TORONTO TRANSIT COMMISSION
REPORT NO.

MEETING DATE: September 27, 2012

SUBJECT: 2013 TTC AND WHEEL-TRANS OPERATING BUDGETS

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

1) approve the 2013 TTC Operating Budget as detailed in this report and as summarized in Appendix A;

2) approve the 2013 Wheel-Trans Operating Budget as detailed in this report and as summarized in Appendix B;

3) approve-in-principle, effective January 1, 2013, a 5-cent increase in the price of a single adult token and a proportionate increase in all other fares, excluding cash fares, as set out in Appendix C, subject to confirmation from the City of Toronto on the level of transit operating subsidy that will be provided for 2013;

4) forward this report to the City of Toronto for submission into the City Budget process and for confirmation of the 2013 operating subsidy level.

Noting that:

1) TTC ridership is budgeted to top 528 million in 2013; a new all-time record
2) service commensurate with this level of ridership and based on current standards is provided for in the budget
3) based on the City Operating Subsidy assumptions in this report, a 5-cent increase in the adult token fare and a proportionate increase in all other fares, excluding cash fares, are proposed for January 2013 in order to help balance the operating budget;
4) this fare increase is lower than the current forecasted level of inflation (CPI) for 2013 for the City of Toronto.

FUNDING

At the present time, the city of Toronto has not formally advised the TTC of the amount of operating subsidy that will be provided in 2013. The budget contained in this report is based on the assumption that the funding level for 2013 will be based on the 2012 subsidy level (which has been adjusted only for the costs of the recent arbitration award on the Commission's collective bargaining agreements through to December 31, 2012).

2013 TTC OPERATING BUDGET

BUDGET HIGHLIGHTS

The highlights of the 2013 TTC Operating Budget are as follows:

- Continuing moderate growth in the economy and employment is expected in 2013.

- Ridership is expected to be 528 million in 2013, 25 million (5%) higher than the 2012 budget of 503 million.

- Revenues are projected to increase by about $58 million primarily as a result of the increased level of budgeted ridership and a 5-cent increase in the price of a single adult token and a proportionate increase in all other fares, excluding cash fares.

- Service levels in 2013 are based on current standards and will accommodate a ridership level in the range of 528 million.

- Operating Efficiencies/Cost Containment Measures continue to be pursued for various expenditure elements including diesel fuel, accident claims, energy conservation, safety, attendance management, etc. In addition, contracting out opportunities are being examined with a view to improving operational performance and minimizing costs. As identified in this report, recent actions taken will result in cost reduction or avoidance in the order of $50 million per annum. From a longer term perspective, over the past two decades, the TTC has seen a substantial improvement in labour productivity as evidenced by the fact that the workforce has only increased by 15% while service levels have increased about 25% in order to carry an additional 31% in riders.

- Expenditures are expected to increase by approximately $67.6 million over the 2012 budgeted level. Key elements of the increase include: wage and benefit increases for the recent arbitration award for the April 1, 2011 Collective Bargaining Agreement (CBA) covering the term April 1, 2011 to March 31, 2014, increased service to accommodate the higher ridership level, continued customer service improvements, enhanced facilities and vehicles maintenance programs and, general inflationary increases.

- Subsidy is shown as $411.0 million, which represents the 2012 budgeted level of $374.1 million adjusted for the inclusion of the impact of the CBAs effective April 1, 2011 through December 31, 2012. This amount excludes the long-term subsidy receivables from the City in the amounts of $17.1 million with regard to 2013 post-retirement benefits non-cash expenses and $14 million with regard to 2013 accident claims non-cash expenses (consistent with previous accounting treatment approved by Council).

- Year-end workforce for all budgets will increase by 121 positions as follows: 268 additional TTC operating positions, 2 additional Wheel-Trans operating positions and 149 fewer Capital positions.

- Based on anticipated subsidy levels, there is a projected shortfall in the 2013 operating budget of about $10 million. Staff are continuing to review all aspects of the budget, including overtime, absence and workforce gapping with a view to eliminating this shortfall.

DISCUSSION

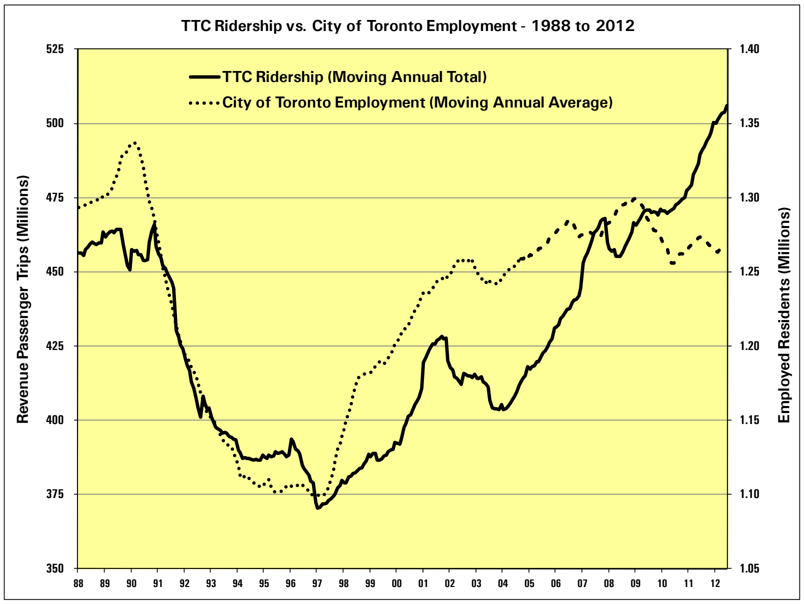
The Budget Process

The starting point of the TTC operating budget process is always the prediction of the ridership level for the upcoming year. From that, the service budget is struck based on the TTC pre-approved service standards for vehicle loading levels, headways and hours of operation. This sets the operator workforce requirements to provide that service. It also determines vehicle maintenance requirements, which are largely mileage based, and diesel fuel, traction power and other operational needs. To this gets added all of the other fixed operating costs such as station presence (collectors, janitors, security, etc.) and maintenance of all physical assets. Finally, supervision costs and internal services are incorporated into the budget.

2013 Ridership

As mentioned above, the starting point for the TTC operating budget process is the forecast of ridership for the upcoming year. Ridership is affected by a combination of factors including employment levels, demographics, retail trade activity, travel and tourism patterns, service levels, transit fares, income levels, gasoline/automobile prices, and vehicle parking availability and rates. Some factors affect ridership in the longer-term such as demographics and income level. Other factors such as energy prices, employment levels, tourism, retail trade and significant world events can have both short and long-term ridership consequences. Other than service levels and fares, key variables that impact ridership are largely beyond the control of the TTC.

Historically, City of Toronto employment levels have had the most significant impact on ridership, as can be seen in the following chart.



This chart illustrates that, starting with the 2008 recession when City of Toronto employment levels began to drop, TTC ridership did not follow in step. In fact, ridership continued its steady growth. This growth is undoubtedly due to the combined effect of various factors including: (i) the expansion of off-peak service hours and the lowering of crowding standards, (ii) high gasoline prices making riding transit an even more cost-effective way to travel, (iii) continued growth in the population of the City and (iv) continued steady growth in the sales of Metropasses. While these factors to some degree are complementary and the natural consequence of each other, the growth in Metropass sales comes with a unique ridership impact that the other factors do not. For example, high gasoline prices might prompt an individual to take transit instead of driving, but high gasoline prices don't by themselves necessarily generate additional trips. Metropass, on the other hand does. The Regular Adult Metropass is priced to be the equivalent of about 48.5 tokens. At this price level, commuters were the typical market for Metropass sales. If a rider rode TTC daily back and forth to work (40 trips for an average of 20 workdays per month), they might be tempted to move to Metropass. Based on monthly diary studies of the utilization of Metropasses by existing TTC customers, it is estimated that Metropass riders take somewhere between 72 to 76 rides per month. So whether the pass is purchased for the convenience of unlimited travel, the transferability feature, price discounts for MDP or VIP programs, the Federal Tax Credit, or the student pass programs, switching to Metropass comes with a bump in riders from pre-pass purchase levels. For a commuter taking 40 token trips, that bump is to between 72 and 76 Metropass rides.

For the past few years, whether due to declines in employment or fare increases, Metropass sales were expected to flatten out or even decline, but they continued to grow. This happened in both 2011 and 2012, when ridership did better than budgeted. For

2013, Metropass sales are expected to continue to grow at almost 4%. The ridership bump associated with this has been incorporated into the 2013 budget.

As shown in the following table, the TTC is projected to experience ridership growth in the range of 2.8% during 2012 (over the 2011 actual of 500 million rides) reflecting the net impact of various factors. Year-end ridership is currently forecast to be upwards of 514 million (compared to the budget of 503 million).

MILLIONS	2012 BUDGET	2012 PPROBABLE	2013 BUDGET	2013 BUDGET vs 2012 BUDGET
Ridership	503	514	528	25

For 2013, moderate economic and employment growth for the Toronto area economy is anticipated. It is expected that ridership will be in the order of 528 million next year – an increase of 14 million rides (2.7%) over the 2012 probable and an increase of 25 million rides (5%) over the 2012 budget.

2013 Service Budget

Ridership on the TTC has been increasing steadily since 1996. Total annual system ridership increased by 34% over the last fifteen years to 2011. The increase in ridership has been occurring across the city -- on both suburban and centrally-oriented routes -- and during both peak and off-peak times. The TTC's pattern of increasing ridership continued unabated into 2011, as annual ridership hit a major milestone of 500 million annual passengers, up 4.8% from the 2010 level of 477 million passengers.

When the budget for 2012 was established early in 2011, it had been assumed that ridership would reach 503 million passengers by the end of 2012. However, actual ridership growth once again outpaced the budgeted level: it is now expected to reach 514 million passengers by the end of this year. More than 200 service increases are being made this September and October on busy subway, streetcar, and bus routes, to carry this higher level of demand within the Commission-approved vehicle crowding standards which, themselves, were made more stringent (i.e. more crowded) as part of the TTC's response to the City's budget-reduction initiative.

Projections for 2013 indicate that ridership will reach 528 million passengers – an increase of about 5% compared to the 2012 budgeted ridership. The proposed improvements to budgeted service would constitute an approximate 3% increase in service hours – a lower rate of increase than what is expected in ridership – and those improvements would be implemented throughout the year -- primarily in March, September, and October. This would result in the 2013 operating budget containing a total increase of approximately $20 million (including the full-year's effect of carrying-forward improvements made in September and October 2012). As is projected to be the case in 2012, these costs are expected to be more than offset by increasing ridership and fare revenues in 2013.

Adding service to crowded routes is crucial to ensuring that the TTC meets its goals of providing attractive and reliable service. Adding more trains, streetcars, or buses to routes reduces the time scheduled between vehicles, thus shortening waiting times for customers, and speeding up their trip. Crowding levels on board the vehicles are reduced, and this provides a more comfortable and attractive environment for customers. The reliability of the service is improved, as the higher capacity allows the route to operate more robustly. Service is only added to routes when ridership counts show that the number of customers on the routes is at or approaching the Commission-approved vehicle crowding limits and this ensures that the resources are allocated fairly and wisely. Successive increases in service to busy routes, at peak and off peak times, since 2004 have clearly been responsible for attracting more riders to the TTC.

Failure to add service to routes as they near the point of overcrowding results in continued unreliable operation, and unattractive and crowded conditions for customers. Ridership stagnates and then declines on routes when they are overcrowded, as customers become dissatisfied and seek out other ways of travelling.

The 2013 Operating Budget has been set using a comprehensive set of pre-approved service standards. None of these standards are recommended to change in 2013. The 2013 Service Budget is based solely on the application of the existing service standards applied against the 2013 ridership estimate of 528 million. The service budget will provide for the annualized impact of 2012 service changes, a higher budgeted ridership level, and will include additional resources to accommodate overcrowding, road congestion, vehicle capacity changes and to maintain service levels during TTC and City construction projects.

2013 Revenues

Almost 95% of all revenues the TTC collects are in the form of the fares paid by the riders. Based on the current fare structure and mix, fare revenues are expected to increase by about $39 million in 2013 over the 2012 budgeted level as shown in the table below.

	2012 BUDGET	2013 BUDGET (no fare Increase)
Ridership	503M	528M
Fare revenue	$1,004M	$1,043M

The remaining Other Revenues are derived from transit advertising, leases, commuter parking and other much smaller items. None of these activities is expected to grow in a material way. By far the largest other revenue is transit advertising. The TTC is in year 2 of a 12 year contract that provides for a base level of revenues and that amount is budgeted for in 2013.

2013 Fare Increase Scenarios

When preparing this budget submission, staff compiled several fare increase scenarios needed to balance the budget. Historically, fare increases have been defined in terms of the impact on the single adult token price. A 5-cent fare increase means the price of an adult token increases from $2.60 to $2.65. Other fare media are adjusted on a proportionate basis. The Regular Adult Metropass is priced to be equivalent to 48.5 tokens and other Metropasses (MDP, VIP and Post-Secondary) are priced at various pre-determined levels with respect to the Regular Adult Metropass. Senior/Student fares are set at a proportion of adults. Under any potential fare increase scenario for 2013, all cash fares have been frozen. The table below shows ridership and revenues associated with those fare increase levels:

	FARE INCREASE SCENARIO			
	NO INCREASE	**5-CENTS**	**10-CENTS**	**"AT INFLATION"**
Total Ridership	528M	528M	526M	528M
Fare Revenue	$1,043M	$1,061M	$1,075M	$1,063M
Average Weighted Fare Increase	0%	1.7%	3.6%	2.1%

As can be seen, a total of $1,043 million will be generated with the existing fare structure. With a 5-cent fare increase, $1,061 million in revenue will be generated. This fare increase is not expected to have any material impact on overall ridership levels because the weighted average increase is 1.7%, which is below the current forecasted City of Toronto CPI increase of 2.1% for 2013. With a 10-cent increase, $1,075 million will be generated, but approximately 2 million riders will be lost because this increase is higher than the forecasted rate of inflation (3.6% vs. 2.1%). An "At Inflation" scenario involving adjusting the 5-cent marginally to achieve an overall fare increase exactly equivalent to the forecast rate of inflation has been provided. All of the above-noted fare increase scenarios will be considered by the Commission once the City has confirmed its operating subsidy level for 2013.

In approving the 2012 TTC Operating Budget, the Commission approved-in-principle "a standard 10 cent fare increase on the adult token (and a pro-rata increase on all other fare media) in each of 2013, 2014 and 2015 as part of a multi-year financing strategy required to balance the operating budget over the next four years" and "that the fare policy considers ridership and the rate of inflation". The scenarios contained above address that.

2013 Operating Subsidy

Before the Commission can finalize the magnitude of any fare increase required for 2013, the City of Toronto needs to finalize the amount of transit operating subsidy it will provide to the TTC. Based on discussions and communications from senior City of Toronto officials, the TTC should not expect an increase in operating subsidy beyond an amount to account for the increased financial impact associated with the recent arbitrator ruling on the TTC collective bargaining agreements.

The table below illustrates the level of TTC operating subsidy compared to other transit systems in the United States and Canada.

TRANSIT SYSTEM*	OPERATING SUBSIDY ($M)	REVENUE/COST RATIO	REVENUE TRIPS (M)	SUBSIDY/ RIDER
TTC	**434**	**70%**	**500**	**$0.87**
Major U.S.				
Boston	497	38%	202	$2.46
Chicago	763	44%	287	$2.66
Los Angeles	865	27%	208	$4.16
New York	3,053	57%	2,439	$1.25
Philadelphia	643	34%	228	$2.82
Major Canadian				
Calgary	131	53%	94	$1.39
Edmonton	128	44%	76	$1.68
Montreal	489	56%	383	$1.28
Ottawa	187	52%	99	$1.89
Vancouver	617	52%	211	$2.92
Local Canadian				
Brampton	39	43%	14	$2.79
Durham Region	30	38%	9	$3.33
Hamilton	35	51%	21	$1.67
Mississauga	72	47%	31	$2.32
York Region	98	39%	19	$5.16

*TTC data = 2011; all other properties = 2010

While the TTC received a subsidy of $0.87 per rider in 2011, transit systems comparable to TTC in terms of size and complexity received much larger subsidies per rider including Montreal ($1.20), Chicago ($2.66), Philadelphia ($2.82), and Los Angeles ($4.16).

2013 Operating Expenses

The day-to-day expenses associated with running the TTC are budgeted to increase by approximately $67.6 million in 2013, inclusive of the impact of the recent arbitration award. The increases fall into the following areas:

1. Collective Bargaining Agreements: $23.7 million. The June 4, 2012 arbitration award regarding the April 1, 2011 CBA will increase wages and benefits by this amount in 2013.

2. Service: $19.7 million. The primary drivers of this change include an increase in the hours and kilometers of service to be provided (based on current standards) to meet the increase in projected ridership of 528 million customers in 2013.

3. Other Employee Costs: $ 10.5 million. These costs are expected to increase by approximately $19.0 million in total mainly due to the impact of increased wages and benefits from the CBA and inflationary and utilization increases for both healthcare and dental benefits. Of this increase, approximately $5.7 million relates to the CBA and $2.8 million is attributable to the service element; both of these amounts have been included in items 1 and 2 above, respectively. It should be noted that of the total Other Employee Costs budget, approximately $17.1 million has been incorporated into the budget for 2013 post-retirement benefit non-cash expenses (dental and healthcare) which will be covered through a long-term subsidy receivable from the City.

4. Debit and Credit Card Sales Expansion: $3.9 million. As part of the TTC's ongoing efforts to ease the purchase of fare media for its customers, the Commission recently approved the expansion of debit card acceptance at 95 Collectors booths. The next phase of this customer service initiative is the roll-out of credit cards acceptance. Incremental costs primarily represent the transaction fees (based on the sales transaction value) which will be paid to the credit card companies.

5. Overtime: $3.8 million. The establishment of the overtime budget involves a careful balancing act between utilizing extra work performed by existing employees or adding additional positions to address workload/shift coverage requirements with the objective of minimizing the overall labour cost for the TTC's operations.

6. Inflationary Price Increases: $3.5 million. A general allowance of approximately 2.2% (based on the City's forecast) has been provided for inflationary increases on the purchase of goods and services, other than those items already provided for separately elsewhere in this budget.

7. Depreciation: $3.5 million. Depreciation expense represents the amortization of the net cost to the TTC of its capital assets over their useful lives, after deducting Federal,

Provincial and Municipal contributions received on subsidizable assets. The increase of \$3.5 million in depreciation expense is primarily the result of estimated higher depreciation charges related to the TTC's net cost of capital assets acquired in 2012 and to be acquired in 2013.

8. Facilities Maintenance: \$3.3 million. A number of safety, reliability and operational performance initiatives focused on the maintenance of escalators (replacement of prematurely failing components with new and upgraded parts), signal system (improved preventative maintenance activities and increased coverage to reduce response time to service delays) and track infrastructure (inspection and maintenance improvements on cross-overs) are planned.

9. New Vehicles and Vehicle Maintenance: \$2.6 million. In addition to four additional Operators required for covering scheduled work as the Operator complement begins to be trained on the low-floor LRV fleet, increased vehicle running maintenance costs are anticipated due to bus engine turbocharger replacements which are no longer covered by warranty, higher requirements for the surface vehicle camera system maintenance contract and higher than expected engine and transmission failures as the bus fleet continues to age.

10. Subway Public Washroom Cleaning: \$1.7 million. With the recently completed refurbishment of all 20 subway public washrooms, a plan is in place to externally source a more frequent cleaning schedule for these facilities which will not impact their availability to customers.

11. Accident Claims Settlements: (\$6 million). As explained under the Operating Efficiencies section that follows, the TTC was instrumental and successful in lobbying for changes to Provincial no-fault legislation for public transit systems. It is expected that cash payouts in 2013 will decrease by \$6 million compared to the 2012 budgeted level.

12. Natural Gas: (\$2.0 million). Lower prices than currently budgeted are anticipated for 2013.

13. Bus Servicing Contracting Out: (\$1.0 million). The planned contracting out of bus servicing and cleaning activities at two garages next year is expected to reduce expenses by this amount.

14. Other: \$0.4 million. All other changes net out to an increase of about \$0.4 million.

Appendix A provides a summary of the Commission's 2013 budgeted revenues and expenditures and subsidy requirement.

Operating Efficiencies

Numerous strategies have been employed to improve operating efficiency in recent years with a view to containing the impact of normal cost increases on the operating budget. Following is a list of cost saving initiatives implemented over the course of the past year which have already or will otherwise reduce or avoid costs in the order of $50 million per annum:

- Downsizing
  - Last fall a comprehensive review of workforce requirements across all budgets resulted in the elimination of over 300 positions. This resulted in labour and expense reductions in the order of $16 million on an annual basis for the TTC Operating Budget.

- Management Structure
  - A comprehensive review of the organizational structure conducted earlier this year resulted in the elimination of 3 executive positions for an annual savings of $0.9 million and the amalgamation of the former Engineering & Construction and Expansion areas which will yield a further annual savings in the order of $3.1 million together with cost avoidance of $1.6 million.

- Contracting out
  - In conjunction with a series of Service Efficiency Reviews commissioned by the City, over the past 12 months, the TTC has been reviewing its operations in an effort to find savings and efficiencies. The TTC has already contracted out garbage collection. In addition, the TTC is in the process of contracting subway public washroom cleaning (which will avoid the need to hire 39 more positions and incur an additional $1.5 million in expenses each year) and bus servicing and cleaning activities (which will reduce 159 positions and save about $4.3 million annually once all 8 garages are fully implemented) and approximately $1 million in 2013.

- Intercity Bus Terminal
  - In July of this year, the TTC turned over the operation of the intercity coach terminal owned by its subsidiary company, Toronto Coach Terminal Inc. (TCTI), to a partnership comprised of the two major bus companies that use it; Greyhound and Coach Canada. Under a lease agreement, the partnership is responsible for operating and maintaining the terminal and paying the TTC $1.2 million per year. TTC undertook this initiative in order to stem the potential for declining TCTI revenues because, under the previous arrangement, TCTI received a percentage of the value of the tickets it sold for the bus companies and those sales were being eroded by internet sales.

- Accident Claims
    - o During the first decade following 2000, the TTC and other public transit authorities were faced with large and steadily increasing costs related to no-fault benefit accident claims. The TTC took the initiative to lobby the government for change, including attending meetings with government representatives and delivery of extensive submissions. The TTC also enlisted the support of OPTA (Ontario Public Transit Association) and CUTA (Canadian Urban Transit Association).

      In response to these efforts, the Government of Ontario passed Bill 173 on May 12, 2011. The legislation, colloquially referred to as "no crash, no cash," restricted no-fault benefit claims involving occupants on public transit vehicles to cases where there was a collision with another vehicle or an object. This legislation is anticipated to have a significant impact in reducing claims payments for the TTC and other public transit authorities. In recent years the cost of accident claims had increased substantially, however, as a result of the legislation, the 2012 budget was flat-lined and for 2013 <u>a $6 million reduction</u> has been incorporated into the budget.

- Shared Services with City
    - o The TTC continues to participate in a long list of joint purchases with the City including: telephone and data telecommunications services (<u>approximate annual savings of $0.7 million</u>), cellular and blackberry services, IT technical assistance contracts, purchasing card, rock salt, administrative services regarding employee and pensioner benefits, and electricity. Both the TTC and the City are able to take advantage of lower prices/rates for these goods and services as a result of volume discounts. In addition, TTC also shares pricing schedules for various IT licenses with the City and/or Province.

- Diesel Fuel Hedging with the City
    - o The TTC has also partnered with the City in purchasing financial hedges for fuel contracts to protect against price volatility for this crucial commodity. To date, the TTC has secured hedges for about one-half of its 2013 diesel requirements at prices which are below both the current weekly spot prices and the currently available futures prices for the balance of the year and next. Aside from affording price certainty, this strategy has saved a considerable amount of money on the TTC's second largest cost, after payroll and benefits – <u>including a reduction of $21 million from the preliminary 2013 budget projection</u>.

- Attendance Management Program/Health & Wellness
    - o Analysis of current absence rates and trends and the Commission's legal duty to accommodate has identified the requirement to increase pro-active case management of both short-term illnesses and long-term absences and

to provide more opportunities for alternate work for employees with medical restrictions.

- Administrative Fees and Life Insurance Premiums
  - o As a result of a joint tender with the City of Toronto and Toronto Police Services, it is estimated that the TTC will achieve projected savings of $14 million over the next five years due to lower administration fees and insurance premiums.

- Procurement of Articulated Buses
  - o Plans are proceeding to acquire a fleet of 153 articulated buses that will reduce annual operating costs by approximately $9 million once these vehicles are in service.

Customer Service Enhancements

Over the past year or so, TTC has embarked on a number of customer service enhancements as part of its initiative to modernize and improve customer satisfaction. Besides developing a vision and mission statement, and establishing 25 key performance indicators which are published publicly on a monthly basis in the Chief Executive Officer's (CEO) Report and many, on a daily basis, on the TTC website with the view to focus effort and attention on improving the customers' experience, it has introduced a number of discernible improvements including:

- Subway public washroom refurbishments – all 20 washrooms were updated and a contract for frequent cleaning will be awarded shortly.

- End-of-line subway car cleaning – Litter removal from subway cars while in-service has improved cleanliness and reduced the potential danger of and safety issue of track-level fires and smoke in the tunnels.

- Customer Service – the TTC has extended its hours of operation for customers who call for information, to share a concern, or to offer a compliment.

- Ease of Fare Purchase – the roll out of debit card acceptance for Metropasses at all of its 95 collectors' booths is underway with plans to roll out credit card acceptance at all locations in 2013.

Workforce

The change in year-end workforce at the Commission is described in this section. The vast majority of the increase is associated with the increased service to accommodate 528 million riders compared to the 2012 budget of 503 million rides. The balance almost exclusively results from one or another of the customer service enhancements described in this report.

Actual workforce strength will not normally exceed the monthly workforce budget except in the case of the Operator complement. In order to ensure that the service budget can be achieved, an annual hiring plan and training program is developed for Operators which takes into account projected requirements as a result of service changes, retirements, resignations or other turnover. An extended period of time is required in order to identify, pre-screen, hire, train and, qualify new Operators to ensure availability to meet the projected workforce requirement. As a result, the annual budget provides for these pre-hires, however, the year-end budgeted workforce remains unchanged. As failure to pre-hire would increase the risk that service would not be met, resulting in significant negative implications for customers and the Commission, staff are proceeding with the hiring plan consistent with the increased service requirements incorporated within the 2013 operating budget. In addition, it is important to note that there are currently a sizeable number of TTC employees who are in a position to retire. If a greater than average number were to do so in any given year, this could present significant logistical challenges to the TTC from an operational perspective.

The TTC operating workforce level is projected to increase by 268 positions from 10,614 (the amended level approved by Council on June 6-8, 2012) to a total of 10,882 at December 31, 2013. The most significant component (199 positions) of this increased workforce requirement relates to service as follows: 20 positions required to maintain existing service levels, an additional 173 positions to accommodate an increased ridership level of 528 million and a further 6 to address streetcar route deficiencies and improve service reliability. In addition, other increased resource requirements are needed:

- 25 for facilities maintenance as explained earlier in this report;
- 8 for new vehicles (i.e. low-floor LRVs) and vehicle maintenance;
- 8 due to the advancement of vacation entitlements resulting from the arbitration award for the CBA;
- 8 for a technical adjustment to convert 8.1 temporary full time equivalents (FTEs) to 8 regular FTEs;
- 6 for various customer service initiatives including the establishment of a new Customer development department;
- 5 health and safety related positions including a fire compliance officer;
- 5 for the expansion of debit card sales; and
- 4 for workplace accommodations necessitated by permanent medical restrictions placed on 4 employees.

In a labour-intensive operation, additional service comes with labour resources to operate and maintain that service. The following table demonstrates that the TTC has been effective in controlling growth in its workforce relative to population, ridership and service growth over the past two decades.

	Change from 1992 to 2013
Population	+ 21%
Ridership	+ 31%
Service Level (hours)	+ 26%
Service Level (kilometres)	+ 24%
Operating Budget Workforce	+ 15%

Carrying an additional 31% riders, while increasing service levels about 25% and employees by only 15%, represents a substantial improvement in labour productivity. All of this has been achieved despite the loss of bus carrying capacity in the order of 10% due to the conversion of the fleet to a low-floor design and ever-increasing road congestion which has necessitated the addition of resources (vehicles, Operators, service hours, etc.).

Pro-Formas for 2014 and 2015

In addition to the 2013 budget, the City of Toronto has requested the TTC to provide budget projections to allow for longer term planning and financial forecasting purposes.

For 2014 and beyond, it is anticipated that costs will increase in line with inflation for most elements of the operating budget before incorporating any impact from the following items:

- Wage and benefit impacts of the next set of Collective Bargaining Agreements
- Future energy price increases
- Increasing costs for parts on new vehicles (Toronto Rockets, LRVs)
- Introduction of articulated buses
- Opening of new lines (e.g. Toronto York Spadina Subway Extension
- Opening of new maintenance & storage facilities (e.g. Ashbridges Bay)
- Implementation of PRESTO
- Pan Am Games

Without factoring in these cost elements, if we assume that ridership will grow based on current economic forecasts and that corresponding service is added (based on current standards), and that all other costs increase in line with current experience or based on actual or anticipated contractual commitments, and if fares are held constant and subsidy is flat-lined at the 2013 level, the TTC's financial situation will continue to present a significant challenge in the coming years. Action is required and a plan is necessary to develop a strategy that will address the longer term requirements of the Toronto Transit Commission in order to continue to meet the needs of our customers, the citizens of the City of Toronto and for the Greater Toronto Area overall.

Summary

The 2013 Operating Budget that is contained in this report is required to provide service for the projected all-time record of 528 million riders. Service standards are maintained at existing levels and in fact, several initiatives are underway to enhance the riding experience. A series of 25 Key performance Indicators is published publicly on a monthly basis in the CEO Report, many on a daily basis on the TTC website. These measures are designed to focus all improvements efforts on the customer experience. All reasonable cost and revenue items have been estimated using management's best knowledge. All enhancements and improvements have been factored into the budget. A modest fare increase in line with the rate of inflation has been assumed to balance the budget, subject to confirmation from the City of Toronto of the level of transit operating subsidy it will provide in 2013. Once that figure has been finalized, the Commission will be in a position to finalize any fare increase.

2013 WHEEL-TRANS OPERATING BUDGET

The highlights of the 2013 Wheel-Trans Operating Budget are as follows:

- Effective January 1, 2013, Wheel-Trans service will be 24 hours as per Accessibility for Ontarians Disability Act Transportation Standards; essentially providing the same hours and days of service as the conventional system. In 2014, the Act will require same day trip booking to the extent that it is available and the acceptance of trip requests up to 3 hours before the end of scheduled service on the day before the trip is to be taken. It is anticipated that these changes will effectively increase the accommodated rate to 99.5%.

- No planned changes to the current Eligibility Criteria and Application Process.

- Targeted trip accommodation rate remains unchanged at 98%.

- Customer trips are expected to decline from 3.1 million (2012 budget) to 2.9 million because of the elimination of ambulatory dialysis trips. Refer to the section below for further discussion on this subject.

- Continued integration with the conventional transit system.

- Building upon scheduling enhancements integrated with Automatic Vehicle Location technology.

- No budgetary provision made for any potential City of Toronto sedan taxi meter rate increase.

- Revenues are projected to increase by about $0.2 million primarily as a result of the 5-cent increase in the price of a single adult token and a proportionate increase in all other fares, excluding cash fares.

- Expenditures are expected to increase by approximately $0.3 million over the 2012 budgeted level. Key elements of this change include:

  - $1 million increase for wage and benefit increases for the recent arbitration award for the April 1, 2011 Collective Bargaining Agreement (CBA) covering the term April 1, 2011 to March 31, 2013,
  - $2.2 million increase for increased bus maintenance requirements because the new Friendly buses are coming off warranty and expected maintenance savings have not as yet been realized,
  - $0.8 million increase for maintenance contract and support costs for Wheel-Trans computer systems including the Automated Vehicle Location Monitoring,
  - $0.5 million increase for inflationary and utilization increases for both healthcare and dental benefits,
  - $0.4 million increase in diesel costs primarily for increased bus mileage
  - $0.4 million increase for inflationary increases for goods and services
  - $5 million decrease for contracted taxi service due to the elimination of ambulatory dialysis trips.

- Subsidy for 2013 is anticipated to be $96.8 million, which represents the 2012 budgeted level of $94.9 million adjusted for the inclusion of the impact of the CBAs effective April 1, 2011 through December 31, 2012. This amount excludes the long-term subsidy receivables from the City in the amounts of $0.84 million with regard to 2013 post-retirement benefits non-cash expenses and $0.35 million with regard to 2013 accident claims non-cash expenses (consistent with previous accounting treatment approved by Council).

- Year-end workforce will increase by 2 positions to 531 as follows: 1 additional Operator required as a result of the recent arbitration award for the April 1, 2011 Collective Bargaining Agreement which included the advancement of vacation entitlements, and 1 IT position to support Wheel-Trans' computer systems.

- Based on current subsidy levels, there is a projected shortfall in the 2013 operating budget of about $0.1 million.

Appendix B provides a summary of the 2013 budgeted revenues and expenditures and subsidy requirement.

Ambulatory Dialysis Trips

In March 2012, a working group consisting of representatives from the Toronto Central Local Health Integration Network (LHIN), hospital dialysis units, the Kidney Foundation, Toronto Ride, Wheel-Trans, and a dialysis patient were assembled to address the transportation needs for patients receiving dialysis treatments that currently receive Wheel-Trans service, but do not meet the eligibility criteria.

To date, the group has developed eligibility criteria that would identify patients that require transportation. A final report was sent to the CEO of the Toronto Central LHIN on August 3, 2012 with 14 recommendations focused on developing a transportation model for patients. A means of providing alternate rides was recommended with proposed funding also set out.

In order to achieve as smooth a transition as possible, Wheel-Trans will begin to notify approximately 700 customers registered solely based on dialysis in late September 2012 that their service will discontinue effective January 1, 2013. Customers will be given the opportunity to have their eligibility reviewed prior to the discontinuation of service. In addition, Wheel-Trans staff will work with the LHIN to direct customers to available providers.

A more comprehensive report on this subject will be submitted to the September 27, 2012 Commission Meeting.

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September 25, 2012

Attachments: Appendix A – TTC 2013 Operating Budget Summary
Appendix B – Wheel-Trans 2013 Operating Budget Summary
Appendix C – Fare Schedule

APPENDIX A

TORONTO TRANSIT COMMISSION
2013 OPERATING BUDGET

($000s)

	2012 BUDGET	2013 BUDGET	2013 vs 2012 BUDGET CHANGE
REVENUES			
Passenger Revenues	1,003,600	1,061,000	57,400
Outside City Services & Charters	18,784	18,585	(199)
Advertising	25,250	25,935	685
Rent Revenue	9,189	10,430	1,241
Commuter Parking	11,146	10,190	(956)
Other Income	2,310	1,966	(344)
TOTAL REVENUES	1,070,279	1,128,106	57,827
EXPENSES			
CEO's Office	2,223	2,536	313
Strategy and Customer Experience Group	17,951	19,834	1,883
Engineering, Construction and Expansion	2,647	2,249	(398)
Corporate Services	81,802	87,604	5,802
Operations and Safety Group	861,879	906,380	44,501
Other Employee Costs *	262,400	281,400	19,000
Vehicle Fuel	97,953	97,177	(776)
Traction Power	39,236	39,817	581
Utilities	21,026	20,118	(908)
Depreciation	27,137	30,638	3,501
Taxes and Licences	3,099	3,505	406
Accident Claims & Insurance **	33,044	27,262	(5,782)
Non-Departmental Expenses/Cost Recoveries	30,833	30,274	(559)
TOTAL EXPENSES	1,481,230	1,548,794	67,564
Operating Subsidy Required	410,951	420,688	9,737
Operating Subsidy Available	410,951	410,951	
SURPLUS / (SHORTFALL)	-	(9,737)	

* City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. The budget for these expenses has been deducted to match the City's subsidy for the current year. For 2013, the budget is $17.360 million ($13.680 million in 2012).

** City Council's approval of the 2010 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to accident claims. The budget for these expenses has been deducted to match the City's subsidy for the current year. For 2013, the budget is $14 million ($14 million in 2012).

Note: Allocations to individual expense budget items are subject to further refinement.

APPENDIX B

2013 WHEEL-TRANS OPERATING BUDGET

	2012 BUDGET	2013 BUDGET	2013 VS 2012 BUDGET CHANGE
EXPENSES			
CONTRACT SERVICES			
Sedan Taxi	13,116,300	8,515,000	(4,601,300)
Accessible Taxi	23,241,500	22,688,300	(553,200)
SUB-TOTAL	36,357,800	31,203,300	(5,154,500)
BUS OPERATION			
Operators	23,938,500	24,981,000	1,042,500
Divisional Staff	545,400	563,000	17,600
Mobile Supervision	1,053,300	1,070,700	17,400
Equipment Maintenance	10,545,600	12,527,500	1,981,900
Fuel	4,518,200	4,896,500	378,300
Lakeshore Garage Costs	1,221,500	1,254,400	32,900
SUB-TOTAL	41,822,500	45,293,100	3,470,600
ADMINISTRATION			
General Superintendent's Office	739,200	690,400	(48,800)
Dispatch & Reservations	4,734,000	5,272,100	538,100
Accessible Services	340,100	449,100	109,000
Customer Service	1,819,000	1,985,200	166,200
SUB-TOTAL	7,632,300	8,396,800	764,500
NON-DEPARTMENTAL COSTS *	3,425,000	3,934,600	509,600
OTHER EMPLOYEE COSTS **	12,910,000	13,660,000	750,000
TOTAL EXPENSES	102,147,600	102,487,800	340,200
LESS: REVENUES	5,324,600	5,546,200	221,600
OPERATING SUBSIDY REQUIRED	96,823,000	96,941,600	118,600
OPERATING SUBSIDY AVAILABLE	96,823,000	96,823,000	-
SURPLUS (SHORTFALL)	-	(118,600)	(118,600)

* City Council's approval of the 2010 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to accident claims. The budget for these expenses has been deducted to match the City's subsidy for the current year. For 2013, the budget is $350K ($350K in 2012).

** City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. The budget for these expenses has been deducted to match the City's subsidy for the current year. For 2013, the budget is $840K ($640K in 2012).

Appendix C

2013 FARE SCHEDULE - $0.05 INCREASE

	CURRENT FARE	NEW FARE
Adult		
- Cash	$3.00	$3.00
- Token	$2.60	$2.65
- PRESTO	$2.60	$2.65
- Weekly Pass	$37.50	$38.50
- Regular Metropass	$126.00	$128.50
- VIP Tier 1 (50 - 249)	$113.50	$115.50
- VIP Tier 2 (250 - 499)	$112.50	$114.25
- VIP Tier 3 (500 +)	$111.50	$113.00
- MDP	$115.50	$117.75
- Post-Secondary Metropass	$104.00	$106.00
Senior/Student		
- Cash	$2.00	$2.00
- Ticket	$1.75	$1.80
- Weekly Pass	$29.75	$30.50
- Regular Metropass	$104.00	$106.00
- MDP	$93.50	$95.75
Child		
- Cash	$0.75	$0.75
- Ticket	$0.60	$0.60
Other		
- Day Pass	$10.50	$10.75
- GTA Weekly Pass:	$54.00	$55.00
- Downtown Express Sticker	$37.00	$37.75