



Development of a Long-Term Financial Plan for the TTC

Date: March 31, 2026
To: Strategic Planning Committee
From: Interim Chief Financial Officer

Recommendations

It is recommended that the Strategic Planning Committee:

1. Receive this report for information.

Summary

Through the 2026 TTC Budget, and 2025 Strategic Planning Committee meetings, the TTC identified operating and capital budget pressures over the short, medium and long-term. Various strategies are utilized each year to balance the operating budget, and to set a ten-year capital budget and plan that addresses the most immediate and critical priorities of the organization. The short-term balancing of the TTC's financial pressures would not have been achieved without a substantial City subsidy in recent years, including the Ontario-Toronto New Deal providing three-years of operating funding support, and project specific capital grant funding from the provincial and federal governments.

For instance, the injection of \$5.1 billion in the 2025-2034 Capital Plan, which was predominantly city funding, reduced the TTC's state-of-good-repair backlog by \$3.9 billion, or nearly 50%. However, fleet plan changes, asset condition assessments and cost estimate increases have increased the SOGR backlog in the 2026-2035 Capital Plan to a projected \$6.1 billion at the end of the 10-year planning window. Funding for new trains, buses and streetcars by other orders of government addressed immediate fleet needs, and the operating support through COVID, have kept the system going. While these efforts had significant impact in the immediate term, the TTC still has a long-term financial problem due to a fiscal framework that has not evolved at the same pace as the scale, complexity, and expectations of a world class transit system.

This cycle of finding immediate term solutions to the budgetary pressures of the organization is one repeated annually. With each successive year the balancing act produces increasingly limited opportunities to find new efficiencies and revenue generation opportunities. The TTC's aging assets continue to drive state-of good repair investment needs to maintain existing levels of service, while struggling to fund capacity enhancements to keep up with growth.

Each year, we indicate a new fiscal framework for public transit is required that is predictable and sustainable. The purpose of this report is to outline the work the TTC is undertaking to develop a recommended approach on a new fiscal framework for public transit in Canada's largest city.

The objective of developing a formal Long-Term Financial Plan (LTFP) for the TTC is to provide alternative fiscal and service scenarios for decision-makers to consider with a deliberate view of a longer-term horizon of the organization. The LTFP will establish a recommended framework for achieving financial sustainability and outline the specific actions within the TTC's control based on the current financial and governance model of the organization, and opportunities where government partner support may be required.

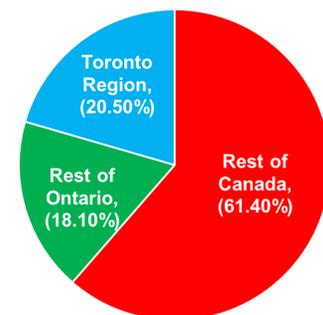
This report outlines the objectives, key areas of analysis and options that will be explored as the TTC formalizes a long-term financial plan for the organization. This includes consideration of the opportunities and investments required to support ridership growth (see Ridership Growth Strategy), and ongoing intergovernmental partnership support.

Background and Analysis

Context and Key Challenges

The TTC is foundational to the regional mobility network. With the Toronto region being the largest single contributor to Canada's GDP, supporting public transit infrastructure and services is critical to the provincial and national economy. It is widely understood that public transit is critical to the economic productivity of the region enabling efficient movement of people and goods in an increasingly congested urban centre. Despite being critical infrastructure, the TTC continues to face the challenge of a growing fiscal imbalance over the next 10 years that will have significant impacts on service, reliability, and expansion.

- Early projections for the 2027 and 2028 operating budget indicate a **\$524 million shortfall** (including risk related to the expiry of the Province of Ontario's New Deal funding).
- The 2026-2040 Capital Investment Plan outlines **\$37 billion** in unfunded capital needs over 15 years.



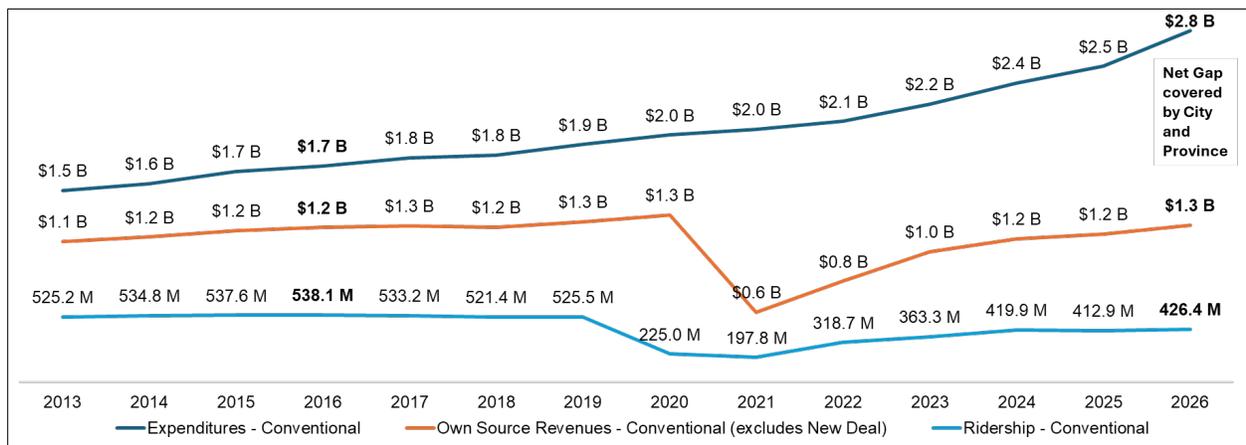
Operating Financial Outlook

On February 10, 2026, Toronto City Council adopted the TTC's 2026 Operating and Capital Budgets. The operating budget froze fares and introduced fare capping to maintain customer affordability, while maintaining existing service levels and prior year service investments. At the same time, the budget identified emerging financial pressures of \$148 million in 2027 and \$98 million in 2028, driven by inflation, contractual obligations and growing service demand associated with population growth.

The budget outlook highlights significant funding risk related to the expiry of the Province of Ontario’s New Deal funding, representing approximately \$379 million in 2027, and a further \$145 million in 2028. These pressures underscore the TTC’s structural financial gap. Since 2019, operating expenditures have grown by an average of approximately 6.5% annually, outpacing revenue growth.

Expenditure growth is driven by a number of factors including labour and collective agreement costs, and inflation (particularly fuel and utilities). Additionally, the increasing cost of maintaining service levels in the context of system growth, congestion, evolving travel patterns and higher maintenance needs associated with an aging network.

Figure 2: Operating expenditure growth ridership and revenue projection chart 2013 - 2026



While ridership growth is essential to long-term sustainability, on its own it is insufficient to close the structural fiscal gap without complementary changes to funding, fare policy and cost structures. As a result, other options and strategies must be identified. Recognizing this, at the January 23, 2026 meeting, the City of Toronto’s Budget Committee directed City staff to work with the TTC to develop a multi-year operating budget that both supports ridership growth and addresses the underlying financial pressures.

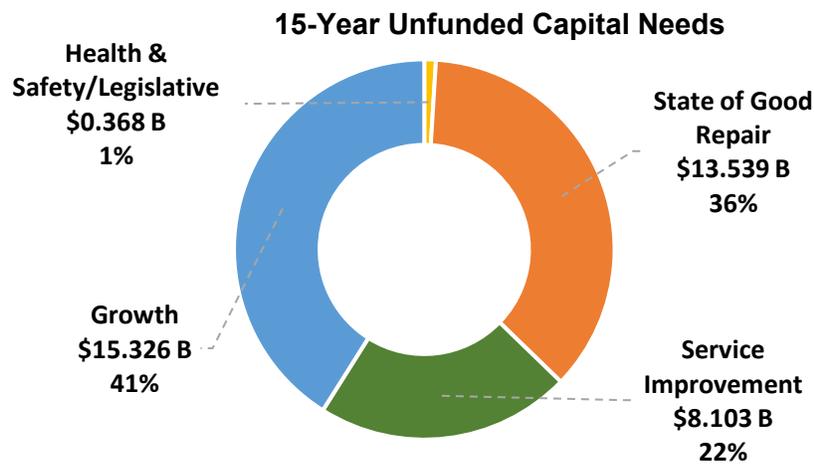
Growing ridership and increasing the mode share of public transit trips will require additional levels of investment in both service and capital beyond what is currently projected and may demand consideration of other sources of revenue and/or fundamental changes in policy with respect to how transit is prioritized within the City. See the Ridership Growth Strategy report.

Capital Financial Outlook

The TTC’s Capital Investment Plan (CIP) outlines the long-term capital requirements necessary to maintain assets in a state-of-good-repair (SOGR), support lifecycle replacements, and increase transit capacity to meet future ridership demands. While progress has been made in addressing the TTC’s unfunded capital priorities, sustained and predictable funding is still critical to address the remaining capital needs constraints. The 2026-2040 CIP totals \$54 billion in investments required, of which \$37

billion is unfunded, highlighting a significant gap between what the TTC can afford to deliver and what the system requires to keep up with current growth projections.

Figure 3: TTC's 15 Year Unfunded Capital Needs



The focus of capital prioritization has been on addressing the state-of-good-repair backlog. Progress has been made on reducing the backlog; however, it is crowding out opportunities to fund capacity enhancement programs and invest in transformational opportunities (i.e., Line 1 Capacity Enhancement Projects). A long-term sustainable funding strategy will need to review best practices in other jurisdictions. See Attachment 2 – Jurisdictional Review Transit Funding.

Developing a New Financial Roadmap for the TTC

In response to Board and Council directives to develop improved multi-year outlooks and assess opportunities for how ridership growth may support financial sustainability, the TTC is developing a long-term financial plan (LTFP). In development of a TTC focused LTFP, the principles and key findings of the City of Toronto's Long Term Financial Plan will be incorporated and considered. This includes looking at opportunities to reduce expenditure growth, maximizing available revenue sources, and seeking business transformation opportunities that generate savings.

While the TTC will continue to take prudent measures to improve value for money and achieve efficiencies, there will be a need to look at new intergovernmental arrangements or alternatively new revenue sources if the TTC is to deliver on the level of service required to support a growing City and region. This is consistent with the broader City of Toronto financial challenge of existing City revenues not matching the complexity of services required to support Canada's largest economic centre.

Key Elements of a Long-Term Financial Plan

The Long-Term Financial Plan (LTFP) will assess long-term strategies and funding requirements to support financial strategic decisions over the next ten years, by establishing different scenarios. The scenarios will provide options which the TTC can be directed to take and will identify clear costs, risks, outcomes, and benefits. There are several phases to this work that will be undertaken:

- *Phase 1: Jurisdictional Review of World Class Transit Systems*
- *Phase 2: Scenario Development and Long-Range Forecasting Analysis*
Developing operating and capital forecasts: a 10-year operating outlook and a 15-year capital outlook (under defined service scenarios).
- *Phase 3: Evaluation of Balancing Strategies*
The phase will assess options across cost management, service, ridership growth, fare compliance, fare policy, non-fare revenue measures, and funding strategies. The assessment will consider ease of implementation, fiscal impact, and whether additional authorities outside of existing TTC authority is required. Some strategies may be multi-year in nature to implement and will be identified in the recommended roadmap. This phase of work will look at further opportunities in the areas of:
 - Reduction in Expenditures (business transformation, process modernization)
 - Increasing Revenues (fare compliance, fare policy, non-fare revenue, and ridership growth)
 - Develop Funding Strategies (diversified funding and intergovernmental subsidies)
 - Review and Refresh the Capital Investment Plan (prioritization, commercial management opportunities and continuous improvement in capital delivery)
- *Phase 4: Recommendations and Options*
 - Provide recommendations and a roadmap: Set out actions and policy directions to address funding pressures and support long-term sustainability.
 - Inform budgets and financial decisions: assist in supporting annual budget development, capital planning, and funding discussions.
 - Inform intergovernmental funding and policy discussion to better position public transit long term.

Conclusion

A modern, properly funded public transit service is a necessity to grow Toronto sustainability, equitably and to realize the social and economic benefits that the system provides. The TTC will continue to prudently manage expenditure, maximize existing revenues and leverage available funding sources where possible to achieve benefits for the customer and community the TTC serves. The development of the Long-Term Financial Plan will serve to provide decision-makers with the options to define the future of Toronto's public transit system.

Financial Impact

This report has no direct financial impacts.

Contact

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Attachments

Attachment 1 – Decision History
Attachment 2 – Jurisdictional Review of Transit Funding Tools

Attachment 1- Decision History

February 10, 2026: 2026 Operating and Capital Budget. Toronto City Council approved the 2026 Operating and Capital Budgets for the City, including the TTC.

<https://secure.toronto.ca/council/agenda-item.do?item=2026.MPB38.1>

January 23, 2026: City of Toronto Budget Committee, 2026 Capital and Operating Budget. A motion for the City of Toronto to work with the TTC to develop a TTC multi-year operating budget to increase ridership was adopted.

<https://secure.toronto.ca/council/agenda-item.do?item=2026.BU12.1>

January 7, 2026: Recommended 2026-2035 Capital Budget and Plan, 15-Year Capital Investment Plan, and Real Estate Investment Plan Update. The TTC Board approved a 2026 operating budget totalling \$3.028 billion in gross expenditures, \$1.547 billion in revenues and a net funding requirement of \$1.481 billion and a 2026 Capital Budget of \$1.635 billion and future year planned estimates of \$15.022 billion for a total TTC 2025-2034 Capital Budget and Plan of \$16.522 billion.

[Recommended 2026-2035 Capital Budget and Plan, 15-Year Capital Investment Plan, and Real Estate Investment Plan Update](#)

November 25, 2025: 2026 Budget Priorities and Enhancements. The TTC's Strategic Committee received a presentation outlining alignment of priorities in the upcoming 2026 TTC Operating and Capital Budgets.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.TTS3.1>

September 4, 2025: 2026 TTC Budget Update and Outlook

The TTC's Strategic Planning Committee received a presentation outlining performance to date in 2025 and a forecast into 2026.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.TTS2.4>

July 10, 2025: Presentation: Key Trends on TTC Expenditures, Revenue and Opportunities for Sustainable Growth

The TTC's Strategic Planning Committee received a presentation outlining key trends for expenditures, revenues and opportunities for sustainable growth.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.TTS1.2>

May 16, 2024 – TTC Corporate Plan 2024-2028 & Beyond: Moving Toronto, Connecting Communities

The report introduced the Corporate Plan as the strategic guiding document for the TTC and introduced Strategic Direction 5: Address the Structural Fiscal Imbalance. The Board received and approved the Plan and directed staff to report with progress updates on implementation, performance, key issues and risks, and alignment to annual operating and capital budgets and plans.

Report: [TTC Corporate Plan 2024-2028 & Beyond: Moving Toronto, Connecting Communities](#). Decision: [TTC Board Decision](#)