

2017 TTC AND WHEEL-TRANS OPERATING BUDGETS

Board Meeting
November 21, 2016





Budget Process

- TTC Budget Committee Meetings in September
- TTC Budget Committee Task Force (including TTC Chair's Office and Mayor's Office)
 - Line-by-line reviews
 - Detailed presentations
- City Manager & staff review
- City Budget Committee Chair meeting





2017 Projections This Time Last Year

- Pro forma for 2017 when 2016 was approved:
 - \$152M +/- budget pressure
 - PRESTO
 - TYSSE
 - CBA
 - Energy Costs
 - Annualization of 2016 Adds
 - Ridership
 - Etc.





Changes Since Then:

1) TTC ridership growth weakened

- 2016 Budgeted rides 553M
- 2016 Projection 540M – 545M
- 2017 Previous Expected 565M
- 2017 Budget 545M
 - 1% over likely 2016 Actual
 - still an all-time record ridership

→ \$32M drop in passenger revenues from 2016 Budget - before any potential fare increase





Changes Since Then continued:

2) Wheel-Trans Ridership up by 28%

- Historical Wheel-Trans ridership has grown by about 6-7% annually (trend over past many years)
- 2016 Budget: 14% growth over 2015 Budget
- 2016 Projection: 20% growth (6% over budget)
- 2017 – that trend continues plus AODA changes ~ 8%
- \$31M increase in 2017 Wheel-Trans budget





City 2.6% Budget Reduction Target

- 2.6% drop in budgeted City operating subsidy

2016 TTC Operating Budget	\$493.6M
2016 Wheel-Trans Operating Budget	<u>\$116.7M</u>
	\$610.3M
2.6% Reduction	<u>\$ 15.8M</u>
2017 Operating Subsidy Targets	<u>\$594.5M</u>





Total Initial 2017 Operating Budget Pressures

2017 Pro forma Projection	\$152M
TTC Passenger Revenues (lower rides & average fare)	\$ 32M
Wheel-Trans Ridership	<u>\$ 31M</u>
Total year-over-year pressures	\$215M
2.6% City Budget Reduction Target	<u>\$ 16M</u>
Total Operating Pressures	<u>\$231M</u>





Remaining 2017 Shortfall: \$61M

If all recommendations are approved, the remaining budget shortfalls are:

TTC Operating Budget	\$35M
Wheel-Trans Operating Budget	<u>\$26M</u>
	<u>\$61M</u>





What Have We Done?

- September 21, 2016 TTC Budget Committee

- Endorsed \$15.8M reductions

- Appendix K of Report

– Reduced Health & Dental Costs	\$10.3M
– Reduced Overtime	0.8M
– Reduced Stand-By Pay	0.6M
– Reduced Materials	1.0M
– Reduced Travel/Training	0.5M
– Workforce Reductions	0.8M
– Remove Landlines for TTC Cell Phone users	0.3M
– Did not implement September budgeted service adds	1.5M

- Directed staff to bring back options to the TTC Board for addressing the remaining \$215M year-over-year budget pressure.





Budgeted September 2016 Service Adds

- Based on 2016 ridership budget (553M)
 - Service was to be increased within approved service standards to accommodate expected growth
 - \$1.5M for last 4 months of 2016
 - \$6M on an annual basis





Budgeted September 2016 Service Adds continued:

- March 21, 2016 TTC Board (2016 Ridership Update)
 - Slow start to ridership (bad February)
 - Possible Actions
 - Watch ridership closely
 - Austerity Measures
 - Freeze Service adds until it is determined if slow start to the year is a trend





Budgeted September 2016 Service Adds continued:

- Monitored ridership monthly in CEO reports to Board public meetings
 - Ridership improved somewhat
 - Range set at 540M – 545M
 - Likely near bottom end
 - September 2016 service adds NOT needed based on this ridership level within existing service standards – therefore not implemented
- Not a cut in service
 - Can't cut what was never added





Expenditure Reductions: \$75M

One-time Reduction

- PRESTO FEES: \$16M drop in fees
 - late phasing out of Metropass

Capitalization: \$6M reduction

- City Construction:
 - Incremental TTC service costs to be charged to City construction projects
 - Long-standing practice for TTC construction projects





Expenditure Reductions continued:

- Reduced Energy Costs: \$12M
 - based on diesel futures and electricity cost assumptions
- Delay Reliability Centred Bus Maintenance: \$6M
 - Conditional on bus purchase in proposed PTIF application
- Reduced Contract Services: \$6M
- Workforce Reductions: \$10M
- Overtime Reductions: \$2M
- Employee Benefits: \$1M
- Wheel-Trans Non-Service Impacting Cost Reductions: \$4M





Further Expenditure Reduction Options

- Capitalizing Hybrid Bus Batteries: \$8.5M
 - Buses off warranty
 - Batteries need replacing - \$8.5M annually
 - Capital expenditure, not operating expense
 - Battery life and future value well beyond 2017
 - PTIF





Further Expenditure Reduction Options continued

- Depreciation Expense: \$29M
 - Vast majority of TTC Capital Assets fully paid for by City/Province/Feds
 - Not all
 - Some
 - TTC pays 100% (non-revenue work trucks, for example)
 - TTC pays portion (computer hardware, for example)
 - Spread TTC cost over asset life as depreciation expense to TTC operating budget
 - Depreciation expense provides source of funds for future purchases of those assets
 - If City agrees to pay capital cost on go-forward basis
 - Depreciation charge not needed





TTC Stabilization Reserve Draw

- City reserve – balance: \$15.4M
- 2016 budget draw: \$1M
- Balance: \$14.4M
- 2017 Recommended Draw: \$14.4M
- Reserve balance: zero





Operating Subsidy

- TTC covers a much higher proportion of operating costs from revenues than many other large transits in North America.
 - Lowest subsidy/ride by far





Operating Subsidy

Transit System	Operating Subsidy	R/C	Rides	Subsidy/Rider
TTC	\$495M	72%	540M	\$0.92
Montreal	\$480M	56%	413M	\$1.16
New York	\$3,637M	53%	2,385M	\$1.52
Chicago	\$742M	44%	364M	\$2.04
Philadelphia	\$572M	36%	214M	\$2.67
Washington	\$797M	48%	312M	\$2.55
Los Angeles	\$1,012M	25%	337M	\$3.00

TTC (2016), Montreal (2015), US (2014 in \$US)





Operating Subsidy

	Subsidy Budget	Ridership Budget	Subsidy/Rider	Subsidy/Rider In \$2016
2010	\$430M	462M	\$0.93	\$1.05
2011	\$429M	487M	\$0.88	\$0.96
2012	\$411M	503M	\$0.82	\$0.89
2013	\$411M	528M	\$0.78	\$0.83
2014	\$440M	540M	\$0.81	\$0.84
2015	\$483M	545M	\$0.89	\$0.91
2016	\$495M	553M	\$0.90	\$0.90
2016 Projected	\$495M	540M	\$0.92	\$0.92



2017 Ridership

- Traditional external factors (employment, population, economic activity, etc.)
- Projection based on economic forecasts
- Internal factors (service, fares, expansion)
- History

2017 TTC AND WHEEL-TRANS OPERATING BUDGETS



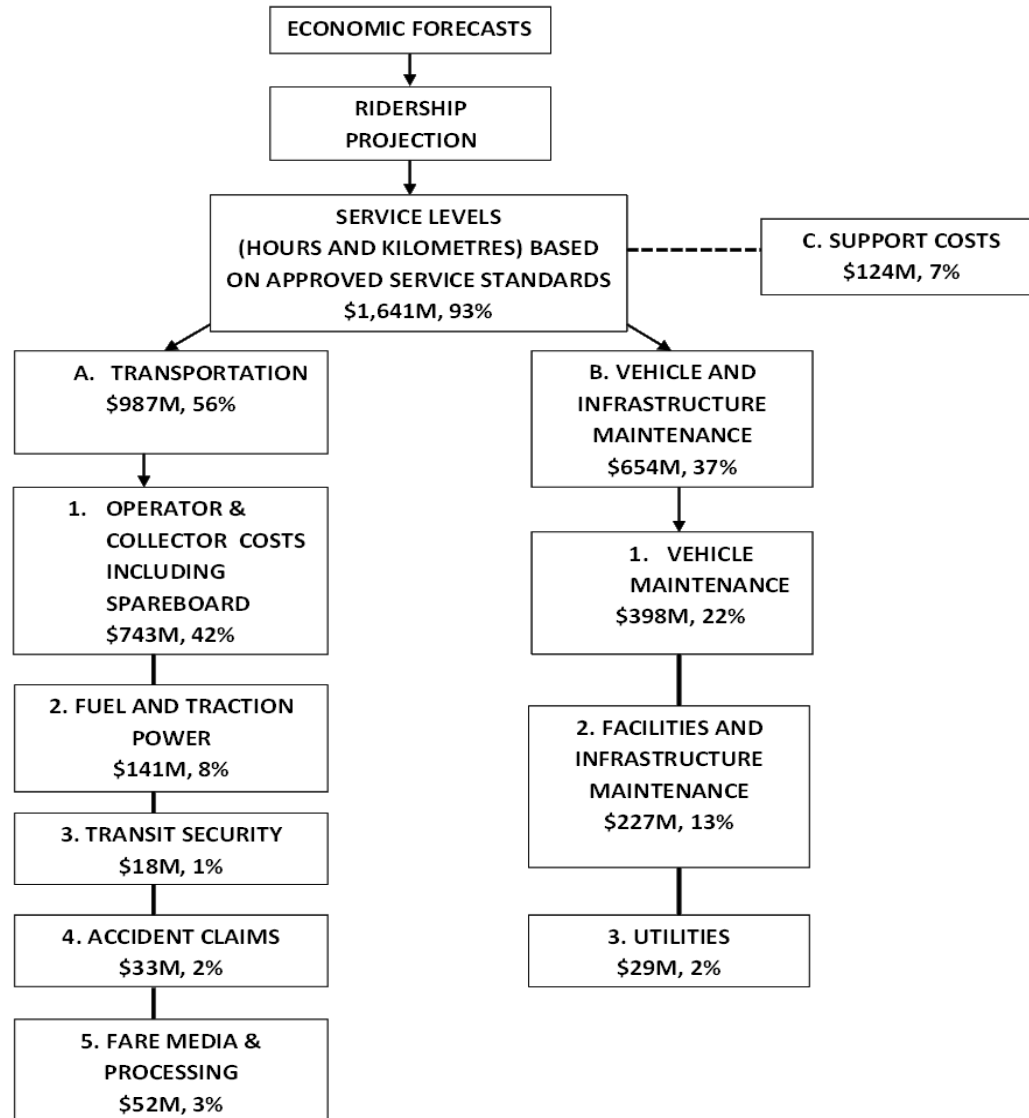
ANNUAL RIDES (M)	2017 FORECAST
Base	540
Major Factors:	
Economic Growth	+ 6
Service Enhancements	+ 2
Fare Increase	- 1
Metropass	- 3
Calendarization / Leap Year	- 1
Other	<u>+ 1</u>
Sub-Total	<u>+ 4</u>
Total	544

About 1% growth for 2017



2017 TTC AND WHEEL-TRANS OPERATING BUDGETS

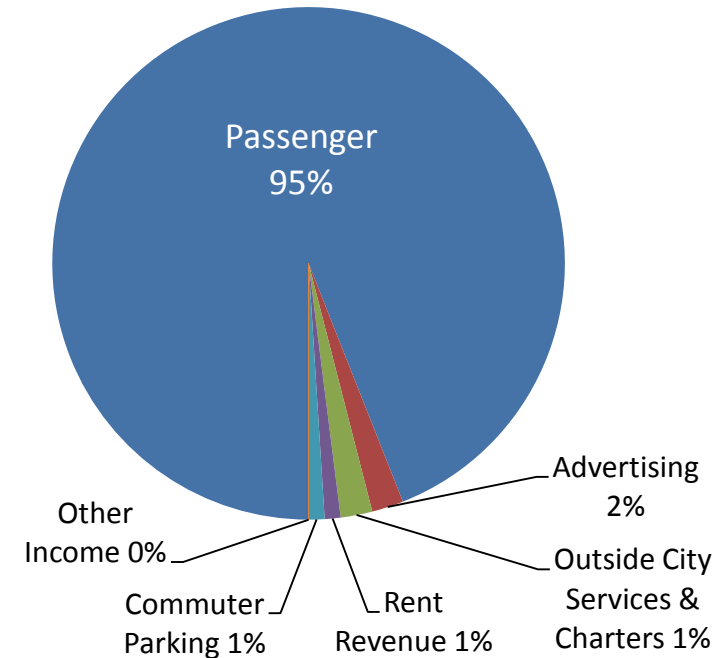
TTC ZERO BASED SERVICE BUDGET





2017 BUDGET – SOURCES OF REVENUE (\$Millions)

Passenger*	1,168	95%
Advertising	28	2%
Outside City Services & Charters	16	1%
Rent Revenue	12	1%
Commuter Parking	12	1%
Other Income	2	0%
Total	1,238	



*Includes 10-cent fare increase





REVENUE CHANGES: (\$4M)

• Passenger Revenues*	(\$7M)
• Commuter Parking	<u>3M</u>
Total Revenue Changes	(\$4M)

*Based on 10-cent fare increase.





PASSENGER REVENUE: (\$7M)

Ridership (from 553 to 545)	(\$17M)
Lower average fare	(19M)
10-cent fare increase (net of 1M lost rides)	<u>29M</u>
Total	<u>(\$7M)</u>





TTC FARE INCREASE % VS TORONTO CPI

Year	Toronto CPI	TTC Fare Increase
2011 - No fare increase	3.0 %	0 %
2012 – Jan. 1 st	1.5 %	4.0 %
2013 – Jan. 1 st	1.2 %	1.7 %
2014 – Jan. 1 st	2.5 %	2.6 %
2015 – Mar. 1 st	1.6 %	2.2 %
2016 – Jan. 3 rd	2.0 %	1.7 %
Total	11.8 %	12.2 %





Fares

- Appendix B shows recommended fare increase:
 - 10-cents on Adult token → \$3
 - All other fares increased proportionately, except Adult cash – unchanged from \$3.25

2017 FARE SCHEDULE (10 Cent Fare Increase)

	<u>Current Fare</u>	<u>New Fare</u>
<u>Adult</u>		
-Cash	\$3.25	\$3.25
-Token	\$2.90	\$3.00
-PRESTO E-Purse	\$2.90	\$3.00
-Weekly Pass	\$42.25	\$43.75
-Regular Metropass	\$141.50	\$146.25
-VIP Tier 1 (50 - 249)	\$127.25	\$131.75
-VIP Tier 2 (250 - 499)	\$125.75	\$130.25
-VIP Tier 3 (500+)	\$124.50	\$128.75
-MDP	\$129.75	\$134.00
-Post-Secondary Metropass	\$112.00	\$116.75
<u>Senior/Student</u>		
-Cash	\$2.00	\$2.10
-Ticket	\$1.95	\$2.05
-PRESTO E-Purse	\$1.95	\$2.05
-Weekly Pass	\$33.00	\$34.75
-Regular Metropass	\$112.00	\$116.75
-MDP	\$102.75	\$107.00
<u>Child</u>		
-Cash	\$0.00	\$0.00
-Ticket	\$0.00	\$0.00
-PRESTO E-Purse	\$0.00	\$0.00
<u>Other</u>		
-Day Pass/Family Pass/E-Ticket	\$12.00	\$12.50
-GTA Weekly Pass	\$61.00	\$63.00
-Downtown Express Sticker	\$41.50	\$43.00

Note: values in bold represent increase from current pricing



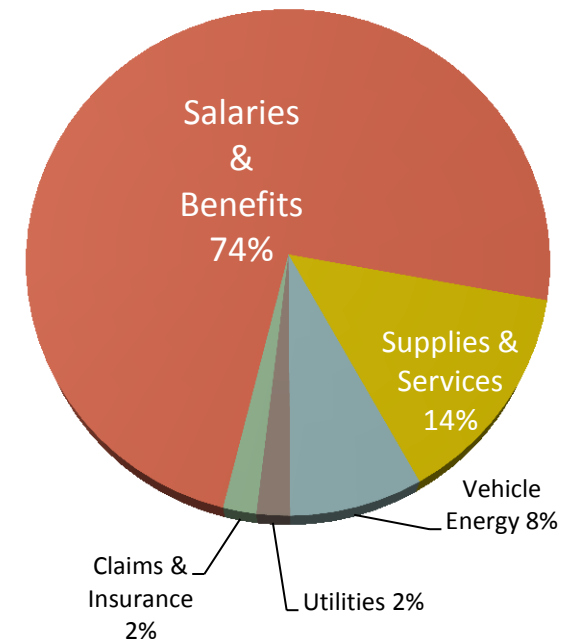
COMMUTER PARKING: +\$3M

Higher Parking revenues and expected increase in utilization by paying customers.



COMPONENTS OF EXPENSES (\$Millions)

Salaries & Benefits	1,310	74%
Supplies & Services	246	14%
Vehicle Energy	142	8%
Claims & Insurance	38	2%
Utilities	29	2%
<i>Total*</i>	1,765	



*Assumes \$29M in depreciation is addressed through City capital funding and \$8.5M in hybrid bus batteries are capitalized.



2017 TTC AND WHEEL-TRANS OPERATING BUDGETS



EXPENDITURE CHANGES: +\$28M

• Collective Bargaining Agreement (CBA)	\$24M
• PRESTO Commissions and New Faregates	15M
• TYSSE	6M
• Accident Claims	6M
• Traction Power & Utilities Price Increase	6M
• Cap and Trade Program	5M
• Service - maintain existing, annualize 2016 Service initiatives	5M
• Subway Train Maintenance Requirements (TR end of Warranty, T1 additional requirements)	5M
• 2017 Service Changes	4M
• Inflationary Price Increases	3M
• Depreciation	(33M)
• City Construction Service Charge to City Capital Projects	(6M)
• Diesel Price and Consumption Reductions	(6M)
• Unspecified Budget Reduction	(5M)
• All other Changes (net)	<u>(1M)</u>

Total

\$28M





CBA: +\$24M

Based on wages and benefits included in CBAs effective April 1/14 to March 31/18:

- Full year's effect of April 1/16 wage increase; and
- April 1/17 wage increase

PRESTO COMMISSIONS & NEW FAREGATES: +\$15M

- PRESTO payments enabled on all TTC buses, streetcars and subway stations by the end of 2016.
- 5.25% Fee now being paid.
- Additional \$14M in fees budgeted as shift occurs from legacy fare media to PRESTO
- \$2.5M for new faregate service contract
- (\$2M) reduction in legacy fare media costs as customers transition to PRESTO.



TYSSE

- Opens late in 2017
- \$6M impact in 2017 - \$30M net annual impact
- 169 positions



ACCIDENT CLAIMS: +\$6M

- Based on a recent actuarial assessment of payments expected to be made in 2017.

TRACTION POWER AND UTILITIES: +\$5M

- 7% Hydro rate increase based on City of Toronto forecast.



CAP AND TRADE PROGRAM: +\$5M

- Cap and Trade system being introduced by Province of Ontario on January 1, 2017.
- Expected impact of:
 - 4.7 cents per litre on diesel fuel: \$4.4M
 - 3.3 cents per cubic metre on natural gas: \$0.7M
 - 4.3 cents per litre on gasoline: \$0.1M



ANNUALIZATION OF 2016 SERVICE: +\$5M

- Early Sunday Opening
- Streetcar Service Reliability
- New Express Routes
- Adjustments required to maintain TTC Board approved loading standards.



SUBWAY TRAIN MAINTENANCE: +\$5M

- T1 trains additional maintenance requirements: \$3.3M including:
 - HVAC
 - Speed Control Systems
 - Door Locks
 - Higher Cost of Wheels
- TR trains coming off of warranty: \$1.7M

INFLATIONARY PRICE INCREASES: +\$3M

- Based on City's forecast of 2% for general inflation



DIESEL PRICE AND CONSUMPTION: (\$6M)

- Price reflective of hedges and market conditions: (\$4M)
- Consumption savings (bus idling and other efficiencies): (\$2M)





5-YEAR EXPENDITURE REVIEW

- 2011-2015 line-by-line review
- \$10M across-the-board cut in departmental budgets made in 2016
- \$5M unspecified reduction in 2017 budget
- Total reduction imposed on departments:
 - \$15M across-the-board

2017 TTC AND WHEEL-TRANS OPERATING BUDGETS



TTC OPERATING WORKFORCE CHANGES @ Dec. 31, 2017:

• 3 rd Party Recoveries (100% Cost Recovery)	<u>210</u>
• TYSSE	169
• PRESTO/Stations Transformation	(83)
• Service (Planned 2016 Fall Service not implemented)	(29)
• Track Safety Plan	18
• Conversion of IT Contractors to TTC positions	14
• Operating Impacts of Capital Projects	11
• Keele Yard	10
• Other Net Changes	<u>27</u>
	137
<hr/>	
<u>TOTAL OPERATING WORKFORCE INCREASE</u>	<u>347</u>





PERFORMANCE

- Targets and performance indicators monitored in regular CEO's Report
 - Benchmarks – OPTA, CUTA, APTA, NOVA
 - NOVA - International urban rail properties group
 - Imperial College of London
 - 2012 review of TTC: one of two subways outside Asia and South America to cover operating
 - Low operating costs by international standards
 - Labour productivity exceptionally high
- ⇒ “When compared with other metros in the world, Toronto’s Subway offers excellent value for money”





Efficiencies in Previous Budgets

- Diesel fuel – hedged contracts
- Combined purchases with City - \$1M/yr Bell
- Cut Admin staff by 8% in 2011 - \$21.6M/yr
- Articulated buses - \$5.4M/yr – full roll-out
- End of line cleaning – efficient use of resources
- Bus Service line contracting out – saved \$2M/yr and improved cleanliness
- Collective Bargaining Agreements – \$100M cost avoidance
- Accident Claims – 80% reductions in no-fault payments
- Insurance – liability coverage increased and premiums reduced by \$0.7M for 2015-2017
- \$10M 2016 across-the-board departmental budget cuts





Transformational Projects: Efficiency Opportunities

	<u>Ongoing Savings/ Cost Avoidance</u>
PRESTO (-140 w/f)	\$48M
One Person Operation of Subways (OPO) (-294 w/f)	\$36M
Warehouse Rationalization	TBD
Office Consolidation	\$8.5M
Reliability Centred Maintenance (Bus)	\$20M
SAP (-30 w/f)	\$3M
CAD/AVL (VISION)	\$24M
Lean Six Sigma Review	TBD
Wheel-Trans Fleet/Family of Services	\$30M
204 LRVs (-50 w/f)	\$6M
Estimated Total (-514 w/f)	<u>\$175.5M</u>





Future Issues: Additional Costs

- TYSSE first full year of operation (2018)
- Full adoption of PRESTO and related PRESTO fees (2018)
- Eglinton Crosstown LRT Operation (2021)
- Energy prices (ongoing)
- Bus Facility Constraints (current)
- Transit Fare Equity Policy CBA negotiations (2018)
- Service Initiatives not included in base budget AODA (2017)

Staff working on multi-year pro formas



2017 WHEEL-TRANS OPERATING BUDGET (Initial pressure) (Millions)

	2016 BUDGET	PRELIMINARY 2017 BUDGET	CHANGE
Rides	3.7	4.7	1.0
Revenues*	\$7.0	\$8.3	\$1.3
Expenses	\$123.7	\$155.7	\$32.0
Total Subsidy Required	\$116.7	\$147.5	\$30.8
Total Subsidy Available**	\$116.7	\$113.7	(\$3.0)
Shortfall	-	\$33.8	\$33.8

* Based on current fare structure

**2017 Subsidy Available reflects City's 2.6% subsidy reduction target of \$3.0M.



2017 TTC AND WHEEL-TRANS OPERATING BUDGETS



SHORTFALL REDUCTION: \$7.4M (from \$33.8M to \$26.4M)

- Contracted Taxi service (reflects 2016 experience & anticipated impact of Family of Services Model) \$2.9M
- TTC reduction assigned to WT re: City 2.6% subsidy reduction target 2.6M
- Employee Benefits 0.5M
- Diesel Fuel 0.6M
- Workforce 0.3M
- PRESTO Fees 0.2M
- 10-Cent Fare Increase 0.2M
- Other Net Changes 0.1M

TOTAL

\$7.4M





2017 WHEEL-TRANS OPERATING BUDGET (as at Nov.21/16) (Millions)

	2016 BUDGET	2017 BUDGET	CHANGE
Rides	3.7	4.7	1.0
Revenues*	\$7.0	\$8.5	\$1.5
Expenses	\$123.7	\$151.2	\$27.5
Total Subsidy Required	\$116.7	\$142.7	\$26.0
Total Subsidy Available	\$116.7	\$116.3	(\$0.4)
Shortfall	-	\$26.4	\$26.4

* Based on a 10-cent fare increase





Wheel-Trans Operating Budget

- Ridership growth @ 28%
- AODA: 0.5% average unaccommodated rate
- Comparable cost implications as TTC Operating Budget
- Revenue only covers about 5% of costs
 - possible fare increase has minimal impact on subsidy requirement





WHEEL-TRANS EXPENDITURE CHANGES: +\$27.5M

• Service to accommodate 4.7M rides (+1M rides)	\$24.0M
• WT Transformation Program	2.0M
• CBA	1.1M
• Bus Maintenance	0.6M
• Workforce	0.5M
• Diesel	(0.9M)
• Other Net Changes	<u>0.2M</u>
	<u>\$27.5M</u>



2017 TTC AND WHEEL-TRANS OPERATING BUDGETS



WHEEL-TRANS OPERATING WORKFORCE CHANGES @ Dec. 31, 2017:

Service Related:

• Dispatcher	1
• Reservationist	<u>1</u>
Sub-Total	<u>2</u>

10-Year Strategy:

Sub-Total 3 Temps

24/7 Stores Operations:

• Storekeeper	1
Sub-Total	<u>1</u>

TOTAL OPERATING WORKFORCE INCREASE 6





2017 OPERATING BUDGET (As at November 21, 2016) (Millions)

	TTC	WT	TOTAL
Revenues - Passenger*	\$1,168	\$9	\$1,177
- Other	70	-	70
Total Revenues	\$1,238	\$9	\$1,247
Expenses**	\$1,765	\$151	\$1,916
Total Subsidy Required	\$527	\$142	\$669
Total Subsidy Available	\$478	\$116	\$594
Draw from TTC Stabilization Reserve	\$14	-	\$14
Shortfall	\$35	\$26	\$61

*Based on a 10-cent fare increase

**Assumes \$29M in depreciation is addressed through City capital funding and \$8.5M in hybrid bus batteries are capitalized.



OPTIONS TO ADDRESS REMAINING SHORTFALL (APPENDIX C)



	Annual Impact	
	<u>Up to \$</u>	<u>Ridership</u>
<u>(A) Service Options</u>		
(i) Review low-ridership, high-subsidy routes	\$3M	(0.3 Million)
(ii) Review 10 minute service	\$9M	(1.7 Million)
(iii) Review low-ridership periods on bus routes	\$3.6M	(1 Million)
(iv) Review off-peak loading standards	\$8.3M	(2.3 Million)
(v) Review increasing off-peak crowding by 5% (over item (iv))	\$3M	(0.8 Million)
(vi) Review night service	\$1.8M	(0.6 Million)
(vii) Review express bus service	\$2.8M	(1.1 Million)
(viii) Review increasing peak crowding by 5%	\$5.2M	(0.6 Million)
(ix) Review increasing peak crowding by 10%	\$5 M	(0.5 Million)
(x) Review increasing off-peak crowding by 10% (over item (iv))	\$1.7M	(2.1 Million)
(xi) Review Community Bus (Wheel-Trans)	<u>\$1.0M</u>	
Sub-total	\$44.4M	(11 Million)



OPTIONS TO ADDRESS REMAINING SHORTFALL (APPENDIX C)



	Annual Impact	
	<u>Up to \$</u>	<u>Ridership</u>
<u>(B) Fare Related</u>		
<u>Review Fare Increase beyond 10-cents (Appendix C1)</u>		
Figures are the increment over the 10-cents and the larger the increase the more risk involved.		
20-cents	\$20M	(3 Million)
25-cents	\$30M	(5 Million)
50-cents	\$54M	(20 Million)
<u>Review Harmonized cash fares (Appendix C2)</u>		
At \$3.25 for a 10-cent fare increase	\$3M	(1 Million)
At \$3.25 for a 20-cent fare increase	\$4M	(1.5 Million)
At \$3.25 for a 25-cent fare increase	\$6M	(2 Million)
At \$3.75 for a 50-cent fare increase	\$3M	(2 Million)
<u>Review Pass Discounts to Adult MP Price</u>		
Metropass MDP	\$6.6M	(0.5 Million)
Metropass VIP *	\$9.5M	(0.9 Million)
Post-Secondary Discount	\$13.5M	(2 Million)
* Based on current contracts, prices for January 2017 passes are fixed.		
<u>Review Concession Fares</u>		
Seniors Tickets/passes	\$16.4M	TBD
High School Students Tickets/Passes	\$19.7M	TBD
Blind & War Amps	\$2.1M	TBD
Children's Fares	\$8.3M	(8 Million)





RECOMMENDATIONS

- Approve expenditure reductions
- Request City Council to approve one-time \$14.4M draw from TTC Stabilization Reserve
- Approve a 10-cent fare increase effective January 2017
- Request City to reconsider capitalizing hybrid bus batteries and addressing depreciation via City capital funding
- Approve the 2017 TTC Operating Budget
- Approve the 2017 Wheel-Trans Operating Budget
- Review options in Appendix C to address remaining shortfall and provide direction
- Forward the 2017 TTC and Wheel-Trans Operating Budgets to the City of Toronto as the official operating budget submission

