service capacity to pre-pandemic levels. When the currently anticipated lingering impacts of COVID-19 are combined with forecasted budget increases, the outlook for 2023 can reach up to \$375 million and \$235 million in 2024. It should be noted that the 2023 and 2024 outlooks do not include provisions for wage increases or benefit improvements, due to the March 31, 2021, expiry of the Collective Agreement with ATU 113 (TTC's largest union), for which a settlement remains outstanding.

Equity/Accessibility Matters

The TTC is strongly committed to making Toronto's transit system barrier-free and accessible to all so all customers can enjoy the freedom, independence and flexibility to travel anywhere on the public transit system. Consistent with this commitment, service levels have been broadly protected throughout the pandemic, despite the significant reduction in ridership. In addition, as ridership recovery occurs conventional service will be fully restored to 100% of pre-pandemic capacity by Q2 2022.

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

- \$16.1 million gross and \$14.1 million net City funding increase to restore Wheel-Trans service levels consistent with anticipated ridership demand.
- \$0.7 million in incremental funding to support to deliver actions required to ensure TTC Leads as an Inclusive and Accessible service provider including:
 - Two additional instructors to deliver anti-racism training to employees,
 - Delivering specialized mental health training for Special Constable Service and Revenue Protection personnel as well as, customer service, diversity, equity and inclusion training, consistent with Ombudsman Toronto recommendations.
 - Awareness campaigns to build community outreach including Black History Month, Indigenous History Month and Lunar New Year.

In addition, fares will be frozen at 2020 rates. This action is particularly important to enhance equity and accessibility given that ridership, relative to pre-pandemic levels is highest in Toronto's Neighbourhood Improvement Areas.

Decision History

At its meeting on December 21, 2020, the TTC Board approved the 2021 Operating Budgets of \$2.034 billion gross and \$1.472 billion net for TTC Conventional Service and \$118.6 million gross and \$114.3 million net for Wheel-Trans Service and a 2021 total year-end workforce complement of 16,313 positions.

https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/December_21/Reports/Decisions/2050_1_2021_TTC_and_Wheel_Trans_Operating_Budgets_Decision.pdf?rev=3741a8536fed42408e19e9b7e3ed428b&hash=80D6FC6FDAF5DF40C0A579662F6D1BA0

At its meeting on February 10, 2021, the TTC Board approved the amended 2021 workforce complement with the addition of 34 temporary positions dedicated to core resourcing for the Metrolinx subway expansion program. These roles and associated costs will be fully funded by Metrolinx and as such require no new municipal funding. https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2021/February_10/Reports/2051_8_Transit_Network_Expansion_Decision.pdf?rev=d5abea3f69a340ebbf1d2157d382c4a7&hash=2C7D834EB63E50E64B1273B658848751

At the February 18, 2021 City Council meeting, City Council approved the 2021 Operating Budget for Toronto Transit Commission, of \$2.153 billion gross, \$0.567 billion revenue and \$1.586 billion net for the TTC Conventional and Wheel-Trans services and a 2021 total year-end workforce complement of 16,313 positions. City Council also authorized a special contribution to the Toronto Transit Commission Stabilization Reserve, equal to the proceeds to be received from the anticipated settlement with Metrolinx, to provide a funding source for Light Rail Transit construction disruption service. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

At the October 1, 2021 City Council meeting, City Council approved the Operating Variance Report for the Six Months Ended June 30, 2021, which included a recommendation to grant authority to allocate any TTC Conventional and Wheel-Trans combined net under-expenditures from 2021 to the TTC Stabilization reserve. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX26.6>

Background

2021 Financial Plan

The 2021 Financial Plan was shaped by the ongoing pandemic. The 2021 ridership budget was based on the Q4 2020 experience, and forecasts of ridership for key rider segments, including office workers, students and event attendees amongst others. The 2021 Service Plan matched service capacity with demand and given that the highest observed and projected ridership was experienced on the bus network, resources were reallocated between routes to optimize capacity across the bus network and service hours were lower than pre-pandemic levels on the subway and streetcar networks

With a focus on ensuring customer and employee safety, resourcing to continue COVID-19 response activities were also incorporated in the 2021 Financial Plan. This included augmented disinfection and cleaning practices, higher grade air filters on vehicles and resourcing to ensure all employees were screened before entering the workplace and provided with appropriate personal protective equipment.

Overall base budget requirements as well as new and enhanced service priorities to ensure delivery of key priorities, were accommodated with no increase in required City funding. Transit fares were frozen and ridership revenue was reduced based on 2020 experience through 2021 increasing from 32% in Q1 to 48% in Q4 for an average of 39% of normal, or pre-COVID experience. While base budget as well as new and enhanced service priorities were fully funded, the reduced ridership revenue and incremental COVID response expenses resulted in a need for \$796.4 million in COVID related funding relief. At the time the 2021 Operating Budget was prepared, \$611.7 million in funding from the Safe Restart Agreement (SRA) was committed, leaving a gap of \$184.7 million. This funding gap was reduced through better than anticipated 2020 year-end results and an increase in allocated SRA Phase 3 funding, leaving a remaining gap of \$103.3 million.

2021 Experience

The 2021 Budget anticipated a gradual and consistent recovery in ridership. Actual experience, however, was impacted in particular by the third wave and the associated Province-wide lockdowns which occurred in the first half of 2021. Recovery commenced once the Province began their mass vaccination program in the spring and through the summer.

Continued Pandemic Response

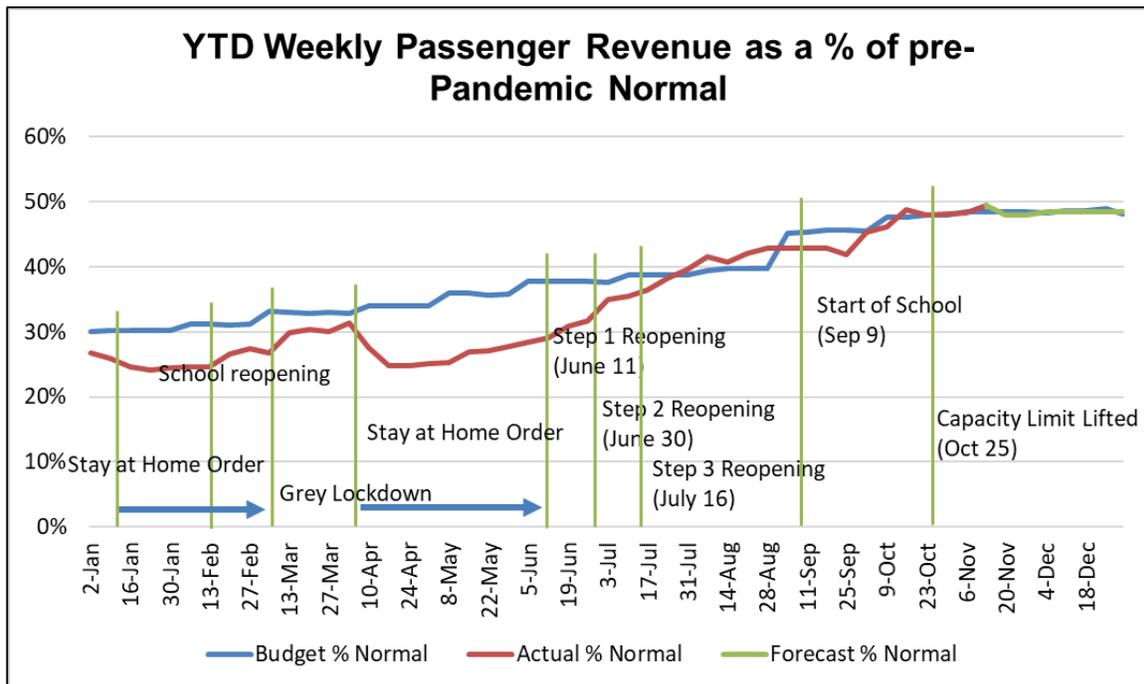
Pandemic response continued to focus on ensuring customer, staff and system safety, while also partnering with the City to deliver 61 vaccine clinics at TTC stations and other facilities, with over 9,400 doses delivered. Additional response measures and activities in 2021 included:

- ✓ Introduction of a Mandatory Vaccination Policy for TTC employees.
- ✓ To maximize physical distancing:
 - ✓ Actively monitored bus capacity levels and reallocated resources between routes as required.
 - ✓ Introduced real-time bus passenger count information for customers using the Rocketman and Transit mobile apps.
- ✓ Operation of a Shuttle Service between Finch Station and a City-run vaccine clinic at Mitchell Field arena.
- ✓ Provided 15,000 ride vouchers through community agencies to provide free travel to and from vaccination clinics.
- ✓ Distributed more than two million masks through the customer mask distribution program.

In addition to the ongoing pandemic response and the active support of vaccination efforts, expenditures were managed, and sufficient under-expenditures were realized to fully offset the lower than planned ridership revenue.

COVID-19 impact on 2021 Ridership

As seen in the graph below, revenue ridership was at its lowest during the first half of 2021, with the lowest levels occurring during the two provincially issued Stay-at-Home orders when ridership dropped to as low as 26% of pre-COVID levels. A gradual recovery occurred through the Province’s 3 Step Reopening plan in June and July. Since the Province entered Stage 3 of reopening on July 16, 2021, actual revenue ridership as a percentage of normal, was close to, or exceeded budget, as return-to-office trends were similar to budgeted levels. As restrictions continued to be eased and more people resumed their use of transit to get to and from work, shop, and enjoy leisure activities, revenue ridership reached 49% of pre-COVID levels in November 2021 and is expected to remain at 49% of pre-pandemic levels at year-end 2021.



Service

Consistent with the staff report “COVID-19 – Transitioning from Response to Restart and Recovery” that was presented to the Board on June 17, 2020, TTC’s pandemic recovery plan included a commitment to restore 100% of pre-pandemic Conventional service capacity once ridership demand was at 50% of pre-pandemic levels. With ridership below budget for the first half of 2021, service levels were operated slightly below budgeted levels at approximately 96% of planned service.

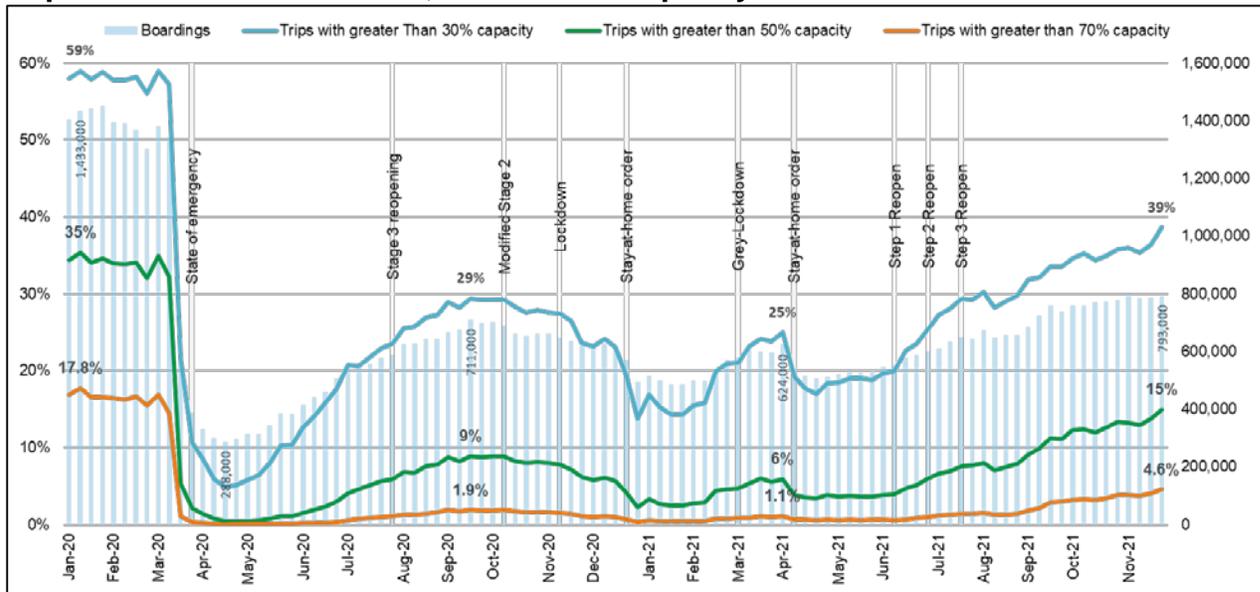
The 2021 Service Plan focused on continuing to respond to customers’ dynamic and evolving demand for public transit service through the following priorities

1. Sustaining the demand-responsive service plan
2. Improving regular scheduled service by reallocating and restructuring services

Throughout 2021, the TTC operated the demand-responsive service plan with more than 100 vehicles available, at various times of the day, to provide additional capacity and deliver a reliable service. These flexible vehicles have been used to serve customer demand to the Pearson Airport employment area during the early morning, in the northwest of the city along the Steeles Avenue corridor and in the northeast of the city to connect customers to a new Amazon Fulfillment Centre as well as on high demand routes. Customer demand and vehicle capacity have also been actively monitored throughout 2021 and scheduled service has been reallocated to ensure service is assigned based on demand.

Through the 2021 Budget, COVID-19 modified vehicle planning capacity thresholds were anticipated to be at 50% of pre-pandemic levels (e.g., 25 customers per bus) at the beginning of the year, with an adjustment to 70% (e.g., 35 customers per bus) as ridership increased by the end of the year. As shown in the following graph for most of 2021 less than 10% of trips exceeded 25 passengers (50% capacity). As ridership increased consistent with budget expectations in November, 4.6% of trips exceeded 35 passengers per bus (70% capacity).

Trips with Greater than 30%, 50% & 70% Capacity



* 30% of Capacity: 15 passengers onboard for regular bus; 23 passengers onboard for artic bus
 50% of Capacity: 25 passengers onboard for regular bus; 39 passengers onboard for artic bus
 70% of Capacity: 35 passengers onboard for regular bus; 54 passengers onboard for artic bus

With the implementation of the Mandatory Vaccination Policy effective November 21, 2021, approximately 700 operators were placed on leave and some temporary service adjustments were necessary. To limit the service adjustments due to lower operator availability, leading up to the implementation of the Mandatory

Vaccination Policy, operator hiring was accelerated and upon implementation of the Mandatory Vaccination Policy, weekend construction diversions were paused, and some service was operated using overtime. Accelerated operator hiring is continuing with an aim to eliminate the November temporary service reductions early in 2022 and restore pre-pandemic levels of service on bus, streetcar and subway by Q2 2022.

2021 Financial Results

The budgetary gap of \$103.3 million that was embedded in the TTC's 2021 Approved Operating Budget is now anticipated to be funded. Based on recent positive discussions with the Province, it is anticipated that the 2021 funding shortfall can be claimed through Phase 3 Top-Up funding which will be sourced from unused funding from earlier phases of the SRA program. Between 2020 and 2021 approximately \$1.3 billion in Safe Restart funding has been provided to the TTC out of a total province-wide funding envelope of \$2 billion.

Based on the TTC's actual and projected financial results, a 2021 net year-end variance of \$0 is anticipated. As reported to the Board on November 29, 2021, total under-expenditures of \$99.4 million realized from service demand and expenditure management in response to reduced ridership fully offset \$47.5 million in passenger and ancillary revenue losses. As a result, TTC can forego the planned \$15.8 million reserve withdrawal and place the projected \$36.1 million net year-end surplus in the TTC Stabilization Reserve as per Council direction.

Outcome of 2021 Priority Actions

Notwithstanding the challenges experienced throughout 2021, the following priority actions were accomplished which contributed to meeting TTC's service objectives and making progress on achieving intended outcomes:

1. Providing Seamless and Reliable Transit Service

- ✓ Implemented all required health measures to address COVID-19.
- ✓ Matched service Capacity to Demand.
- ✓ Opened McNicoll Garage which improved the efficiency of garage operations and reduced non-revenue driving time with closer proximity to routes.
- ✓ Built vehicle maintenance capacity and achieved or exceeded vehicle reliability targets.
- ✓ Approved procurement of 60 streetcars and upgrades to the Hillcrest storage facility.
- ✓ Eliminated the need to have 20 to 30 future weekend subway closures and avoided 2 years of bypassing station platforms, by completing 44,000 square feet of asbestos abatements at St. Patrick and Queen's Park stations during a period of low ridership demand in May 2021.

2. Transforming to Solidify Fiscal Foundation

- ✓ Advanced business transformation priorities by implementing second sourcing of McNicoll Garage facility maintenance and streetcar cleaning.
- ✓ Concluded the agreement with Metrolinx which included receipt of a financial settlement and a framework for delivering all outstanding PRESTO contractual business requirements as set out in the Master Agreement.
- ✓ Continued implementation of Auditor General Recommendations on alternate source parts, after-market part warranties and Wheel-Trans reservations and completely implemented 72 outstanding recommendations from various audits.
- ✓ Reduced overall overtime costs by 30% and overtime charged to the operating budget by 45% since 2019, based on third quarter results.
- ✓ Commenced planning work to support the implementation of the city wide ModernTO initiative to rationalize office space.
- ✓ Updated the Capital Investment Plan and established the first ever 15-year Real Estate Investment Plan.

3. Leading as an Inclusive and Accessible Service Provider

- ✓ Maintained TTC Fares at 2020 levels for both 2021 and 2022.
- ✓ Reduced call wait times at Wheel-Trans to two minutes in September.
- ✓ Overachieved TTC's gender recruitment target of 40% of new women operator hires by 23%.
- ✓ Progressed on implementing Ombudsman Toronto recommendations related to the Anti-Racism strategy, by reassessing and revamping training programs for Revenue Protection and Special Constable Service personnel and drafted policies on Use of Force, Use of Discretion and Body Worn Cameras in preparation for public consultation.
- ✓ Completed construction at Keele Station, bringing the total number of accessible subway stations to 53.

4. Innovating for Future Demand

- ✓ Advanced service integration with regional partners.
- ✓ Piloted Wi-Fi on the 35 Jane and 102 Markham Road bus routes.
- ✓ Progressed the 5 Year Fare Policy and 10 Year Fare Collection strategy review.
- ✓ Completed Line 5 Eglinton preparatory activities.
- ✓ Launched the West Rouge automated shuttle trial.
- ✓ Established the new Innovation and Sustainability function

Comments

2022 Priority Actions

The 2022 Financial Plan prioritizes investments that meet the following service objectives and outcomes in accordance with TTC's Corporate Plan.

1. Providing a Safe, Seamless and Reliable Transit Service that meets customers needs and enhances customer satisfaction.
2. Transforming to Solidify the Fiscal Foundation and towards Fiscal Sustainability.
3. Lead as an Inclusive and Accessible Service Provider that ensures Accessibility, Equity and Diversity are systemic.
4. Innovating for Future Demand to provide a System Resiliency.

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 continues to address this need by providing the resources required to continue COVID-19 response measures including:

- Continued enhanced vehicle and facility cleaning and disinfection practices consistent with recommendations of Public Health Ontario.
- Provision of Hand sanitizer in stations and distribution of masks to customers.
- Providing appropriate personal protective equipment and maintaining a Mandatory Vaccination Policy for all TTC employees.
- Active symptom and contact screening of employees at all TTC work locations.

TTC's pandemic recovery plan included a commitment to restore 100% of pre-pandemic service once ridership demand was at 50% of pre-pandemic levels. While ridership is expected to exceed 50% of pre-pandemic demand early in 2022, with the implementation of the Mandatory Vaccine Policy effective November 21, 2021 some temporary service adjustments were necessary. To mitigate the impact, accelerated operator hiring is continuing, weekend construction diversions have been paused and some service is being operated on overtime, with an aim to eliminate the November temporary service reductions early in 2022 and restore to 100% of pre-pandemic levels of service on bus, streetcar and subway by Q2, 2022.

In addition, priority continues to be given to maintaining strong vehicle performance to maintain and further improve reliability gained in recent years. This priority will be critical as warranties on new vehicles such as the LFLRV fleet expire. In 2022, TTC in partnership with Centennial College and Metrolinx will be

introducing a LRV Technician Apprenticeship Program. This program will enhance training on new technologies and build workforce resiliency ahead of anticipated retirements in the coming years. These combined actions will avoid a fix on failure approach and maximize service reliability.

Transforming to Solidify Fiscal Foundation

As a direct result of TTC's commitment to transforming its business, the 2022 Operating Budget includes \$38.6 million and a reduction of 99 positions in efficiency savings and balancing actions that has enabled the TTC to balance operational requirements and needed investment to available funding. These actions do not impact service capacity provided to customers and include the implementation of One Person Train Operation on Line 1 as well as ongoing Auditor General recommendations and business transformation initiatives as well as an array of operational efficiency measures

Building on the second sourcing of McNicoll garage facility maintenance and streetcar cleaning, ongoing Business Transformation initiatives will continue to examine current work practices and identify new opportunities to streamline and transform how business is performed. The ultimate goal is to maximize the efficiency with how service is provided to the public. In addition, work to advance ModernTO will continue to rationalize office space across City Agencies and Divisions to save occupancy costs and ultimately unlock valuable real estate assets for future redevelopment.

Leading as 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 so all customers can enjoy the freedom, independence and flexibility to travel anywhere on the public transit system.

The 2022 Operating Budget advances the Embrace Diversity Action Plan through additional resourcing to implement the following:

- Two additional instructors dedicated to diversity and anti-racism training for front-line staff.
- Delivering specialized mental health training for Special Constable Service and Revenue Protection personnel as well as, customer service, diversity, equity and inclusion training, consistent with Ombudsman Toronto recommendations.
- Awareness Campaigns to build community outreach such as Black History Month, Indigenous History Month and Lunar New Year.

In addition, TTC fares will continue to be frozen at 2020 levels and gender recruitment outreach will remain a priority. As ridership recovery and shifts in transit demand patterns emerge, an equity lens will continue to be applied to Service Planning.

Innovating for Future Demand

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

- Growing the network by commencing revenue service on the Eglinton LRT.
- Embedding innovation, environmental sustainability and climate change resilience into projects and initiatives through the dedicated Innovation and Sustainability function.
- Completing the service plan reset and ridership reacquisition strategy to understand customers' changing travel needs and how riders can be attracted back to the TTC through innovative means.
- Completing the 10-year Fare Collection strategy review to enable the TTC to develop a business case for the modernization of the fare collection system that meets customer needs.
- Advancing Service Integration with Regional Transit partners.

2022 Staff Recommended Operating Budget

The 2022 Financial Plan to achieve the above noted objectives results in a net City funding increase of \$61.5 million, before the impact of COVID-19. This \$61.5 million increase is driven by unavoidable costs pressures required to fund the following:

- The start-up and revenue service commencement costs of operating Line 5, Eglinton Crosstown.
- The continued restoration of pre-pandemic service levels which are planned to reach 100% of overall pre-pandemic system capacity for the TTC Conventional Service by Q2 2022.
- The continued restoration of Wheel Trans Service consistent with forecast demand at 65% of pre-COVID levels.
- Legislatively-determined increases to CPP Premium and Carbon Pricing costs.
- Rapid market price increases for diesel fuel, which are being partially mitigated by a planned Stabilization reserve contribution, which will only be utilized if required.

The approved operating complement will be reduced by a net 11 positions overall, after providing additional resources required to restore service levels to pre-pandemic service capacity. This will be achieved through a reduction of 99 positions through the implementation of efficiency initiatives including One Person Train Operation and the ongoing transition to a third-party call centre to support Wheel-Trans reservations.

The related expenditure, revenue and complement changes are summarized in the following table, with explanatory comments following.

2022 TTC Conventional & Wheel Trans Operating Budget				
(Millions)				
Description (\$Millions)	Gross	Revenue	Net	Positions
2021 Approved Funding, including COVID-19 Impact	2,153.0	566.7	1,586.3	13,823
Less 2021 COVID-19 Impact	(23.1)	773.3	(796.4)	(17)
2021 Approved Funding, excluding COVID-19 Impact	2,129.9	1,340.0	789.9	13,806
Base Pressures:				
<u>2022 Unavoidable Pressures</u>				
Line 5 Eglinton Revenue Service Commencement	25.8	0.8	25.0	12
Restore Service - TTC Conventional	3.4		3.4	78
Restore Service - Wheel-Trans	16.1	1.7	14.4	22
Fuel Price	18.3		18.3	
Legislative	7.6		7.6	
Subtotal	71.2	2.5	68.7	112
<u>Other Base Pressures</u>				
Prior Year Impacts	2.4		2.4	(25)
Operating Impacts of Capital	3.5		3.5	7
Employee Benefits Inflation & Utilization	7.5		7.5	
Accident Claims & Insurance	4.6		4.6	
Repayment of City's Capital Financing Reserve for Property Acquisition	1.8	1.8	-	
Departmental Base Changes	2.0	(9.3)	11.3	(3)
Subtotal	21.8	(7.5)	29.3	(21)
Subtotal: Base Changes	93.0	(5.0)	98.0	91
Reductions, Efficiencies & Balancing Actions	(25.6)	13.1	(38.6)	(99)
Total 2022 Operating Funding Pressure - Base	67.4	8.0	59.4	(8)
New & Enhanced Service Priorities				
TTC Initiatives	2.1	1.1	1.0	2
Council Approved	1.1		1.1	6
Total 2022 Funding Pressure before COVID Impact	70.6	9.1	61.5	-
Total 2022 Operating Funding Request before COVID Impact	2,200.5	1,349.1	851.4	13,806
Change from 2021	3.3%	0.7%	7.8%	0.0%
2022 COVID-19 Impacts				
Passenger Revenue Loss, Net of PRESTO Commissions	(17.2)	(404.5)	387.3	
Lost Ancillary Revenue		(22.6)	22.6	
Incremental Expenses	51.3		51.3	6
2022 COVID-19 Impacts	34.1	(427.1)	461.2	6
Total 2022 Operating Funding Request	2,234.6	922.0	1,312.6	13,812
Change from 2021	81.6	355.3	(273.7)	(11)
	3.8%	62.7%	-17.3%	-0.1%

2022 Unavoidable Pressures

Line 5 Eglinton Revenue Service Commencement

Line 5 Eglinton is projected to commence revenue service in late 2022. The 19-kilometre line along Eglinton Avenue between Mount Dennis and Kennedy Station will provide service to 25 stations and surface stops in a dedicated right of way which will reduce customer travel times through the corridor by up to 60%. The line will connect to approximately 60 bus routes, three existing subway stations (Kennedy, Eglinton and Eglinton West), the UP Express, and three existing or future GO stations (Mount Dennis, Caledonia, and Kennedy), providing an important east-west connection.

Concurrently, the opening of Line 5 Eglinton will result in changes to approximately 27 bus routes that will improve connections to rapid transit, journey times and service reliability. The net change in bus service hours will be temporarily reinvested into flexible demand-responsive service that is primarily intended to protect Line 5 Eglinton operations to ensure steady state operation.



The 2022 Operating Budget includes the necessary funding to complete preparatory activities in advance of revenue service commencement on Line 5, including completion of operational testing and the hiring and training of operators, station customer service agents and other personnel required to operate the line.

As summarized in the following table, the net 2022 incremental funding requirement is \$25 million. By 2023, costs of Line 5 service will be annualized resulting in an incremental \$33 million net funding pressure. As a result, the total cost to operate and maintain Line 5 is anticipated to be \$79.2 gross and \$62.7 million net of anticipated incremental revenue and bus service savings.

Eglinton Crosstown LRT (\$Millions)					
TTC Conventional	2021	2022	2023	Change 2021 vs. 2022	Change 2022 vs. 2023
Eglinton Crosstown LRT					
Incremental Expenses	4.6	30.4	79.2	25.8	48.8
Bus Service Savings			(8.6)		(8.6)
Incremental Revenues		(0.8)	(8.0)	(0.8)	(7.2)
Net Funding Impact	4.6	29.6	62.7	25.0	33.1

Restoring Service: TTC Conventional Service

Throughout the pandemic, ridership demand for bus service has outpaced other modes and is at 57% of pre-pandemic levels on bus, with streetcar and subway service at 49% and 44% respectively as of November 2021.

As summarized in the following table, based on current ridership demand and forecasts and relative to pre-pandemic service levels, the 2022 Service Budget anticipates 100% of pre-pandemic service levels on all conventional transit modes by Q2, 2022.

2022 Operating Budget TTC Conventional Service as a % of Pre-Pandemic Normal Service				
POLICY - 50% DEMAND, 100% SERVICE				
Mode	Q1	Q2	Q3	Q4
Bus	100%	100%	100%	100%
Streetcar	95%	100%	100%	100%
Subway	95%	100%	100%	100%

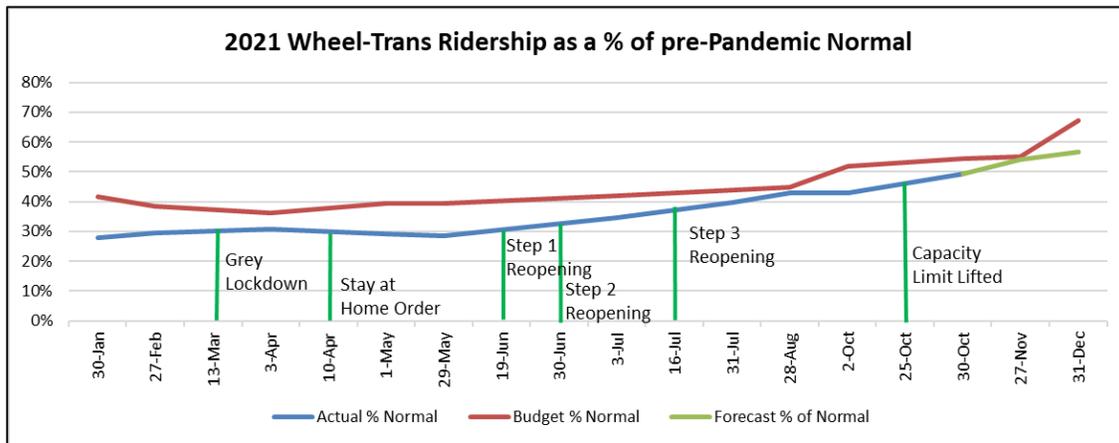
The implementation of the Mandatory Vaccination Policy effective November 21, 2021, has required some temporary service adjustments due to operator availability. To limit the impact on customers, weekend construction diversions have been paused and additional new hire operator classes have been added. Given the accelerated operator hiring currently underway, the 2022 Service Budget includes the necessary hours to restore Conventional service (bus, streetcar, subway) to pre-pandemic service levels by Q2 2022, as summarized in the following chart.

2022 Operating Budget TTC Conventional Service as a % of Pre-Pandemic Normal Service				
BASED ON AVAILABLE WORKFORCE				
Mode	Q1	Q2	Q3	Q4
Bus	94.3%	100%	100%	100%
Streetcar	90.4%	100%	100%	100%
Subway	90.0%	100%	100%	100%

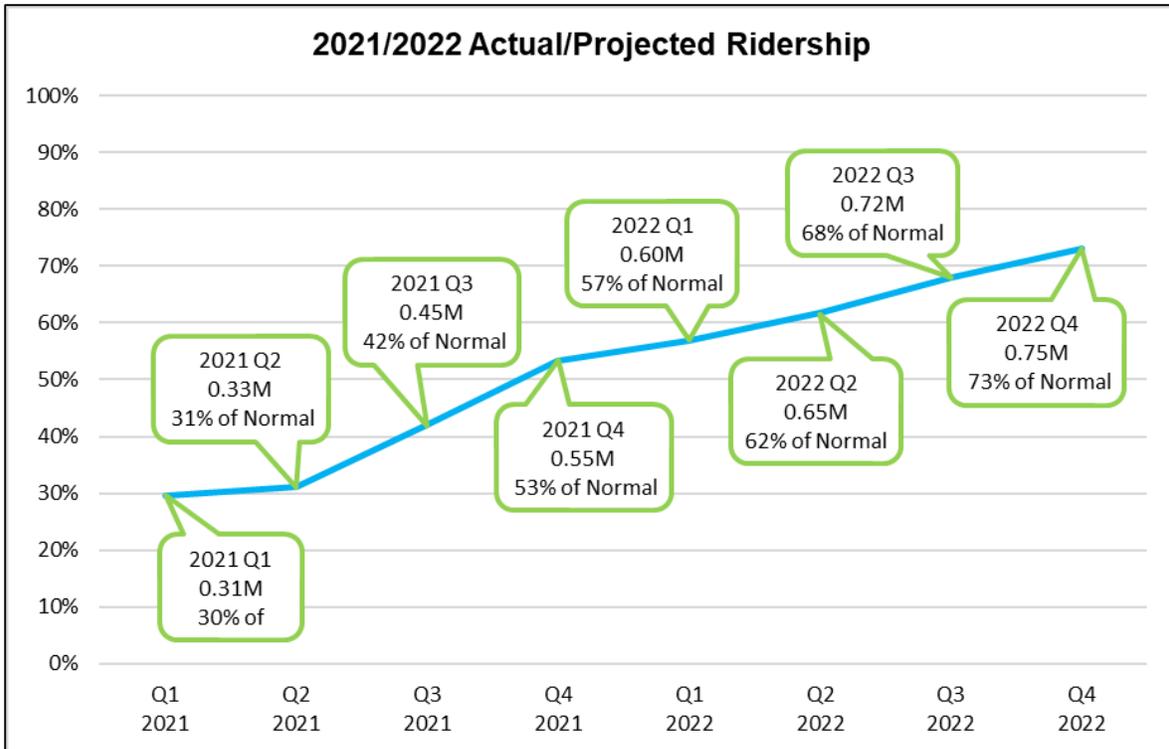
Restoring Service: Wheel-Trans

Given the nature of Wheel-Trans service, Wheel-Trans service expenditures are directly linked to the number of rides required. As part of the 2021 Wheel-Trans budget, it was anticipated that there would be a gradual increase in ridership as vaccinations became more prevalent and a gradual return to regular activities occurred.

While a gradual increase in ridership has occurred, it has been consistently below the budgeted plan for 2021, as shown in the following chart.



There has been a gradual return of Wheel-Trans ridership since the reopening, however, with reduced in-person medical appointments and the prevalence towards online work, school and recreational activities, Wheel-Trans ridership has remained below budget expectation. For example, based on trip data, work, school or recreational trips accounted for approximately 2% of trips in Q1 and gradually increased to 5% of trips in Q3, compared to approximately 15% of all Wheel-Trans rides before the pandemic. Although non-essential trips have not returned to pre-pandemic levels, it is anticipated that the gradual return of these trips will continue in 2022 as Wheel-Trans riders become more comfortable making non-essential trips.



The \$16.1 million gross and \$14.4 million incremental net funding requirement for 2022 will provide the necessary funding required for the anticipated increase in Wheel-Trans ridership demand. In 2022 budgeted Wheel-Trans ridership demand is expected to average 65% and reach 73% by the end of 2022, reflecting a total ridership of 2.7 million, compared to the 2021 budget of 1.9 million rides and 1.6 million rides projected to the end of 2021. Gradually increasing ridership is expected to occur through 2022 including an increase in trips for medical appointments and non-essential travel in Q1 and Q2 and an increase in return to school and day program trips in Q3 and Q4.

Legislative Impacts and Fuel Prices

The 2022 Operating Budget is impacted by legislative increases in Canada Pension Plan contribution rates and the scheduled carbon prices. In addition, consistent with recent market conditions, the budget forecasts a 30% increase in the market price of diesel fuel. Strategies and actions to partially mitigate increases in the cost of diesel fuel have been put in place and include hedging a portion of the diesel fuel requirements, capturing the continued reduction in fuel consumption rates achieved through fleet renewal and a planned stabilization reserve withdrawal to partially fund the increase, should it be required. These strategies and actions are discussed in the Budget Reduction & Balancing Action section below.

Budget Reduction & Balancing Actions

The 2022 Operating Budget reflects \$25.6 million in base expenditure reductions and savings and a reduction of 99 positions arising from the implementation of efficiency measures as well as \$13.1 million in reserve withdrawals to offset 2022 budget pressures.

An array of actions yielding savings in 2022 range from the continued implementation of the overtime reduction strategy, the One Person Train Operation, the Business Transformation program, and Auditor General recommendations as well as fuel hedging and consumption rate savings and other expenditure reductions. All actions being taken do not impact service capacity provided to customers. These measures are summarized in the following table.

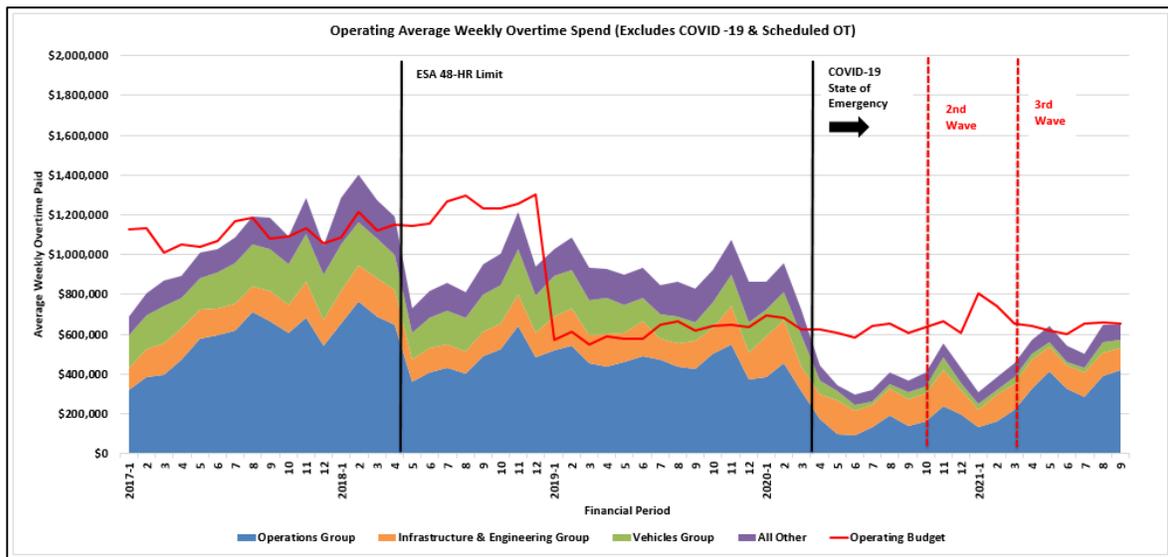
Efficiencies, Reduction & Balancing Actions						
(\$Millions)						
Description	TTC	WT	Gross	Revenue	Net	Pos.
Base Expenditure Reductions:						
Diesel Consumption Savings	(5.4)		(5.4)		(5.4)	
Diesel Hedging	(1.4)		(1.4)		(1.4)	
Other Line by Line Reductions	(3.7)	(0.5)	(4.2)		(4.2)	
Subtotal: Base Budget Reductions	(10.5)	(0.5)	(11.0)		(11.0)	0.0
Efficiency Measures:						
Overtime Reduction Strategy	(3.8)	(0.7)	(4.5)		(4.5)	
Overtime Reduction Pension Contribution Savings	(0.5)	(0.1)	(0.6)		(0.6)	
Improved Vehicle Maintenance Work Methods & Tool Usage	(1.7)		(1.7)		(1.7)	(5)
Streetcar Interior Lighting Upgrade	(0.9)		(0.9)		(0.9)	(1)
Facility Maintenance Contract Optimizations	(0.7)		(0.7)		(0.7)	
One Person Train Operation	(2.6)		(2.6)		(2.6)	(66)
ATC Efficiency	(0.1)		(0.1)		(0.1)	
McNicol Deahead Savings	(0.2)		(0.2)		(0.2)	
Articulated Buses Route 927	(0.1)		(0.1)		(0.1)	(4)
Subtotal: Efficiency Measures	(10.6)	(0.8)	(11.4)		(11.4)	(76)
Transformation Initiatives:						
Second Source Streetcar cleaning/servicing	(0.4)		(0.4)		(0.4)	
Materials Management: Storeperson Efficiency	(0.3)		(0.3)		(0.3)	(3)
Wheel-Trans - Family of Services		(0.2)	(0.2)		(0.2)	
Subtotal: Transformation Initiatives	(0.7)	(0.2)	(0.9)		(0.9)	(3)
Implementation of AG Recommendations:						
Wheel-Trans: Reservationists		(1.7)	(1.7)		(1.7)	(21)
After Market Parts Warranty	(0.4)		(0.4)		(0.4)	
Alternate Source Savings	(0.2)		(0.2)		(0.2)	1
Subtotal: Implementation of AG Recommendations	(0.6)	(1.7)	(2.3)		(2.3)	(20)
Total 2022 Efficiencies & Reduction Measures before Reserve Draw	(22.3)	(3.3)	(25.6)		(25.6)	(99)
Balancing Actions						
TTC Stabilization Reserve Draw: Re Fuel Prices				8.5	(8.5)	
TTC Stabilization Reserve Draw: Re Insurance Premiums				1.6	(1.6)	
TTC Long-Term Liability Reserve Draw: Re Insurance and Accident Claims				3.0	(3.0)	
Total 2022 Efficiencies, Reduction & Balancing Actions	(22.3)	(3.3)	(25.6)	13.1	(38.6)	(99)

Efficiency Measures

Efficiency measures are specific actions taken by TTC management that achieve cost reductions without impacting service and those impacting the 2022 Operating Budget are discussed below.

▪ Overtime Reduction Strategy

The management of overtime continues to be a key priority for the TTC. As shown in the following chart, since 2017, there has been a substantial decline in operating budget overtime requirements and since the start of the pandemic, as part of cost containment efforts, operating overtime spending has been maintained below budgeted levels. Overtime reductions totalling \$5.1 million, inclusive of related TTC Pension contributions, are incorporated in this budget, based on ongoing actions including the implementation of schedule adjustments, filling vacancies, and the addition of 14 additional operator positions added specifically to achieve overtime reductions.



▪ One Person Train Operation

One Person Train Operation (OPTO) is being implemented in stages on Line 1. Made possible through the installation of Automatic Train Control signalling technology, on board train crews are being reduced from 2 operators to 1. Concurrently to enhance customer experience and staff presence in stations, a portion of the saved resources are being reinvested in additional supervisory and stations personnel.

Of the \$2.6 million in savings anticipated in 2022, \$2.1 million is related to the annualized savings from the recent implementation of OPTO on Line 1 between St. George and Vaughan Metropolitan Stations. It is anticipated that OPTO will be implemented on the balance of Line 1 by year-end 2022 producing \$0.5 million in 2022 savings and a reduction of 66 positions. Upon

full implementation \$14.6 million in annualized net savings will be realized, over three years.

▪ **Service Efficiencies**

Service Efficiencies, which do not impact service capacity for customers include:

- **McNicoll Bus Garage:** Annualization of non-revenue service savings associated with the opening of the McNicoll Bus Garage, due to closer proximity between the garage and routes being served.
- **Automatic Train Control:** Improved subway train travel times associated with the continued implementation of Automatic Train Control on Line 1 will result in less scheduled trains to deliver the same capacity.
- **Articulated Buses:** Planned conversion of the 927 Highway 27 Express service from 12 metre buses to 18 metre articulated buses which will improve or maintain capacity with less resource requirements.

Transformation Initiatives

A total of \$0.9 million will be saved through the annualized effect of transformation initiatives implemented in 2021. These include the second sourcing of facility maintenance at the McNicoll Garage and streetcar cleaning. The Business Transformation program will continue to examine current work practices and identify new opportunities in 2022 and beyond. Further savings identified will be incorporated in future budgets.

Implementation of AG Recommendations

The continued implementation of Auditor General Recommendations relating to the Wheel-Trans reservations call centre contract, the identification of alternate suppliers for vehicle parts and improved use of after market part warranties is expected to save \$2.3 million in 2022.

Base Budget Expenditure Reductions (Line-by-Line)

Preliminary budgets are analyzed against spending trends and current market conditions as part of a line-by-line expenditure review. This review has resulted in \$11.0 million in savings being incorporated into the 2022 Operating Budget. These savings are based on reductions in:

- **Diesel Fuel:** With ongoing fleet renewal, TTC has consistently been able to reduce the diesel consumption rate on per kilometre basis over the past several years. For 2022 a diesel consumption rate of approximately 0.52 litres per kilometre will be achieved, representing a 7% decrease from the 2021 budgeted consumption rate. In addition, hedges for approximately 15% of 2022 requirements have been secured at levels below 2022 forecasted market prices.
- **Other Line-By-Line Savings:** Spending trends both pre-pandemic and throughout were reviewed through a line-by-line review. As a result of the

analysis undertaken, \$4.2 million in expenditure reductions primarily due to lower material volume and contract costs being lower than original estimates, have been identified and reflected in the 2022 Operating Budget.

Balancing Actions

The 2022 Operating Budget includes \$13.1 million in planned reserve withdrawals as a balancing action. This reserve funding is incorporated into the budget specifically to address volatility and uncertainty in the market price for diesel fuel, insurance premiums and to address the uncertainty in timing of payments that may be made for accident claims. While the 2022 Operating Budget reflects a 30% increase in the budgeted price of diesel fuel and an 18% increase for insurance premiums based on market trends, it is possible based on current market volatility that the full extent of the currently forecast price increase may not materialize. To ensure sufficient funding is available while limiting the required city funding increase, a \$10.1 million withdrawal from the TTC Stabilization Reserve to address both actions is recommended. Similarly, given the expectation that accident claim cash payments may increase as COVID related court delays are eliminated, a \$3.0 million withdrawal from the Long-Term Liability Reserve (which was specifically established to fund TTC Accident Claim payments) is also recommended. In these cases, the use of reserve funding will only be drawn upon to the extent they may be required.

New & Enhanced Service Priorities

The staff recommended funding for new and enhanced service priority actions has been limited to focus on advancing the following key outcomes: System Resiliency & Financial Sustainability, particularly given changing transit demands; Diversity, Equity and Inclusion at the TTC as well as ensuring the TTC has the capacity to implement the Council-approved ModernTO initiative.

New & Enhanced Service Priority Actions (\$Millions)					
Description	Gross	Revenue	Net	Pos.	Supports Key Issue/Challenge
Resiliency & Financial Sustainability					
Service Plan Reset/Ridership Reacquisition Strategy	0.5	0.5	-		Resiliency Financial Sustainability
Fare Collection Strategy	0.6	0.6	-		Resiliency Financial Sustainability
Innovation & Sustainability	0.4		0.4		Resiliency
Diversity & Inclusion					
Diversity & Anti-Racism Training & Awareness	0.7		0.7	2	Diversity & Inclusion
City Initiatives					
ModernTO	1.1	-	1.1	6	Council Approved
Total 2022 New & Enhanced Service Priority Actions	3.2	1.1	2.1	8	

Resiliency & Financial Sustainability

▪ Service Plan Reset and Ridership Reacquisition Strategy

The service plan reset/ridership reacquisition strategy will enable the TTC to understand changes in customer travel patterns post-pandemic and examine how riders can be attracted back to the TTC through innovative means. This initiative will contribute to ensuring system resiliency and improving financial sustainability through a clearer understanding of travel patterns and planning transit service that effectively serves our riders while implementing policies designed to attract riders back to public transit. Given the one-time nature of this cost, it will be funded by the TTC Stabilization Reserve.

▪ Fare Collection Strategy

The fare collection strategy will enable the TTC to develop a business case for the modernization of the fare collection system. This will include developing a detailed Request for Information to determine future business requirements and ensure comprehensive business terms are established for the Automated Fare Collection agreements. Given the one-time nature of this cost, it will be funded by a draw from the TTC Stabilization Reserve.

Resiliency

▪ Innovation & Sustainability

To embed innovation, environmental sustainability and climate change resilience at the TTC, \$0.4 million is recommended to support the recently formed function. This additional funding will allow for an independent assessment report and the formation of a TTC innovation and sustainability strategy and plan.

Diversity & Inclusion

▪ Anti-Racism & Diversity Training & Awareness

TTC continues to advance work that contributes to the TTC's commitment to being an accessible, equitable and inclusive service provider and organization. For 2022, funding of \$0.7 million and two positions are recommended for the following initiatives:

- Two additional instructors dedicated to diversity and anti-racism training for front-line staff.
- Delivering specialized mental health training for Special Constable Service and Revenue Protection personnel as well as, customer service, diversity, equity and inclusion training, consistent with Ombudsman Toronto recommendations. This will ensure Constables and Fare Inspectors have the knowledge and resources to perform their duties in an equitable, fair and non-discriminatory manner.
- Awareness Campaigns to build community outreach such as Black History Month, Indigenous History Month and Lunar New Year.

Council Approved Initiatives

▪ ModernTO

TTC is continuing to advance work on the ModernTO initiative, which will optimize and modernize office space and consolidate 10 TTC offices to North York Centre and Metro Hall, with approximately 2000 employees working in a hybrid model, the extent to which depends on the business requirements. \$1.1 million and six positions are recommended to provide the necessary resources and expertise for project management; space planning, policy development and information management work necessary to transition to the hybrid model required to advance this initiative and achieve the shared objectives of system resiliency and financial sustainability.

Workforce Complement

Consistent with the initiatives noted throughout this report, the approved operating complement will be reduced by 11 positions overall.

112 positions are required in order to restore service to pre-pandemic capacity and commence revenue service on Line 5 Eglinton, while a net reduction of 23 positions in the base budget will be primarily achieved by the conclusion of supplemental construction service along Eglinton Avenue.

The implementation of efficiency initiatives will achieve a reduction of 99 positions. This includes 66 positions eliminated through the second-year implementation of the One Person Train Operation on Line 1, bringing the total position reduction to 100 over the two-year period. An additional 21 positions related to the ongoing transition to a third-party call centre to support Wheel-Trans reservations brings the total number of position deletions through attrition to 30 so far. Eight positions are required to implement new and enhanced initiatives described earlier in this report.

As well, a total of 131 capital positions to be funded from the 10-year Capital Plan will be added to TTC's capital complement and 15 capital positions to the City's complement to provide the necessary TTC and City resourcing required to build capacity for the successful delivery of the major capital programs funded in the 2022-2031 Capital Budget and Plan.

As summarized on the following table, a further 131 positions are requested to support Capital project delivery for an overall total increase in complement of 120 positions.

2022 Complement Summary of Changes			
Budget	2021	2022	Change
Coventional Operating:			
Base	13,182	13,249	67
Efficiencies	-	(78)	(78)
Other New & Enhanced	-	8	8
COVID-19	16	5	(11)
Subtotal: Conventional Operating	13,198	13,184	(14)
Wheel-Trans Operating:			
Base	590	612	22
Efficiencies	-	(21)	(21)
COVID-19	1	1	-
Subtotal: Wheel-Trans Operating	591	592	1
Metrolinx Transit Expansion (Full Cost Recovery)	34	36	2
Total Operating Positions	13,823	13,812	(11)
TTC Capital	2,524	2,655	131
Total Authorized Complement	16,347	16,467	120

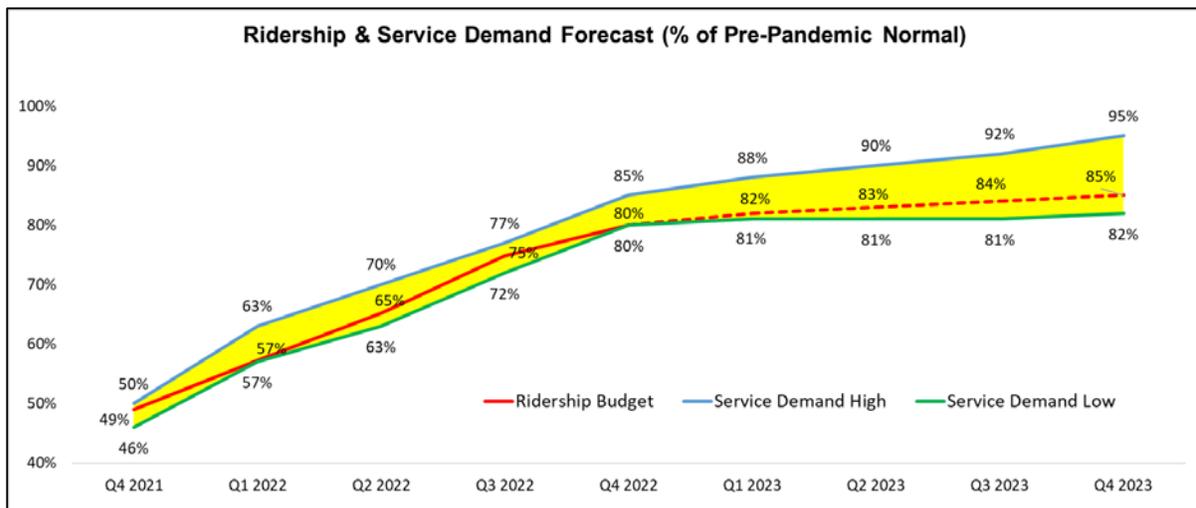
At its meeting on February 10, 2021, the TTC Board approved the addition of 34 positions dedicated to core resourcing for the Metrolinx subway expansion program to ensure TTC has the necessary capacity. Based on work completed in 2021, two additional core position requirements were identified. These roles and associated costs will be fully funded by Metrolinx and as such require no new municipal funding as set in the staff service agreement.

Further details on 2022 workforce complement changes are outlined in Appendix C.

2022 Revenue Budget and Forecast

In order to support the accessibility of transit to all riders and promote ridership recovery, TTC fares will be frozen for the second year in a row. As a result, 2020 rates will be maintained for 2022. The TTC will continue to place the highest priority on ensuring it is delivering a safe and reliable system which will in turn encourage customers to increase the frequency of TTC system usage for their transportation needs.

In order to forecast and project ridership demand through 2022, key segments of TTC ridership, and the events likely to increase their use of the transit system, were assessed using survey data with a particular focus on return to office plans of several major employers and plans regarding a broader return to in-person learning at post-secondary institutions. This enabled a forecast of a probable range of ridership levels as depicted by the yellow range in the graph below. The revenue ridership budget (red line) was established within this range and incorporated consideration of recent events including, COVID-19 case counts and the emergence of the Omicron variant.

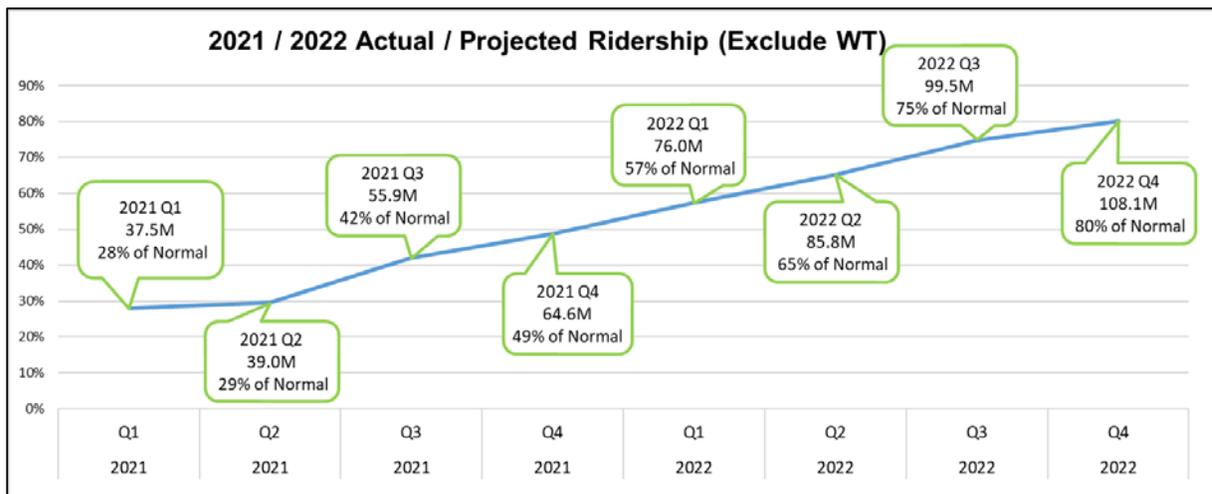


Overall, the TTC expects the ridership trends experienced in the latter portion of 2021 to extend into and continue throughout 2022. Forecasted 2022 ridership levels assume:

- No significant waves of COVID cases requiring additional restrictions;
- A return to office, averaging 1.7 days/week in office for the year and 3.3 days/week work from home;
- A return to in-class learning for post-secondary students; and
- A return of special events and corresponding attendance, similar to pre-COVID experience, ramping up in Q2 through Q3 of 2022.

For 2022, the TTC is expecting approximately 369.4M revenue rides, which represents 69% of pre-COVID normal levels, starting the year at 54% in January and ending the year at 81% in December. These 2022 ridership recovery percentages are based on ridership recovery trends experienced during 2021,

actual experience in the last quarter of 2021 and the growth and transit use expected for 2022 based on the assumptions outlined above. With a consistent fare structure between 2021 and 2022, forecasted ridership is anticipated to generate \$845.9M in 2022 passenger revenue. The graph below shows quarterly ridership for 2021 (forecast for Q4 2021) as well as the ridership forecast for 2022 for each of the four quarters of 2022.



The insights and analysis on ridership trends which formed the basis for the 2022 ridership budget are discussed in Appendix A1: TTC Conventional: Revenue Ridership and Revenue Trends.

2023 and 2024 Outlook

The outlooks for 2023 and 2024 identify pressures of \$125.6 million and \$59.4 million, respectively, before accounting for projected COVID-19 impacts. Key cost drivers include continued energy and material price escalation; the annualized cost of operating and maintaining Line 5 or the Eglinton Crosstown LRT and the opening of the Finch West LRT; full restoration of Conventional service levels; and increasing Wheel-Trans service to meet projected 80% of pre-pandemic demand, operating impacts of completed capital projects. Annualized efficiency savings will partially mitigate these pressures by providing a forecasted \$13.3 million in 2023, primarily from the full implementation of One Train Operation.

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 2023 and 2024: Incremental Funding Requirements excluding COVID-19 Impact (\$Millions)		
TTC Conventional & Wheel-Trans	2023	2024
Expenses		
<u>Economic Factors</u>		
Energy, Carbon Pricing, Benefits, Material Price Increase	27.6	28.2
<u>Prior Year Impacts</u>		
Service Restoration (Conventional Q1 + Wheel-Trans)	18.7	2.8
Line 5 - Eglinton LRT	40.2	(1.4)
Line 6 - Finch West LRT	23.0	18.1
<u>Operating Impact of Capital</u>		
ITS Projects	3.0	0.6
Purchase of Additional LFLRV	2.1	4.9
Other Operating Impacts of Capital (New bus technology, e buses, warranties)	1.0	1.6
<u>Base Changes</u>		
LRT Construction Service	(6.5)	
SRT Bus Replacement	3.0	2.9
Other Base Changes	16.9	4.0
<u>Base Reductions and Efficiencies</u>		
One Person Train Operation	(12.0)	
Alternate Part Sourcing	(0.5)	
Aftermarket part warranties	(0.2)	(0.2)
Other Efficiencies & Line by Line	(0.6)	(0.9)
<u>Revenue Changes</u>		
Eglinton Crosstown Increased Revenue	(7.2)	(1.3)
Finch West LRT Increased Revenue	(0.7)	(1.6)
Calendar Impact (Leap Year & Holiday timing)		(6.1)
Reversal of Reserve Draw re LRT Construction Service	6.5	
Reversal of 2022 TTC Stabilization Reserve Draws	9.6	
Total 2023 & 2024 Operating Funding Pressure - Base	124.0	51.4
<u>New & Enhanced Service Priority Actions</u>		
Dundas Name Change	1.6	(1.6)
5-Year Service Plan		9.6
Total 2023 & 2024 Operating Funding Pressure - Base & New	125.6	59.4

Impact of COVID-19

The financial impact of COVID-19 will continue to significantly affect the TTC's financial sustainability, even as the broader health impacts of the pandemic subside. The following table provides an estimate of COVID-19 impacts based on expected ridership for 2022 and directional revenue ridership estimates for 2023 and 2024.

COVID-19 Remaining Pressures (\$Millions)			
TTC Conventional & Wheel-Trans	2022	2023	2024
COVID-19 Pressure			
Passenger Revenues (Net of Presto Fees)	387.3	211.5	155.2
Ancillary Revenue	22.6	10.0	2.2
Incremental Expenses	51.4	28.6	19.1
Total COVID-19 Remaining Pressure	461.2	250.1	176.4

The majority of the financial impact relates to lost passenger revenue and ancillary revenues (advertising, parking and subway concessions). Overall, incremental expenses are anticipated to be comparable to 2021, due ongoing response activities and measures as well as higher absence costs but are anticipated to gradually decrease in 2023 and 2024.

Funding of COVID-19 Impact

To date, the TTC has received \$1.3 billion in funding relief from other orders of government, which recognizes the importance of public transit as an essential service and as the foundation for the City’s vitality and recovery. The City and TTC are having ongoing discussions with other levels of government to address 2022 COVID impacts and secure stable and long-term funding.

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Signature

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Interim Chief Financial Officer

Attachments

- Appendix A1 TTC Ridership and Revenue Trends
- Appendix A2 TTC Conventional Service: Annual Service Plan Summary

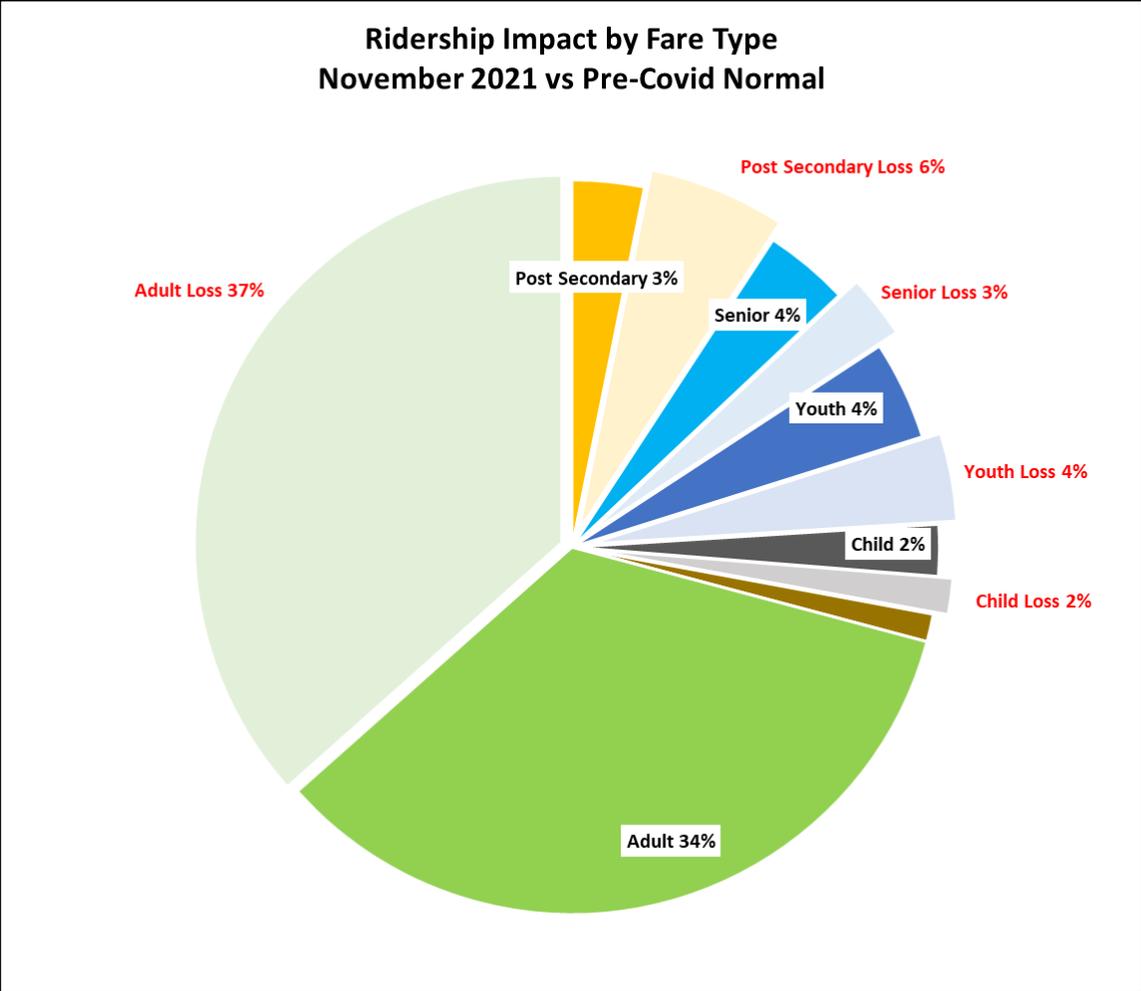
Appendix A3	TTC Conventional Service: Key Cost Drivers
Appendix A4	TTC Conventional Operating Budget by Functional Area
Appendix B1	Wheel-Trans Operating Budget: Key Cost Drivers
Appendix B2	Wheel-Trans Operating Budget by Functional Area
Appendix C	Workforce Complement
Appendix D	TTC Stabilization & Long-Term Liability Reserve

TTC Conventional: Revenue Ridership and Revenue Trends

Who is Riding?

In an effort to understand the impacts of COVID-19 on 2021 ridership and build a basis for TTC’s 2022 ridership revenue budget, ridership data and trends experience to date 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 best understand how changing ridership patterns throughout the pandemic may impact the TTC in the short and mid term.

The following chart demonstrates 2021 ridership losses by fare type as of November 2021:



- **Adult**
TTC’s largest ridership impact came from the loss of adult fare paying customers. Ridership in this group is at approximately 49% of pre-COVID normal, representing a loss of 37% of all pre-COVID-19 ridership. Office

workers continuing to work from home is the key driver that has contributed to this loss, followed by less leisure travel. As a gradual return-to-office is expected for 2022, ridership from the adult fare is expected to increase.

- **Youth (ages 13-19)**

TTC youth ridership is at approximately 53% of pre-COVID normal, representing a loss of 4% of all pre-COVID ridership. In-person classes resumed again in Fall 2021; however, between 9%-21% of high school students in the Toronto District School Board (TDSB) selected virtual learning for Fall 2021, contributing to this decline in youth ridership when compared to pre-COVID levels.

- **Post-Secondary**

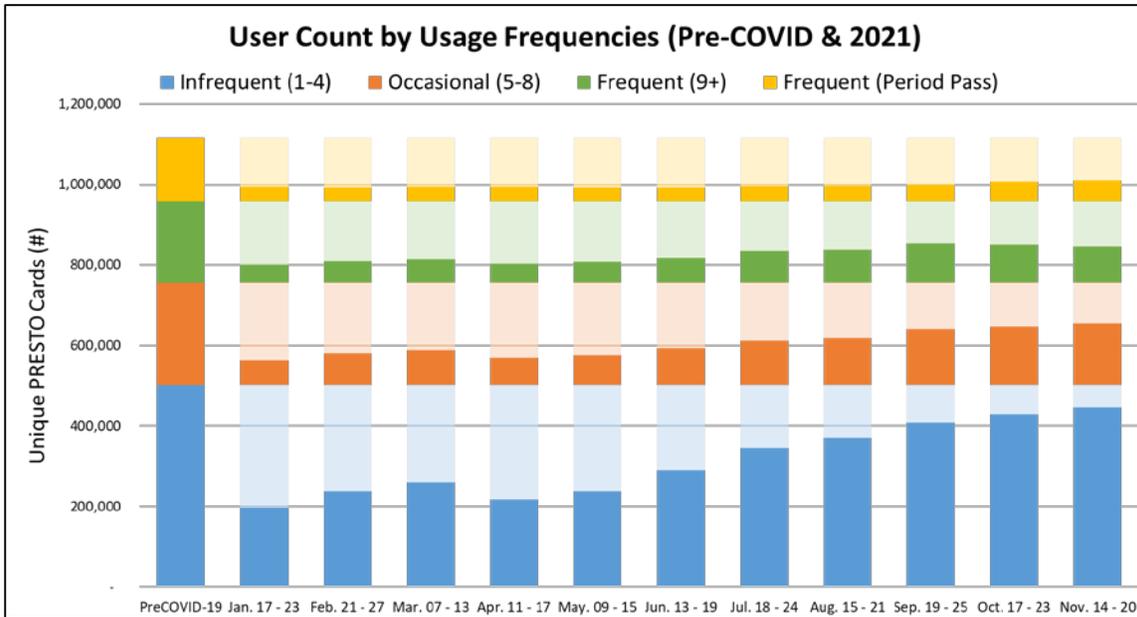
Post-Secondary riders benefit from a lower fare when riding with a post-secondary monthly pass. TTC continues to experience a significant decline in post-secondary ridership, with ridership at approximately 34% of pre-COVID normal, representing a loss of 6% of all pre-COVID ridership. Post-secondary institutions in the Greater Toronto Area offered increased in-person learning in Fall 2021, but still at levels significantly lower than pre-COVID, which drives down ridership levels from this group. It is forecasted that post-secondary ridership will increase in 2022, as post-secondary institutions are expected to offer increased in-person learning.

- **Senior**

The Senior fare group also had significantly reduced travel, but overall was the least impacted. Ridership for the Senior fare category is at approximately 57% of pre-COVID normal, representing a loss of 3% of all pre-COVID-19 ridership. This group likely has a higher proportion of trips being essential in nature and reduction in leisure travel is likely a key reason for the ridership decline experienced.

How Often Are Customers Riding?

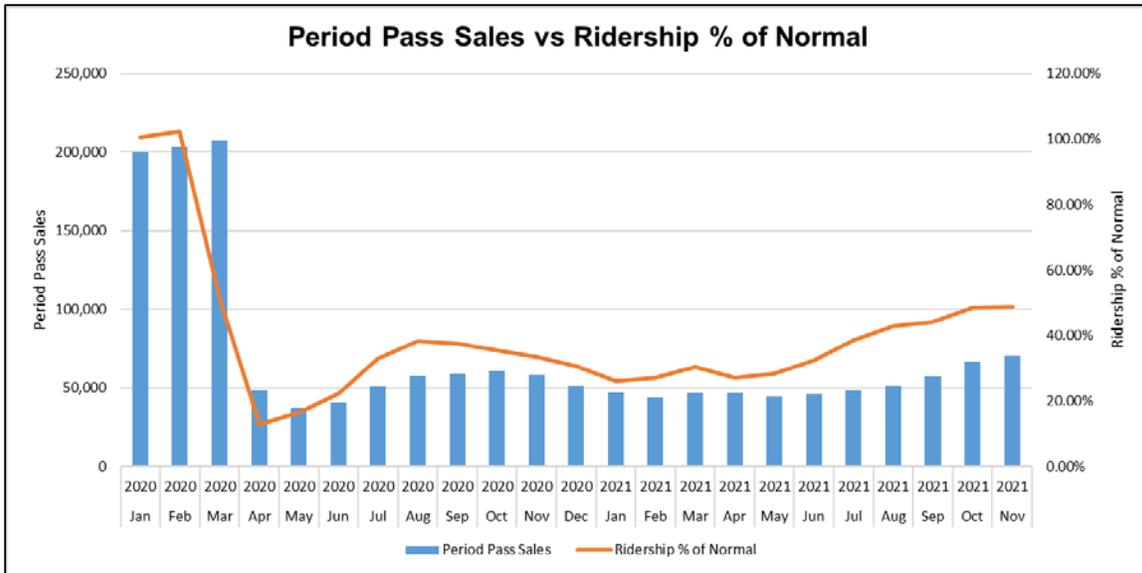
The number of rides taken by unique card users were examined throughout 2021 to build an understanding of how riders' use of the TTC was changing throughout the pandemic. This understanding helps to model projections around the circumstances that would need to exist for frequency of use to return to pre-pandemic levels in 2022 and beyond. The following graph examines the 2021 proportionate change in ridership frequency and is discussed below.



As vaccination rates increased throughout the year and public health measures were increasingly relaxed in the last half of 2021, ridership increased across all usage profiles. It is notable that PRESTO taps frequent usage (defined as 9 rides or more in a week) from both the monthly pass and epurse tap usage groups declined in proportion from a combined 34% before COVID-19 to 22% as of November 2021. When looking at proportionate changes in other ridership groups, PRESTO taps from infrequent riders, those using the transit system to make 1 to 4 rides a week, have seen a proportionate increase from 44% before COVID-19 to 58% as of November 2021. This indicates that pre-COVID frequent riders reduced their frequency and are using the system less on a weekly basis, due to factors such as work from home, virtual learning, and a reduction in leisure and other non-essential travel. These trends are consistent to what was evidenced in 2020.

The above usage trends are further confirmed when examining the purchase of monthly passes by frequent riders. As can be seen in the following chart, monthly pass sales during January to March 2020 were each above 200,000, (reaching 208,000 in March 2020), as there were more frequent riders using the TTC to get to work, school, events, and their daily leisure 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 2020.

Waves of slight growth and decline in pass sales were subsequently experienced in 2020 and 2021, were relatively consistent with the provincial lockdowns, and a continual gradual increase has occurred since the province entered Stage 3 of reopening in July 2021, reaching 71,000 pass sales in November 2021. Pass sales continue to trail the overall ridership recovery, with pass sales at 33% of pre-COVID levels while overall ridership is at 49% for November 2021.



In order for pass sales to rebound and frequent riders to return to previous levels, pre-pandemic conditions related to travel for work, school, special events, and other essential trips, will need to be approximated. Ridership frequency is expected to increase throughout 2022, with a ramp-up in return-to-office starting in Q1 and continuing into Q2/Q3, averaging at 3.3 days/week for at-home work (1.7 days/week in office) for 2022. It is expected that this increase in ridership frequency will drive a corresponding increase in fare media switching from e-purse fare to monthly pass.

Implications for 2022

The TTC is expecting ridership recovery trends experienced in the latter portion of 2021 to extend into 2022. Ridership growth is expected throughout 2022, with 369.4M revenue rides budgeted for the year, at an annual average of 69% of pre-COVID normal. Forecasted 2022 ridership levels assume:

- No significant waves of COVID cases requiring addition restrictions;
- A return to office, averaging 1.7 days/week in office for the year and 3.3 days/week work from home;
- A return to in-class learning for post-secondary students; and a
- A return of special events and corresponding attendance, similar to pre-COVID experience, ramping up in Q2 through Q3 of 2022.

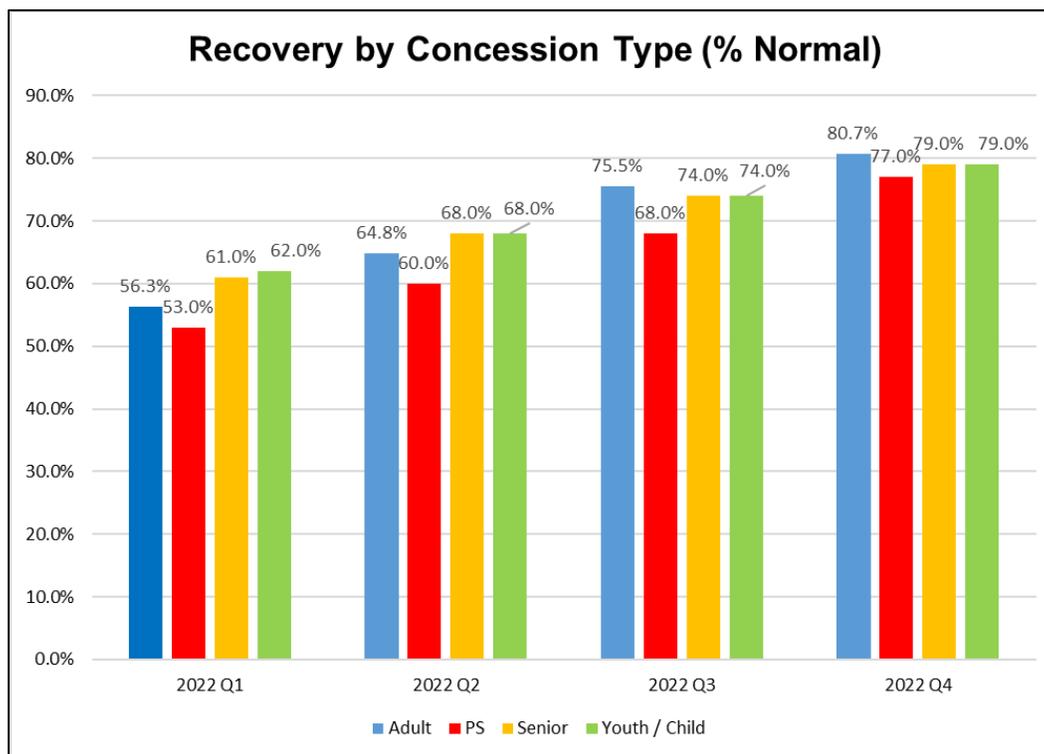
For Q1 2022, ridership is expected to show increased growth, driven by a return to in-office work, moving the adult fare from 49% of pre-COVID normal in November 2021 to an expected 56% for Q1 2022. This increase in adult ridership frequency is expected to see a gradual shift from an e-purse fare to a monthly pass throughout 2022. Likewise, this growth is expected to be proportionately higher across subway, than other modes, as more riders are expected to return to the downtown core for increased office work. TTC also expects to see an increase in post-secondary ridership from 34% of per-COVID normal in November 2021 to an expected 53% in Q1 2022, as post-secondary institutions are expected to further

increase their offering of in-person learning, starting in January 2022. These drivers, as well as an expected continual general increase across the system, is expected to increase ridership from the 49% of pre-COVID normal as of November 2021 to 57% of pre-COVID normal for Q1 2022 (76.0M revenue rides and \$170.0M in passenger revenue for Q1 2022).

The TTC is anticipating a steady increase in ridership in both Q2 and Q3 2022, based on a gradual return to in-office work (from both an increase in the number of employers requiring a return-to-office of their employees as well as a ramp-up in in-office frequency) and a return of special events (e.g. festivals and parades) that were cancelled in spring/summer 2020 and 2021. These drivers, as well as an expected continual general increase across the system, is expected to increase ridership to 65% of pre-COVID normal in Q2 (85.8M revenue rides and \$193.9M in passenger revenue for Q2, 2022) and 75% in Q3, 2022 (99.5M revenue rides and \$229.6M in passenger revenue for Q3 2022).

For Q4, 2022, the TTC is expecting the pace of ridership growth to slow slightly from earlier in 2022, as return-to-office activity will begin to stabilize, given that most employers are expected to accommodate a future hybrid model of work, allowing a partial work-from-home of their employees to continue in the longer-term. Given this, ridership is forecasted to be at approximately 80% of pre-COVID normal levels by year-end (108.1M revenue rides and \$252.6M in passenger revenue for Q4 2022).

As referenced above, the following graph displays the 2022 budget, as a percentage of pre-COVID normal, by concession type.



TTC Conventional Service: Annual Service Plan Summary

2022 Annual Service Plan

The 2022 Annual Service Plan (ASP) builds on the foundation of the 5-Year Service Plan and 10-Year Outlook (5YSP) and the 2021 ASP. The 2022 ASP provides an opportunity for the TTC to continue to refine initiatives, address emerging priorities and rebuild our mass transit network so that we can continue to move large volumes of customers safely, reliably, and swiftly across the city. Our emerging focus is to continue to respond to the evolving demand for public transit service across the city as the new normal emerges. Our emerging priorities are:

1. Improve regular scheduled service by reallocating and restructuring services

- Operate Line 5 and improve connections to the surrounding bus network
- Optimize service levels, on all routes, at all times of day, based on demand
- Restructure services to respond to customer travel patterns

2. Maintain demand-responsive service

- Operate flexible buses to respond to changes in customer demand
- Operate flexible buses to minimize customer inconvenience due to service disruptions

3. Advance key strategic initiatives

- Continue implementing surface transit priority measures like queue jump lanes & transit signal priority
- Pilot cross-boundary service integration in partnership with neighbouring municipalities
- Enhance connections to complementary modes of transportation: walking, cycling and high-occupancy private microtransit shuttle providers

The 2022 Annual Service Plan includes the restoration of service to pre-pandemic capacity in Q2 2022 and the commencement of revenue service on Line 5 Eglinton LRT in late 2022. The 2022 Annual Service Plan also incorporates operational efficiencies by leveraging new technology, a new garage and new articulated buses which do not result in changes to service capacity for customers.

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

2022 Service Hours Summary					
	Bus	Streetcar	Subway*	LRT	Total
2021 Service Budget**	7,496,000	921,000	1,080,000	0	9,497,000
2022 Service Changes					
Opening of Line 5 Eglinton LRT				31,000	
Pandemic Service Adjustments					
Restoration of Pre-Pandemic Service Levels		87,800	112,200		200,000
Q1 adjustment based on ridership demand		(10,900)	(12,600)		(23,500)
Q1 adjustment base on operator availability	(98,900)	(10,900)	(12,600)		(122,400)
Service Efficiencies	(2,900)		(75,200)		(78,100)
Calendar and seasonal changes	(6,200)		(3,000)		(9,200)
Conclusion of Eglinton LRT Construction Disruption Service ***	(103,000)				(103,000)
Subtotal 2022 Service Changes**	(211,000)	66,000	8,800	31,000	(136,200)
2022 Service Budget**	7,285,000	987,000	1,088,800	31,000	9,360,800
*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.					

It should be noted that consistent with lower than anticipated ridership demand in 2021, service hours actually operated in 2021 were lower than budget. Therefore, on all modes service hours planned for 2022, exceed the levels actually operated in 2021.

TTC Conventional Service: Key Cost Drivers

The 2022 recommended budget for the TTC Conventional service requires increased base budget funding requirement of \$46.6 million, excluding the impact of COVID-19. As shown in the following table, this is comprised of:

- \$53.5 million in unavoidable pressures
- \$3.5 million to fund operating costs to sustain completed capital projects
- \$25 million in other base changes, which are fully funded by \$35.4M in expenditure reductions, efficiency savings and balancing strategies

In addition, funding of \$2.1 million is recommended to support new and enhanced service priorities in 2022 that contribute to advancing TTC's outcomes of financial sustainability, diversity and inclusion and system resiliency.

When combined, the total operating funding increase for TTC Conventional service before accounting for COVID-19 financial impacts, is \$48.8 million net representing a 3.3% increase over the 2021 approved City funding level. Key cost driver increases to be funded are summarized in the following table.

2022 TTC Conventional Key Cost Drivers (Millions)				
Description (\$Millions)	Gross	Revenue	Net	Positions
2021 Approved Funding	2,034.4	562.5	1,472.0	13,198
Less 2021 COVID-19 Impact	(21.3)	773.3	(794.6)	(16)
2021 Approved Funding, Excluding COVID-19 Impact	2,013.1	1,335.8	677.4	13,182
Key Unavoidable Pressures				
Line 5 Eglinton LRT	25.8	0.8	25.0	12
Restoration of Streetcar & Subway Service, Net of Q1 Service Change	3.4	-	3.4	78
Diesel Fuel Price	17.8		17.8	
Legislative Changes (CPP & Carbon Tax)	7.3		7.3	
Subtotal: Key Unavoidable Pressures	54.3	0.8	53.5	90
Operating Impact of Capital				
E-Bus Charging Systems Maintenance	0.4		0.4	
ATC Line 1 Implementation	0.6		0.6	2
IT Systems & Other	2.4		2.4	5
Subtotal: Operating Impact of Capital	3.5	0.0	3.5	7
Base Changes:				
Other Prior Year Impacts	2.3		2.3	(25)
Eglinton LRT Construction Disruption Service	(9.2)	(9.2)	-	(51)
Health, Dental & Other benefits: Utilization & Inflation	8.2		8.2	
Accident Claims & Insurance	4.6		4.6	
Vehicle Maintenance Requirements	4.4		4.4	14
Repayment of City's Capital Financing Reserve for Property Acquisition	1.8	1.8	-	
Other Base Changes	5.4	(0.1)	5.5	32
Subtotal: Base Changes	17.5	(7.6)	25.1	(30)
Reductions, Efficiencies & Balancing Strategy				
Base Budget Reductions	(10.5)		(10.5)	
Implementation of AG Recommendations	(0.6)		(0.6)	1
Internal Efficiencies	(7.6)		(7.6)	(6)
Service Efficiencies	(3.0)		(3.0)	(70)
Transformation Initiatives	(0.7)		(0.7)	(3)
Balancing Actions		13.1	(13.1)	
Subtotal: Reductions & Efficiencies	(22.3)	13.1	(35.4)	(78)
Total 2021 Operating Funding Pressure - Base	53.0	6.3	46.6	(11)
New Requests & Initiatives				
Service Plan Reset/Ridership Reacquisition Strategy	0.5	0.5	-	
Fare Collection Strategy	0.6	0.6	-	
Diversity & Anti-Racism Training & Awareness	0.7		0.7	2
Innovation & Sustainability	0.4		0.4	
Council Approved				
ModernTO	1.1		1.1	6
Subtotal: New Requests & Initiatives	3.2	1.1	2.1	8
Total 2022 Operating Funding Change before COVID Impact	56.2	7.4	48.8	(3)
Change from 2021 before COVID Impact	2.8%	1.3%	3.3%	0.0%
2022 COVID-19 Impacts				
Passenger Revenue Recovery	(17.2)	(404.5)	387.3	
Lost Ancillary Revenue		(22.6)	22.6	
Incremental Expenses	49.4		49.4	5
2022 COVID-19 Impacts	32.2	(427.1)	459.3	5
TTC Conventional 2022 Operating Funding Request including COVID Impact	2,101.5	916.1	1,185.4	13,184
Change from 2021, including COVID-19 Impact	67.1	353.6	(286.5)	(14)
	3.3%	62.9%	-19.5%	-0.1%

TTC Conventional Operating Budget by Functional Area

TORONTO TRANSIT COMMISSION CONVENTIONAL SERVICE OPERATING BUDGET			
(\$000s)	2021 BUDGET	2022 BUDGET	2021 vs. 2022 BUDGET CHANGE
REVENUES			
Passenger Revenues	492,025	845,858	353,833
Ancillary Revenues	54,715	49,548	(5,166)
Stabilization Reserve Draw	15,760	17,672	1,911
Long-term Liability Reserve Draw	0	3,000	3,000
TOTAL REVENUES	<u>562,500</u>	<u>916,077</u>	<u>353,577</u>
EXPENSES			
CEO's Office	26,983	27,379	395
Corporate Affairs	1,814	1,964	150
Corporate Services Group	82,906	85,264	2,358
Diversity and Culture Group	10,114	10,649	534
Engineering and Construction Group	5,211	6,442	1,232
Innovation & Sustainability Group	1,625	3,116	1,491
People Group	42,505	41,793	(712)
Strategy and Customer Experience Group	73,221	75,974	2,753
Deputy CEO Group	4,132	16,843	12,711
Operations Group	645,483	642,713	(2,770)
Infrastructure & Engineering Group	166,665	169,047	2,382
Vehicles Group	313,434	312,110	(1,324)
Employee Benefits	355,332	370,987	15,655
Vehicle Fuel	71,029	81,983	10,954
Traction Power	56,083	57,915	1,832
Utilities	29,319	30,375	1,056
Depreciation	24,337	24,240	(97)
Taxes, Licences and Insurance	12,618	15,207	2,589
Accident Claim Payments/Contribution to Reserve	17,000	20,000	3,000
Non-Departmental Expenses	19,400	19,921	521
PRESTO Commissions	21,550	36,408	14,858
Repayment of City's Capital Financing Reserve for Property Acquisition	0	1,764	1,764
COVID-19 Incremental Expenses	<u>53,678</u>	<u>49,408</u>	<u>(4,271)</u>
TOTAL EXPENSES	<u>2,034,438</u>	<u>2,101,501</u>	<u>54,711</u>
Operating Funding Required	1,471,938	1,185,424	(286,514)
City Funding	<u>677,374</u>	<u>726,198</u>	<u>48,824</u>
COVID-19 Impact (Provincial Funding Request)	<u>794,564</u>	<u>459,226</u>	<u>(335,338)</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 D for details on the contribution to reserve.			

Wheel-Trans Operating Budget: Key Cost Drivers

Due primarily to the projected continued recovery in Wheel-Trans ridership demand discussed earlier in this report, the staff recommended 2022 Operating Budget for the Wheel-Trans service reflects an increase in City funding of \$12.8 million before accounting for the impact of COVID-19 incremental expenses. This \$12.8 million budget to budget funding increase is comprised of:

- \$14.3 million to provide service to accommodate the anticipated increase in ridership demand which is expected to average 65% of pre-COVID normal in 2022.
- \$1.7 million increase required to fund other base changes, which
- \$3.3 million in line-by-line expenditure reductions and efficiency savings that partially offset the expenditure increases, bringing the overall net increase to \$12.8 million.

These changes are summarized in the following table:

2022 Wheel-Trans Key Cost Drivers (Millions)				
Description (\$Millions)	Gross	Revenue	Net	Positions
2021 Approved Funding	118.6	4.3	114.3	591
Less 2021 COVID-19 Impact	(1.8)		(1.8)	(1)
2021 Approved Funding, Excluding COVID-19 Impact	116.7	4.3	112.5	590
Key Unavoidable Pressures				
Restoring Service Levels	16.1	1.7	14.3	22
Base Changes:				
Economic Factors	1.2		1.2	
Legislative Changes (CPP)	0.3		0.3	
Other Base Changes	0.3		0.3	
Subtotal: Base Changes	1.7	-	1.7	-
Reductions & Efficiencies				
Line-By-Line Review	(0.5)		(0.5)	
Reservationist Efficiency	(1.7)		(1.7)	(21)
Overtime Reduction Strategy and Other	(0.8)		(0.8)	
Family of Services	(0.2)		(0.2)	
Subtotal: Reductions & Efficiencies	(3.3)	0.0	(3.3)	(21)
Total 2022 Wheel-Trans Operating Funding Change before COVID Impact	14.5	1.7	12.8	1
Change from 2021 before COVID Impact	12.2%	40.2%	11.2%	0.2%
2022 COVID-19 Impacts				
Incremental Expenses	2.0		2.0	1
2022 COVID-19 Impacts	2.0	0.0	2.0	1
Wheel-Trans 2022 Operating Funding Request including COVID Impact	133.2	6.0	127.2	592
Change from 2021, including COVID-19 Impact	14.6	1.7	12.9	1
	12.4%	40.2%	11.3%	0.2%

Wheel-Trans Budget by Functional Area

WHEEL-TRANS SERVICE 2022 OPERATING BUDGET			
(\$000s)	2021 BUDGET	2022 BUDGET	2021 vs. 2022 BUDGET CHANGE
REVENUES			
Passenger Revenues	4,276	5,995	1,719
EXPENSES			
Contracted Taxi Service	31,102	45,318	14,216
Operators	28,742	29,488	746
Divisional Staff	666	646	(21)
Mobile Supervision	876	742	(134)
Dispatch	5,315	5,590	275
Equipment Maintenance	14,420	14,297	(123)
Senior Manager's Office	1,355	1,473	118
Reservations	5,524	3,784	(1,740)
Taxi Administration	304	302	(3)
Customer Service	2,262	1,650	(612)
Lakeshore Garage Costs	762	822	60
Employee Benefits	16,109	16,847	737
Vehicle Fuel	2,280	3,110	829
Utilities	698	800	102
Accident Claim Payments/Contribution to Reserve	640	590	(50)
Non-Departmental Expenses	5,674	5,723	49
COVID-19 Incremental Expenses	1,836	1,970	134
TOTAL EXPENSES	118,566	133,151	14,585
Operating Funding Required	114,290	127,156	12,866
City Funding	112,454	125,186	12,732
COVID-19 Impact (Provincial Funding Request)	1,836	1,970	134
Note:			
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 Conventional and Wheel-Trans Operating Complement

The Operating Budget year-end workforce will decrease by 11 positions, as summarized in the following table and described below:

Summary of Changes in Operating Budget Complement			
	Conventional	Wheel-Trans	Total
2021 Budget	13,232	591	13,823
Base Changes			
<u>Key Unavoidable Pressures</u>			
Eglinton Crosstown LRT: Including Master Sign-Up	12		12
Restoring Service Levels	78	22	100
<u>Prior Year Decisions</u>			
McNicoll Master Sign-up Conclusion	(12)		(12)
Warehouse Consolidation: Move Complete	(13)		(13)
<u>Operating Impacts of Capital</u>			
ATC Line 1 Implementation	2		2
Vehicle Purchase Projects	3		3
Camera System	2		2
<u>Base Changes</u>			
Removal of Eglinton LRT Construction Disruption Service	(51)		(51)
Streetcar Maintenance - Rail Vehicle Apprentice Program	10		10
Vehicle Group - Streetcar Warranty Expiry	4		4
Overtime Reduction Strategy	17		17
Other Base Changes	15		15
<u>Efficiencies</u>			
<u>Service Efficiencies</u>			
Implementation of OPTO	(66)		(66)
Articulated Bus Deployment - Route 927	(4)		(4)
<u>Internal Efficiencies</u>			
Wheel-Trans Reservationists		(21)	(21)
Vehicle and Facility Maintenance Efficiencies	(6)		(6)
Materials Management: Storeperson Efficiency	(3)		(3)
After Market Part Warranties	1		1
Subtotal: Base Changes	(11)	1	(10)
<u>New and Enhanced Service Priority Actions</u>			
Lead as an Accessible and Inclusive Service Provider	2		2
ModernTO	6		6
Subtotal: New and Enhanced Service Priority Actions	8	-	8
Total Base & New changes, prior to COVID-19 Impact	(3)	1	(2)
<u>COVID-19 Changes</u>			
Vehicle Disinfection	(1)		(1)
Recertification Delayed due to COVID	(10)		(10)
Subtotal: COVID-19 Changes	(11)	-	(11)
Total 2022 Operating Budget Workforce, before Metrolinx Transit Expansion	13,218	592	13,810
Metrolinx Transit Expansion Change: Full Cost Recovery	2		2
Total Operating Budget Authorized Complement	13,220	592	13,812
Year-Over-Year Total Change in Authorized Operating Complement	(12)	1	(11)

Capital Budget Complement

The TTC's Capital year-end workforce will increase by 131 positions and 15 capital positions to the City's complement, all funded from the 2022-2031 Capital Plan in order to provide the necessary TTC and City resourcing required to build capacity for the successful delivery of the major capital programs funded in the 2022-2031 Capital Budget and Plan. This is summarized in the table below.

2021 TTC Capital Complement	2,524
Major Capital Programs: Building Capacity	54
Streetcar Overhaul Program	15
Bloor-Yonge Capacity Improvements	12
Buildings & Structures	9
Infrastructure SOGR Projects	9
Asbestos Removal Program	7
eBus Charging Systems	6
Prioritization	5
Waterfront LRT	5
Line 1 & Line 2 Capacity Enhancement	4
Purchase of Subway Cars	4
Surface Track	4
New Technology & Innovation	3
Service Planning	2
SRT Life Extension	2
Subway Escalator Overhaul	-3
Bus Overhaul	-4
Purchase of Streetcars	-11
Operator requirements to support bus shuttle requirements during closures and diversions related to capital projects.	-14
Other ECE Projects	12
Other Vehicle Programs	2
All Other Changes (Net)	8
2022 Total Capital Complement Change	131
2022 TTC Capital Complement	2,655

APPENDIX D

Long-Term Liability Reserve

This reserve was created in 2014 specifically for TTC accident claim requirements and is projected to have a 2021 closing balance of \$32.5 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 \$0.59 million for Wheel-Trans) to the Long-Term Liability Reserve Fund (XR1728) in 2022.

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 accident claim cash payments expected are expected to increase as ridership increases and court pandemic related delays are cleared, the accident claims cash payment budget and the budgeted reserve draw have both been increased for the 2022 budget.

TTC Stabilization Reserve

This reserve was created to stabilize the funding of TTC's operating expenditures over time. After projected draws and contributions for the remainder of 2021, this reserve is projected to have a 2021 closing balance of \$81.0 million.

Projected reserve balances based on the staff recommended 2022 Operating Budget are outlined in the following table.

TTC Reserves: Continuity Schedule

(In \$000s)	Reserve / Reserve Fund Number	2022	2023	2024
		\$	\$	\$
Long Term Liability Reserve				
Projected Opening Balance	XR1728	32,484.8	29,484.8	26,484.8
Budgeted Contribution		17,590.0	17,590.0	17,590.0
Projected Accident Claim Payments		(20,590.0)	(20,590.0)	(20,590.0)
Projected Closing Balance		29,484.8	26,484.8	23,484.8
TTC Stabilization Reserve				
Projected Opening Balance	XQ1056	81,042.4	63,370.1	63,370.1
Budget Balancing Actions				
Planned Draws				
Fuel Price Volatility		(8,500.0)		
Insurance Premium Volatility		(1,565.8)		
One-Time New & Enhanced Requests		(1,090.0)		
LRT Construction Disruption Service		(6,516.5)		
Projected Closing Balance		63,370.1	63,370.1	63,370.1