

# Item 1



**For Action**

## 2020 TTC and Wheel-Trans Operating Budgets

**Date:** December 16, 2019  
**To:** TTC Board  
**From:** Interim Chief Financial Officer

### Summary

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This report presents the staff-recommended 2020 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 2020 Operating Budget totals \$2.144 billion in gross expenditures, \$1.354 billion in revenues and \$790 million net City funding, representing an \$84.0 million or 4.1% increase in gross expenditures and a \$26.9 million or a 3.5% increase in City funding (net expenditures).

Development of the 2020 Operating Budget was guided by the following four service objectives to meet key outcomes:

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

The 2020 Base Budget reflects expenditure increases of \$101.2 million, \$27 million of which relate to the reversal of one-time balancing strategies in 2019. \$31.6 million in expenditure reductions; savings from efficiency measures; and the implementation of Auditor General recommendations more than permanently offset the prior year impact of unsustainable budget reductions and together these reduce the base budget pressure to \$69.6 million. Savings have been reinvested to transform TTC's materials and procurement capacity in order to leverage greater value and the new (time-limited) investment of \$1.6 million is recommended to implement a business transformation program that will identify and support service delivery efficiencies. In all, these actions help solidify TTC's fiscal foundation.

Building on the improvements made since 2015, and in particular the service capacity improvements and 2-hour transfer funded in 2018 and 2019, the 2020 Operating Budget preserves these service levels to maintain the improved service reliability achieved to date and invests funding in the base budget for an additional 89,211 service hours and new funding for an additional 39,000 service hours in 2020 to implement improvements on surface transit routes, as approved for the first year of TTC's 5-year Service Plan.

The 2020 Operating Budget includes new funding for the implementation of an Anti-Racism Strategy (including the implementation of the City's Anti-Black Racism Action Plan) and the establishment of a Transit Enforcement Independent Complaints office as well as additional funding to improve wait times for Wheel Trans customers. These actions, combined with increased funding to preserve Wheel Trans services support TTC's objective to become a more inclusive and accessible organization and service provider.

The recommended new funding for the 5 year fare policy and 10 year collection strategy, together with the mid-block stops review and the start up of Line 5 Eglinton LRT are all actions to help prepare the TTC for future ridership growth, system reliability, seamlessness and ensuring TTC's system is resilient to change.

The budgetary actions taken and the new service investment priorities being recommended in the 2020 Operating Budget to achieve the above-noted objectives results in base budget pressure of \$75.2 million and a further \$9.5 million for new and enhanced service priorities, for a total increase of \$84.7 million.

In order to fund this budgetary increase, staff are recommending 3 sources of funding:

1. \$26.4 million to be realized from revenue protection and cost recovery strategies, including \$7 million net from the passenger revenue protection strategy and the recovery of \$19.4 million of 2020 incremental bus service costs during construction of the Eglinton and Finch West LRTs from Metrolinx;
2. \$31.4 million (net) to be realized from a 10 cent fare increase (with the exception of adult cash fares) effective March 1, 2020; and,
3. \$26.9 million in increased City funding, representing a 3.5% increase over 2019.

In looking forward to 2021 and 2022, it is important to note that forecasted budgetary increases of \$101.9 million and \$69.3 million, respectively, reflect the costs associated with operating the new Eglinton Crosstown LRT scheduled to open in 2021. It should also be noted that these estimates do not include a cost of living adjustments beyond Q1 2021, for virtually all TTC employees as 2021 is a collective bargaining year for the TTC's largest union.

Given the fiscal and service challenges ahead, it is critical that TTC continue its focus on key objectives and outcomes in preparing for future years.

## **Recommendations**

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It is recommended that the TTC Board:

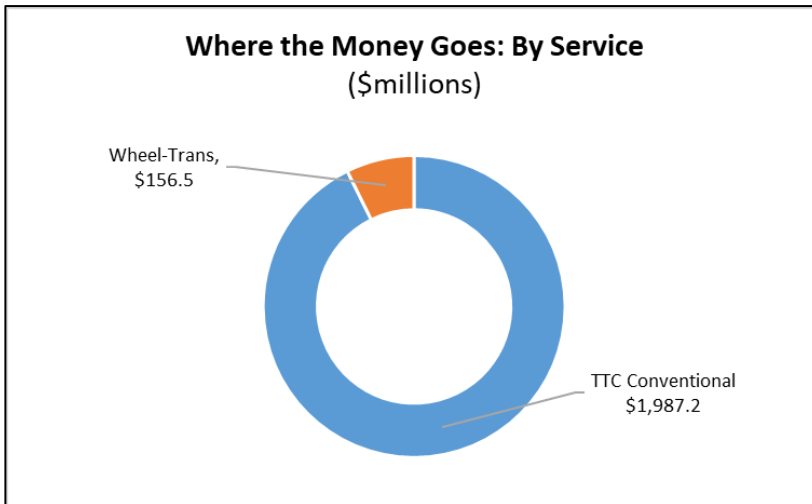
1. Approve the recommended 2020 TTC Conventional Operating Budget as detailed in this report, with gross expenditures of \$1.987 billion, revenues of \$1.344 billion and net City funding requirement of \$642.6 million, reflecting an additional \$20.6 million operating funding over the 2019 budgeted level;
2. Approve the recommended 2020 Wheel-Trans Budget as detailed in this report, with gross expenditures of \$156.5 million, revenues of \$9.2 million and net City funding requirement of \$147.3 million, reflecting an increase of \$6.3 million from the 2019 budgeted level;
3. Approve a 10 cent fare increase, as described in this report and Appendix C effective March 1, 2020 generating \$31.4 million in passenger revenues, net of PRESTO commissions;
4. Approve a 2020 year-end workforce complement of 16,167 positions, reflecting an increase of 142 positions to support service delivery and 74 positions for capital project delivery, as described in Appendix D; and
5. Forward this report to the City Budget Committee and the City Manager as the official 2020 Operating Budget submission for the Toronto Transit Commission.

## Financial Summary

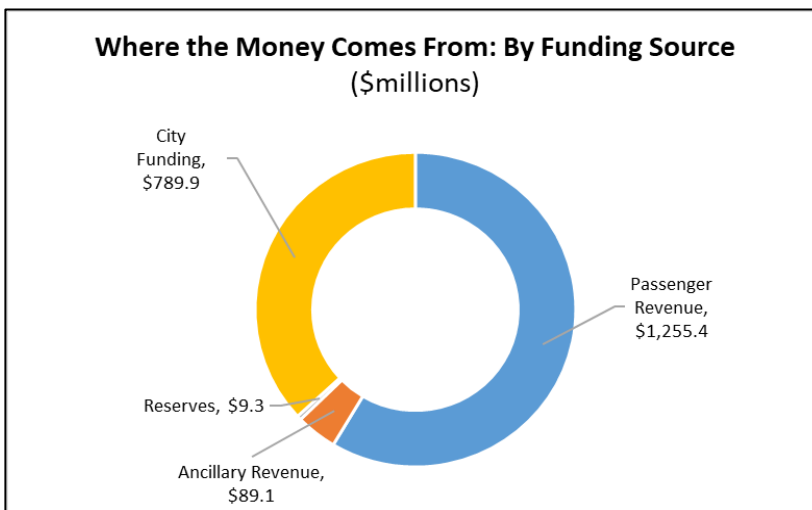
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The recommended combined TTC Operating Budget, is \$2.144 billion gross and \$790 million net, as summarized on the following charts and table.

- 93% of gross expenditures are used to fund the TTC Conventional Service, with 7% used to fund the Wheel-Trans service.



- Combined with the Wheel-Trans Service, 59% of funding requirements are from passenger fares, 37% is sourced from City funding, with the remaining 4% from ancillary revenue sources and reserve draws.



The recommended Base Operating Budget, is \$2.134 billion gross and \$780.4 million net. In addition, New & Enhanced service priorities are being requested totalling \$9.5 million gross and net, as summarized on the following table.

(In \$Millions)	2019 Approved Budget	2020 Base Budget Changes	2020 Base Budget Submission	2020 New & Enhanced	2020 Recommended Budget	Change v. 2020 Budget	
						\$	%
<b>By Service</b>							
<b>Revenues</b>							
TTC Conventional	1,288.6	56.0	1,344.6	0.0	1,344.6	56.0	4.3%
Wheel-Trans	8.1	1.1	9.2	0.0	9.2	1.1	13.6%
<b>Total Revenues</b>	<b>1,296.7</b>	<b>57.1</b>	<b>1,353.8</b>	<b>0.0</b>	<b>1,353.8</b>	<b>57.1</b>	<b>4.4%</b>
<b>Expenses</b>							
TTC Conventional	1,910.6	67.3	1,977.9	9.3	1,987.2	76.6	4.0%
Wheel-Trans	149.1	7.2	156.3	0.2	156.5	7.4	5.0%
<b>Total Gross Expenditures</b>	<b>2,059.7</b>	<b>74.5</b>	<b>2,134.2</b>	<b>9.5</b>	<b>2,143.7</b>	<b>84.0</b>	<b>4.1%</b>
<b>City Funding</b>							
TTC Conventional	622.0	11.3	633.3	9.3	642.6	20.6	3.3%
Wheel-Trans	141.0	6.1	147.1	0.2	147.3	6.3	4.5%
<b>Total City Funding</b>	<b>763.0</b>	<b>17.4</b>	<b>780.4</b>	<b>9.5</b>	<b>789.9</b>	<b>26.9</b>	<b>3.5%</b>
<b>Approved Positions</b>	<b>15,951</b>	<b>158</b>	<b>16,109</b>	<b>58</b>	<b>16,167</b>	<b>216</b>	<b>1.4%</b>

### Base Expenditure Changes

Base gross expenditure increases of \$74.5 million, include \$106.1 million of base expenditure pressures, offset by \$31.6 million in savings from base expenditure reductions and efficiency measures.

\$78.8 million of the \$106.1 million in base expenditure pressures are unavoidable as they directly relate to the impact of prior year decisions, annual wage increases arising from the Collective Bargaining Agreement and the impact of inflationary cost increases and legislative changes. A further \$16.7 million, is a direct requirement of preserving service levels for both the TTC Conventional and Wheel-Trans services. Other items, including the impact of 2020 being a leap year account for the balance of the base expenditure increase of \$10.6 million.

Offsetting the base expenditure pressures are \$31.6 million of staff recommended budget expenditure reductions and savings from efficiency measures. These include the implementation of Auditor General recommendations, savings achieved through shared procurement services with the City, implementation of the Family of Services model for Wheel-Trans, impacts of recent surface vehicle purchases on maintenance and fuel consumption, and the initial results from service delivery efficiencies.

### New & Enhanced Service Priorities

New funding for new & enhanced service investments total \$9.5 million and include funding for year 1 of the 2020 5 Year Service Plan commitment to improving surface transit schedules, a comprehensive fare policy and fare collection strategy, an increase in Wheel-Trans Contact centre capacity to reduce

abandoned calls and the implementation of ombudsman recommendations to implement anti-racism initiatives and to establish an independent office to handle Transit Enforcement complaints. Also included are funds to support the Business Transformation task force, initial start up costs related to the Eglinton LRT and a system wide mid-block stops review.

### **Revenue Changes**

2020 revenue is budgeted to increase by \$57 million, of which \$51 million is related to passenger revenues. Key passenger revenue changes include the annualized effect of the April 1, 2019 fare increase (\$10 million) and the 2020 impact of a recommended 10 cent fare increase (excluding adult cash), effective March 1, 2020 (\$33 million gross and \$31.4 million net of PRESTO commissions). In addition, \$10.2 million is expected to be generated from Revenue Protection initiatives. The revenue impact of a 1% expected increase in revenue ridership growth to 533.5 million revenue rides, is offset by a lower average fare consistent with trends experienced in 2019.

A recovery of 2020 bus service costs totalling \$19.4 million has also been included for which Metrolinx is contractually obligated to fund related to incremental bus service required as a result of the Eglinton and Finch LRT construction projects. These recoveries were received up to March 2017, but not received since then and are the subject of ongoing discussions with Metrolinx. Offsetting this increase is the reversal of \$13.4 million in the budgeted stabilization reserve draw, largely reflecting the amount expected to be used in 2019 and thus unavailable for future years.

### **Workforce Complement**

Approval of the staff recommended Operating Budget will increase the TTC's overall complement by 216 positions, of which 121 are operators and 50 are to support Revenue Protection Initiatives. A further 11 positions are to establish an independent office to handle Transit Enforcement complaints and implement a broad and comprehensive, system wide anti-racism strategy. The remaining net addition of 34 positions are to support a variety of initiatives including the opening of the McNicoll Bus Garage and requirements for capital program delivery, net of reductions related to efficiency initiatives, the retirement of legacy streetcar fleet and the transition to PRESTO.

### **Operating Budget Outlook for 2021 and 2022**

The outlooks for 2021 and 2022 identify pressures of \$102 million and \$69 million, respectively. Key drivers include the opening of the Eglinton LRT and energy and material price inflation as well as planned new service investments for years 2 and 3 of the 5 Year Service Plan.

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

## Equity/Accessibility Matters

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The TTC is strongly committed to making Toronto's transit system barrier-free and accessible to all. We believe all customers should enjoy the freedom, independence and flexibility to travel anywhere on the public transit system. All expenditures required to meet the TTC's accessibility and equity requirements are provided for in this budget, including:

- ✓ \$6.3 million City funding increase for the Wheel-Trans service and continued implementation of Wheel-Trans Family of Services.
- ✓ \$2.8 million to implement ombudsman recommendations regarding the anti-racism strategy and the establishment of an independent office to handle Transit Enforcement complaints.

We are also aware that the recommended fare increase will be an affordability issue for some TTC customers. This may be particularly true for low-income customers who rely on cash as their fare payment. To ensure continued affordability and access, there will be no change in adult cash fare which will remain at \$3.25 and has been unchanged since January 1, 2016.

The TTC has collaborated with the City on the Poverty Reduction Strategy Action Plan 2019-2022. Specific initiatives undertaken have included:

- Collaboration with the City on the implementation of future phases of the Fair Pass Program. Customers who are eligible for this program receive a 33% discount on the adult single fare or a 21% discount on the price of a monthly adult pass.
- Work with PRESTO/ Metrolinx on increasing access to PRESTO, including more locations in underserved areas and single fare options for social agencies.
- Comprehensive review of our fare structure and policies which will be completed as part of the 5-year Fare Policy and 10-year Collection Strategy in 2020.
- Implementing the service planning equity consultation tool for major transit service changes.
- Explore bus transit lanes on heavily used bus corridors in the inner suburbs to improve speed and reliability of existing transit service.

## Decision History

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On July 24, 2019, the City of Toronto forwarded the 2020 Budget Preparation Instructions which stated: “For 2020, there are no pre-determined operating or capital budget target levels. However, your plan must reflect at a minimum, service levels equal or greater than the 2019 actual service levels.”

At the October 2<sup>nd</sup> and 3<sup>rd</sup> City Council meeting City Council requested “the Toronto Transit Commission Board to explore options for discounted post-secondary student single-fare and monthly passes that take into account Provincial changes to university and college fee systems, and report back in the 2020 Budget process on revisions to the system.” The TTC Board referred this item to staff at its October 24, 2019 meeting noting that “should further analysis be required, that the matter be considered as part of the TTC’s planned 5-Year Fare Policy Review process.”

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2019/October 24/Reports/Decisions/9 City Council Transmittal Member Motion 10.7 Exploring Opti.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2019/October%2024/Reports/Decisions/9%20City%20Council%20Transmittal%20Member%20Motion%2010.7%20Exploring%20Opti.pdf)

At its meeting on December 12, 2019, the TTC Board considered the 5 Year Service Plan and 10 Year Outlook, which included a need for \$3.7 million in additional operating funding to Improve surface transit schedules in 2020.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2019/December 12/Reports/16 5 Year Service Plan and 10 Year Outlook.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2019/December%2012/Reports/16%205%20Year%20Service%20Plan%20and%2010%20Year%20Outlook.pdf)

## Comments

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Since 2015, the TTC has made significant service investments with the goal of enhancing the customer experience by improving and expanding reliable service to more riders. In order to achieve this outcome, a number of key service initiatives have been introduced that increase service capacity, reliability and responsiveness as well as promote greater use of the transit network. A list of major service enhancements since 2015 is provided below.

- Toronto-York Spadina Subway Extension
- 10 Minute Network
- All-Day Everyday Bus Service Restored
- Expanded Express Bus Network
- Expanded Blue Night Network
- Early Sunday Opening



Additional investments in service reliability were made in 2018 and 2019 as summarized on the following table:

<b>2018 &amp; 2019 Investments in Service Reliability and Customer Satisfaction</b>	<b>INCREMENTAL FINANCIAL IMPACT</b>	
	<b>2018</b>	<b>2019</b>
<b>2 Hour Transfer</b> (August 2018)	\$6.1M	\$14.4M
<b>Capacity Improvements</b> (September 2018) <ul style="list-style-type: none"> <li>✓ Line 1 Service Reliability Improvements <ul style="list-style-type: none"> <li>✓ 3 AM Peak Trains</li> <li>✓ Wilson Yard North Hostler Commissioning</li> <li>✓ Improved train dispatch</li> <li>✓ Bloor-Yonge &amp; St. George Crowd Management</li> </ul> </li> <li>✓ Relieve crowding on bus routes <ul style="list-style-type: none"> <li>✓ 20 Routes in Peak Periods</li> <li>✓ 14 Routes Off-Peak</li> <li>✓ 7 new Peak Period Express Routes</li> </ul> </li> </ul>	\$5.0M	\$8.5M
<b>Delivery of Expected Service Standards</b> (Fall 2018) <ul style="list-style-type: none"> <li>✓ 169 operators and 15 other staff specifically to: <ul style="list-style-type: none"> <li>✓ Deliver expected service standards</li> <li>✓ Reduce overtime</li> </ul> </li> </ul>	\$1.5M	\$3.0M
<b>Reliability Initiatives</b> (2019) <ul style="list-style-type: none"> <li>✓ Run As Directed Buses</li> <li>✓ Bus Reliability <ul style="list-style-type: none"> <li>✓ Supports service resiliency and responsiveness</li> </ul> </li> <li>✓ Area Network Reviews (Junction Area routing changes)</li> </ul>		\$5.0M
<b>PRESTO implementation</b> <ul style="list-style-type: none"> <li>✓ Legacy pass products eliminated</li> <li>✓ Ticket &amp; Token stop selling date November 30, 2019*</li> </ul> <p>* At TTC Stations.</p>	\$8.3M	\$18.6M
<b>Total Incremental Impact on 2019 Operating Budget</b>		<b>\$49.5M</b>

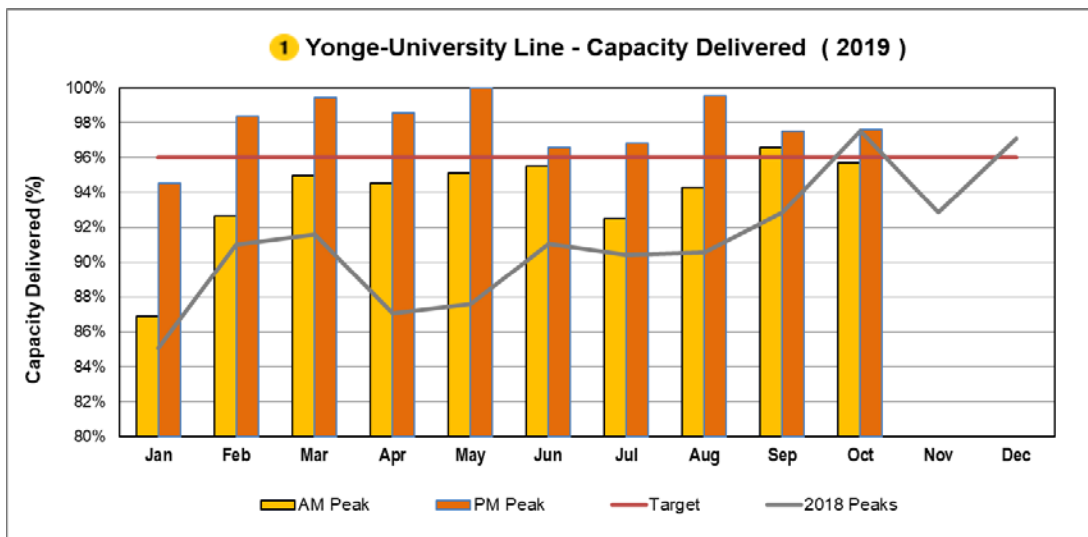
## Outcome of 2018 & 2019 Investments

Delivering the service that we advertise is a central commitment to our riders. Investments made in 2018 & 2019 are ensuring that sufficient resiliency exists to ensure scheduled vehicles are in service and to avoid unscheduled short-turns. This level of investment has enabled greater flexibility and increased attractiveness of TTC as the mobility mode of choice. Substantial service performance improvements were made in key performance indicators during 2019, as noted in the charts below.

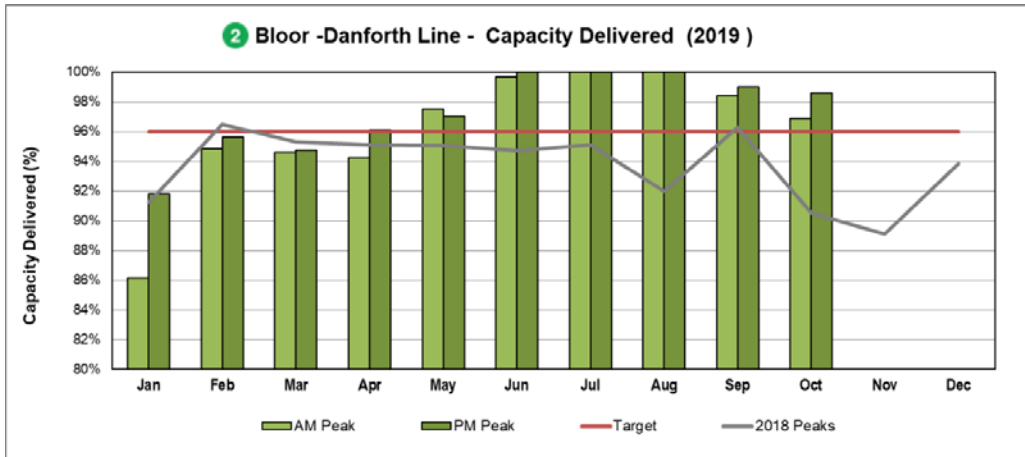
- **Scheduled Vehicles In Service**

TTC has achieved regular 100% of scheduled surface vehicles in service, with significant improvements on Lines 1 & 2.

For Line 1, the 2019 percentage of scheduled trains per hour through key stations (bars) has consistently exceeded the 2018 comparable results (gray line).

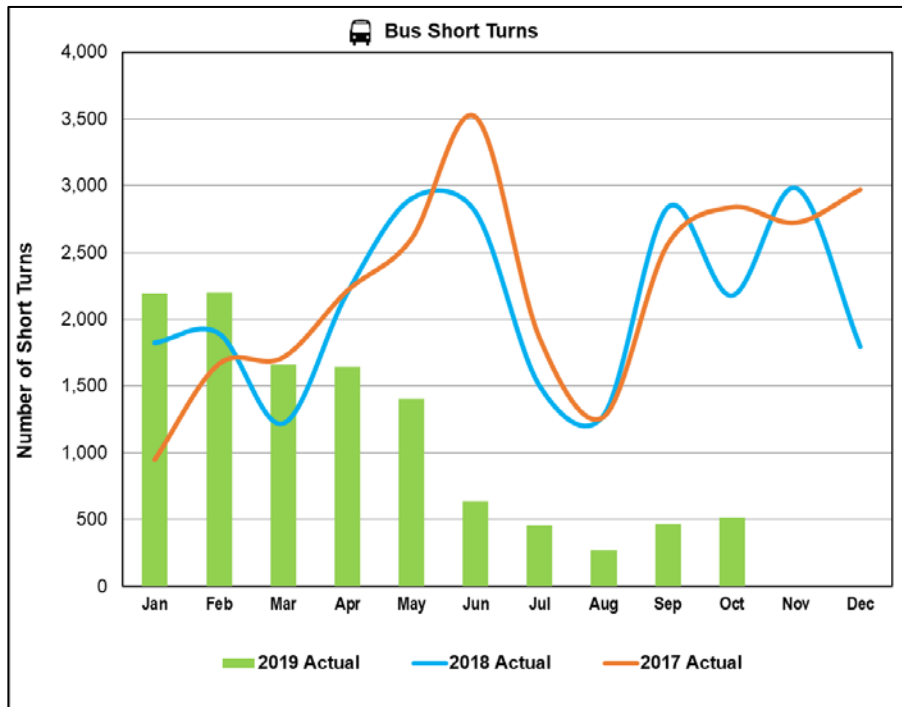


For Line 2, the 2019 percentage of scheduled trains per hour through key stations (bars) has consistently exceeded the 2018 comparable results (gray line) and has reached 100% in recent months.

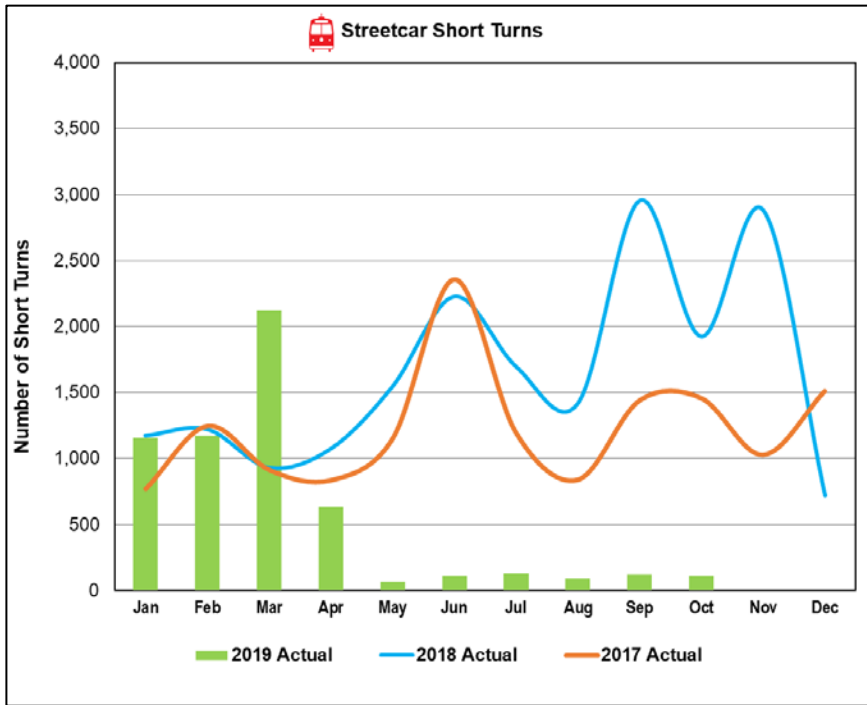


- Surface Vehicle Short Turns

Unscheduled short turns of bus service, have declined 46% in 2019, relative to 2018. The improvement has been most notable since June.

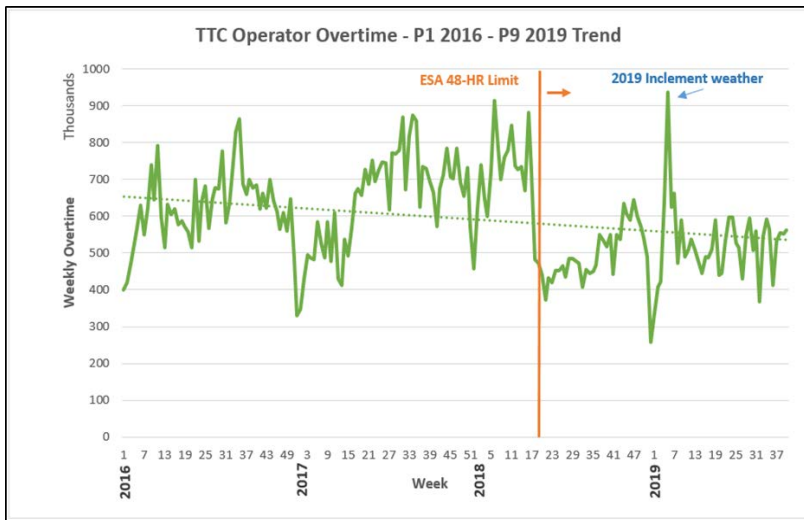


Unscheduled short turns of streetcar service, have declined 65% in 2019, relative to 2018. The improvement has been most notable since May.



- Reduction in Operator Overtime Spending

One of the key investments introduced in 2018 was the hiring of an additional 169 operators, specifically to reduce the TTC’s reliance on overtime and ensure service standards would be met and cancellations are avoided. In addition, to the improvement in service delivery indicators noted above, TTC has been able to reduce operator overtime spending by \$7 million or 21% on an annual basis as shown in the graph below.



Operator OT	Avg Weekly OT
Jan 2016 to Apr 2018	\$646K
May 2018 to September 2019	\$511K
<b>Average weekly change</b>	<b>\$135K</b>
<b>Percent reduction</b>	<b>21%</b>
<b>Annual Overtime Reduction Trend</b>	<b>\$7M</b>

## 2020 Priority Actions

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To address key service challenges for 2020 and beyond, this budget was built on four key objectives.

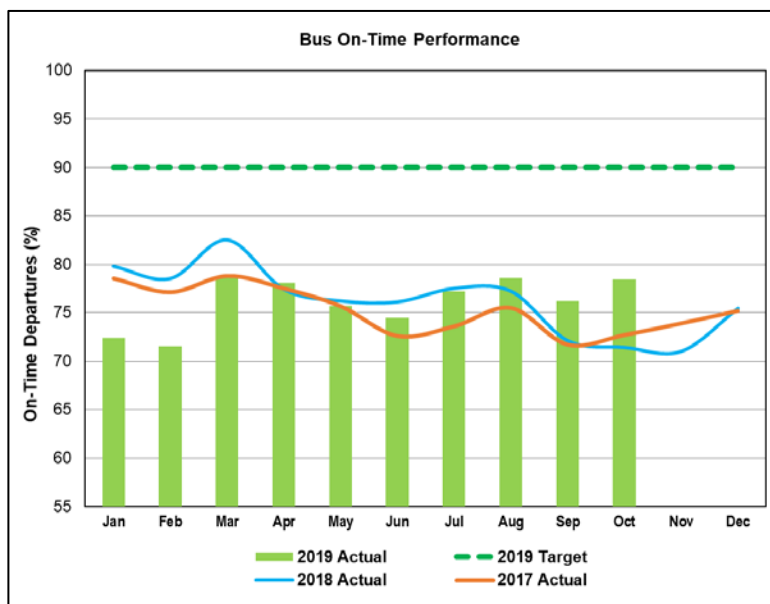
1. Provide Seamless and Reliable Transit Service
2. Become a More Inclusive and Accessible Service Provider
3. Transform to Solidify Fiscal Foundation
4. Innovate for Future Demand

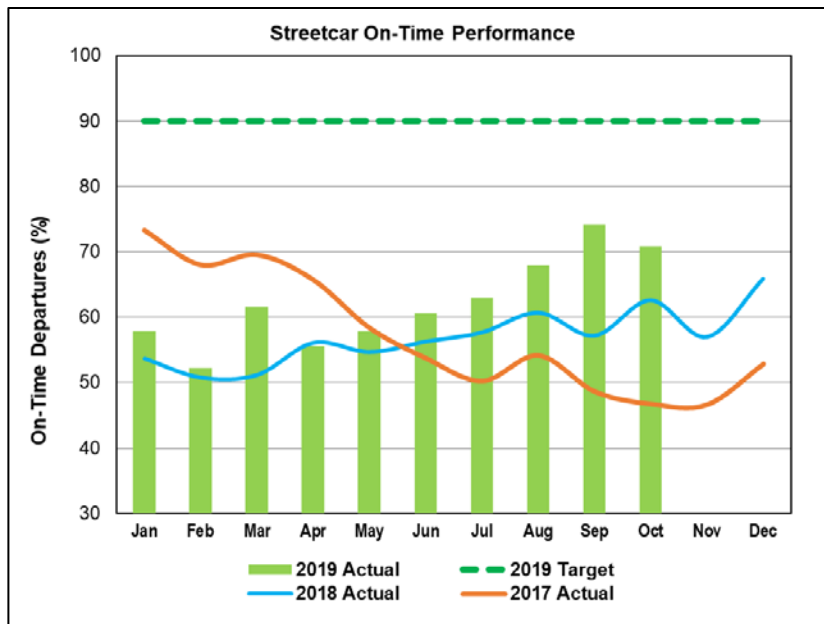
▪ Provide Seamless and Reliable Transit Service

While service improvements have been made, more needs to be done to relieve overcrowding and congestion, deliver on putting out the service we advertise, and maintain our service reliability.

A key priority action towards enhancing customer satisfaction is implementing year 1 of the 5 Year Service Plan. The Service Plan focus for 2020, is to Improve Surface Transit Schedules with the objective being to improve and ultimately meet on-time performance targets. As the graphs below indicate, on time performance of surface routes is currently well below target.

On time performance on both bus and streetcar routes is currently between 70 and 75%. While both trends have shown some improvement over prior years, on-time performance remains below the target of 90%, as shown below. The 2020 5 year service plan initiative will improve surface transit schedules by adding 1,000 weekly hours of service to adjust schedules to reflect actual operating conditions and therefore improve reliability and predictability of service for customers.





- Become a More Inclusive and Accessible Service Provider

Diversity, equity and inclusion are core TTC values. The TTC is strongly committed to making Toronto’s transit system barrier-free and accessible to all. We believe all customers should enjoy the freedom, independence and flexibility to travel anywhere on the public transit system. Expenditures required to meet the TTC’s accessibility and equity requirements are provided for in this budget, including:

- ✓ \$6.3 million City funding increase for the Wheel-Trans service and continued implementation of Wheel-Trans Family of Services.
- ✓ \$2.8 million to implement ombudsman recommendations regarding the anti-racism strategy and the establishment of an independent office to handle Transit Enforcement complaints.

- Transform to Solidify Fiscal Foundation

While the 2019 service improvements have ensured that resiliency exists to get all scheduled vehicles in service and to avoid unscheduled service cancellations, were funded in 2019, the substantial investment required resulted in some funding sources being one-time in nature. This included a \$15.4 million one-time stabilization reserve draw and \$11.5 million in corporate reductions, which were achieved through one-time items. Combined these one-time items presented a financial sustainability challenge for 2020 of \$27 million. To address this challenge a comprehensive line-by-line review with operational managers was conducted to identify non-service related efficiencies and sustained underspending to identify sustainable savings. In addition, TTC staff worked on implementing Audit General recommendations, and used a shared service approach to achieved sustained savings in diesel costs. Combined these initiatives identified \$29 million in sustainable savings.

TTC intends to build on this achievement through Business Transformation and Revenue Protection initiatives. Business Transformation will examine current work practices and identify areas for potential improvement, with the ultimate goal of maximizing the efficiency with which we provide service to the public. The goal of the revenue protection initiative is to use a risk based and data driven approach to target resources to combating and reducing fare evasion.

- Innovate for Future Demand

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

- Improving efficiency of bus operation and reduce non-revenue driving time by opening the McNicoll bus garage.
- Completing a Fare Policy and Collection strategy review to maximize the benefit of the PRESTO system implementation and meet customer needs.
- Completing a mid-block stops review.
- Growing the network by commencing Eglinton LRT start-up activities.

## 2020 Staff Recommended Operating Budget

The 2020 financial plan to achieve the above noted objectives results in a base expenditure increase of \$74.5 million and a further \$9.5 million for new & enhanced service priorities. The components of the expenditure and related revenue changes are summarized in the following tables, which commence on the next page, with explanatory comments below.

<b>2020 TTC Conventional &amp; Wheel-Trans Operating Budget</b>				
<b>(\$Millions)</b>				
<b>Description</b>	<b>Gross</b>	<b>Revenue</b>	<b>Net</b>	<b>Pos.</b>
<b>2019 Approved Budget</b>	<b>2,059.5</b>	<b>1,296.7</b>	<b>762.8</b>	<b>15,951</b>
<b>Base Pressures:</b>				
Prior Year Impacts	20.4	(13.4)	33.8	10
April 1, 2019 Fare Increase (Prior Year Impact)		10.0	(10.0)	
Collective Bargaining Agreement	26.4		26.4	
Economic Factors & Legislative Changes	32.0		32.0	
Operating Impact of Capital	0.2		0.2	37
TTC Conventional Service & Operator Workforce	4.8		4.8	88
WT Contract Taxi Average Trip Length	9.5		9.5	
Metrolinx LRT Construction Bus Augmentation	2.4		2.4	
Other Base Pressures	5.6	3.5	2.1	20
Positions required for Capital program delivery				74
<b>Subtotal: Base Pressures</b>	<b>101.3</b>	<b>0.1</b>	<b>101.2</b>	<b>229</b>
<b>Efficiencies and Reduction Actions:</b>				
Base Reductions	(19.7)		(19.7)	(29)
Service Delivery Efficiencies	(0.6)		(0.6)	(78)
Implementation of AG Recommendations	(3.8)		(3.8)	10
Shared Services	(2.1)		(2.1)	
Other Efficiencies	(5.4)		(5.4)	(24)
<b>Subtotal: Efficiencies and Reduction Actions</b>	<b>(31.6)</b>	<b>0.0</b>	<b>(31.6)</b>	<b>(121)</b>
<b>Revenue Changes:</b>				
10 cent Fare Increase March 1, 2020	1.6	33.0	(31.4)	
Revenue Protection Initiative	3.2	10.2	(7.0)	50
Metrolinx LRT Construction Service Cost Recovery		19.4	(19.4)	
Other Revenue Changes		(5.6)	5.6	
<b>Subtotal: Revenue Changes</b>	<b>4.8</b>	<b>57.0</b>	<b>(52.2)</b>	<b>50</b>
<b>Subtotal: 2020 TTC &amp; WT Base Budget Request</b>	<b>2,134.0</b>	<b>1,353.8</b>	<b>780.2</b>	<b>16,109</b>
<b>2020 TTC &amp; WT Operating Base Budget Increase</b>	<b>74.5</b>	<b>57.1</b>	<b>17.4</b>	<b>158</b>
<b>New &amp; Enhanced Requests:</b>				
All New & Enhanced Requests	9.5		9.5	58
<b>2020 TTC &amp; WT Operating Budget Request</b>	<b>2,143.5</b>	<b>1,353.8</b>	<b>789.7</b>	<b>16,167</b>
<b>2020 TTC &amp; WT Operating Budget Increase</b>	<b>84.0</b>	<b>57.1</b>	<b>26.9</b>	<b>216</b>
<b>Change from 2019</b>	<b>4.1%</b>	<b>4.4%</b>	<b>3.5%</b>	<b>1.4%</b>



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

<b>Base Pressures (\$Millions)</b>				
<b>Description</b>	<b>Gross</b>	<b>Revenue</b>	<b>Net</b>	<b>Pos.</b>
<b>Prior Year Impacts:</b>				
2019 One-time Stabilization Reserve Draw		(15.4)	15.4	
2020 TTC Stabilization Reserve Draw		2.0	(2.0)	
Full Year Impact of April 1, 2019 Fare Increase		10.0	(10.0)	
Unsustainable 2019 Corporate Reductions	11.5		11.5	
Other (One-time items, 2019 workforce additions)	8.9		8.9	10
Collective Bargaining Agreement	26.4		26.4	
<b>Subtotal: Prior Year Impacts</b>	<b>46.8</b>	<b>(3.4)</b>	<b>50.2</b>	<b>10</b>
<b>Economic Factors &amp; Legislative Changes:</b>				
Energy Prices & Carbon Tax	15.7		15.7	
Employee Benefits	10.0		10.0	
Material and Contract Price Inflation	6.3		6.3	
<b>Subtotal: Economic Factors &amp; Legislative Changes</b>	<b>32.0</b>	<b>-</b>	<b>32.0</b>	<b>0</b>
<b>Operating Impact of Capital:</b>				
McNicoll Garage	3.6		3.6	59
PRESTO Transition	(5.3)		(5.3)	(15)
IT related projects	1.9		1.9	(7)
<b>Subtotal: Operating Impact of Capital</b>	<b>0.2</b>	<b>-</b>	<b>0.2</b>	<b>37</b>
<b>Base Changes:</b>				
Contract Taxi Average Trip Length	9.5		9.5	
Conventional Service & Operator Workforce	4.8		4.8	88
Metrolinx LRT Construction Bus Augmentation	2.4		2.4	
Wheel-Trans Call Centre	0.8		0.8	10
Other Base Changes	4.8	3.5	1.3	10
<b>Subtotal: Base Changes</b>	<b>22.3</b>	<b>3.5</b>	<b>18.8</b>	<b>108</b>
<b>Total 2020 Base Pressures</b>	<b>101.3</b>	<b>0.1</b>	<b>101.2</b>	<b>155</b>

The 2020 TTC and Wheel-Trans Operating Budget funds base pressures of \$101.2 million net. The funding is required to preserve current service levels. Of this amount, \$82.4 million or 81% is due to prior year decisions, inflationary increases, legislation and impacts of completed capital projects, including the new McNicoll Bus Garage slated to open in late 2020.

Of the remaining, an additional \$9.5 million is required to reflect Wheel-Trans' 2019 experience for contracted taxi services. These services are expected to exceed base budget funds by approximately \$10 million driven by increases in the average length of customer trips, in part due to Collective Bargaining Agreement modal share requirements.

A further \$4.8 million and 88 TTC operators are required to deliver an increase in service hours, which is required to adhere to the TTC's service standards so that no more than 51 passengers are accommodated per bus in peak periods and 36 in off peak periods. To adhere to these standards, an additional 89,211 scheduled operating service hours are proposed for 2020 and is described in greater detail in

the Service Budget section below. For additional details on the base budget pressures, please refer to Appendix A2.

## 2020 Service Budget

Building on TTC's positive performance in delivering 100% of scheduled capacity and improvements in operator workforce resiliency, the 2020 service budget includes targeted investments aimed at improving on-time performance. 17,500 service hours dedicated to providing operational flexibility to respond to delays and service disruptions are also being added for a total of 89,211 service hours.

<b>Annual Base Budget Service Hour Summary</b>				
	<b>Bus</b>	<b>Streetcar</b>	<b>Subway*</b>	<b>Total</b>
<b>2019 Service Budget**</b>	7,340,800	980,400	1,132,700	9,453,900
<b>2020 Service Changes</b>				
Annualization of 2019 service improvements	60,212	(15,018)	13,542	58,736
Hours to provide operational flexibility	17,496	0	0	17,496
Calendar and seasonal changes (2020 is a leap year)	37,959	1,904	5,477	45,340
Implementation of low floor streetcars in 2020	(107,738)	75,377	0	(32,361)
<b>Subtotal 2020 Service Changes**</b>	<b>7,929</b>	<b>62,263</b>	<b>19,019</b>	<b>89,211</b>
<b>2020 Service Base Budget**</b>	<b>7,348,729</b>	<b>1,042,663</b>	<b>1,151,719</b>	<b>9,543,111</b>
*Includes SRT				
** Excludes Non-scheduled and Construction Service				
***Additional to the 2020 Service Base Budget are Improvements to Surface Transit Schedules of 39,000 service hours, which are included with the New & Enhanced requests				

- Annualization of 2019 service improvements  
In 2019, the TTC implemented service improvements that will be annualized in 2020.
  - ✓ Area Network Review
  - ✓ Bus and Streetcar Service Reliability
  - ✓ Subway Run as Directed
- Operational Flexibility  
Additional bus service hours dedicated to providing operational flexibility to mitigate delays and service disruptions will be added. In all, 6 buses per garage on each weekday will be available to respond to service disruptions and priorities.
- Conversion to low floor streetcar operation  
Due to low availability of streetcars in 2019, certain streetcar routes were operated using buses in 2019. With delivery of the remaining LRVs planned for the end of 2019, these routes, with the exception of the 505 Dundas, will convert to LRV operation in 2020. While overall service hours are reduced through this change, the ridership capacity on these routes will increase given

the larger vehicle size. 506 Carlton and 511 Bathurst are 2 key routes that will see the conversion to LRV operation and increased capacity.

## Efficiencies

The 2020 Operating Budget reflects \$31.6 million in base expenditure reductions and savings arising from efficiency measures. This includes vehicle renewal savings, implementation of Auditor General recommendations, savings from shared procurement services and hedging approximately 50% of Diesel fuel requirements, as well as other various line-by-line reductions.

<b>Efficiencies</b>				
<b>(\$Millions)</b>				
<b>Description</b>	<b>Gross</b>	<b>Revenue</b>	<b>Net</b>	<b>Pos.</b>
<b>Operating Impact of Capital:</b>				
Vehicle Renewal including: Fuel consumption savings & Legacy streetcar retirement	(7.6)		(7.6)	(29)
<b>Subtotal: Operating Impact of Capital</b>	<b>(7.6)</b>	<b>-</b>	<b>(7.6)</b>	<b>(29)</b>
<b>Base Budget Reductions</b>				
Base Budget Reductions (Line by Line)	(4.5)		(4.5)	
Unspecified Budget reduction	(2.6)		(2.6)	
<b>Shared Services:</b>				
Diesel Hedging	(5.0)		(5.0)	
Diesel RFP improved discount relative to market price	(2.1)		(2.1)	
<b>Subtotal: Base Budget Reductions</b>	<b>(14.2)</b>	<b>-</b>	<b>(14.2)</b>	<b>-</b>
<b>Implementation of AG Recommendations:</b>				
Bus Maintenance - Warranty Recoveries	(3.5)		(3.5)	
M&P Transformation	1.5		1.5	10
M&P Transformation funding - Bus Maintenance alternative sourcing of parts	(1.5)		(1.5)	
Bus Maintenance - After-market parts savings	(0.3)		(0.3)	
<b>Subtotal: Implementation of AG Recommendations</b>	<b>(3.8)</b>	<b>-</b>	<b>(3.8)</b>	<b>10</b>
<b>Efficiency Measures:</b>				
Service Delivery Efficiencies	(0.6)		(0.6)	(78)
Transit Control Service Accountability	(0.7)		(0.7)	(7)
Wheel-Trans Efficiencies	(3.8)		(3.8)	
Step Backs and Average Hours per Crew- Subway	(0.9)		(0.9)	(17)
<b>Subtotal: Efficiency Measures</b>	<b>(6.0)</b>	<b>-</b>	<b>(6.0)</b>	<b>(102)</b>
<b>Total 2020 Efficiencies</b>	<b>(31.6)</b>	<b>-</b>	<b>(31.6)</b>	<b>(121)</b>

- **Vehicle Renewal**

New bus and LRV deliveries, will result in reduced maintenance expenses. In addition, the new Hybrid Electric buses delivered have replaced older and less-efficient vehicles, resulting in a 3.7% improvement in 2020 fuel consumption rates compared to the 2019 budget.

- **Base Budget Reductions (Line by Line)**

TTC staff have undergone an extensive review of past and current spending and have identified further reductions of approximately \$4.5 million. This is partly due

to lower depreciation expenses and absorption of material price increases that reflect the ongoing under expenditures realized in 2019.

- Unspecified Budget Reduction

The unspecified budget reduction is a one-time action directly linked to the funding required for the Fare Policy Review and Business Transformation office, which are both one-time requirements in 2020. Management will work to identify one-time savings to offset these costs over the course of the year. Linking this reduction to one-time costs will ensure there is no pressure in 2021 resulting from this action.

- Shared Services

Working with City staff, TTC has secured a new diesel supply contract with an improved pricing formula and also hedged approximately 50% of 2020 diesel requirements, to save a combined \$7.1 million.

- AG Recommendations

\$3.8 million will be saved by implementing Auditor General recommendations from a previous audit in 2020. This savings estimate is net of a \$1.5 million reinvestment to augment resources in Procurement and Commercial Management to build capacity to maximize value received by TTC on future contracts and deliver future incremental savings.

- Service Delivery Efficiencies

The 2020 Operating Budget tentatively includes savings associated with the second sourcing of non-core functions at the new McNicoll Bus Garage and certain vehicle servicing functions. This assumes that the tentative decisions with respect to second-sourcing will be implemented. Implementation of these decisions is dependent on the outcome of the consultation process required by the Collective Agreement. Depending on the outcome of the collective agreement process these projections may change. Should these savings not be realized, TTC intends to rely on an additional draw from the TTC stabilization reserve.

- Wheel-Trans Efficiencies

Initiatives expected to save \$3.8 million include continued implementation of Family of Services, updating dispatch procedures to maximize utilization of Wheel-Trans buses and implementation of fueling of Promaster fleet at Lakeshore garage.

## Revenue Changes

Changes to TTC revenue will result in the realization of a \$52.2 million net increase for 2020.

Revenue Changes (\$Millions)				
Description	Gross	Revenue	Net	Pos.
<b>Base Changes:</b>				
Revenue Protection Initiative	3.2	10.2	(7.0)	50
Metrolinx LRT Construction Service Cost Recovery		19.4	(19.4)	
Revenue Ridership Growth		10.2	(10.2)	
Average Fare, Based on 2019 Experience		(14.7)	14.7	
Discount Double Fare (Agreement ends March 31, 2020)		(1.1)	1.1	
<b>Subtotal: Base Changes</b>	<b>3.2</b>	<b>24.0</b>	<b>(20.8)</b>	<b>50</b>
<b>Fare Increase:</b>				
March 1, 2020 Fare Increase	1.6	33.0	(31.4)	
<b>Subtotal: Fare Increase</b>	<b>1.6</b>	<b>33.0</b>	<b>(31.4)</b>	<b>0</b>
<b>Total 2020 Revenue Changes</b>	<b>4.8</b>	<b>57.0</b>	<b>(52.2)</b>	<b>50</b>

- **March 1, 2020 Fare Increase**

Most of the balance is reflective of the \$31.4 million impact of the recommended March 1, 2020 fare increase. The expected 1% increase in revenue ridership growth is expected to generate \$10.2 million, but this is expected to be more than offset by a \$14.7 million drop in fare revenue to reflect 2019 experience, which is primarily related to a lower than expected average fare. Revenue ridership trends are discussed in further detail in Appendix A1.

- **Metrolinx LRT Construction Service Cost Recovery**

A recovery of \$19.4 million has been included in the 2020 Operating Budget related to costs, which Metrolinx is contractually obligated to fund for incremental bus service required as a result of the Eglinton and Finch LRT construction projects. These recoveries were received up to March 2017, but not received since then and are the subject of ongoing discussions with Metrolinx.

- **Revenue Protection Initiative**

\$7 million is expected to be generated from Revenue Protection initiatives, which is net of incremental costs for an additional 50 Transit Enforcement personnel. As part of the Revenue Protection Initiatives, Fare Inspectors will provide a uniformed presence as a deterrent to fare evasion and to inspect and issue tickets as appropriate. We are committed to reducing fare evasion across all modes and to establish a progressive model (from education to warnings to tickets) in which customers are treated in a fair and equitable manner; including those customers who are unable to pay. The TTC will have zero-tolerance (no warning) for someone caught fraudulently using the wrong concession card (i.e. child card).

The deployment strategies have been and will continue to be informed by data analytics to identify areas of risk for passenger revenue loss. Resources are assigned to high fare evasion risk areas based on ridership and revenue data and

in-field observations. These employees, combined with additional revenue control strategies (i.e. customer and employee awareness campaigns, hardware and software changes to PRESTO equipment, and TTC fare gates in order to improve reliability and availability etc.) are expected to reduce future revenue loss.

### New & Enhanced Service Priorities

As noted above, the staff recommended new and enhanced service priorities are targeted based on key objectives and outcomes.

New & Enhanced Service Priority Actions (\$Millions)			
Description	Gross and Net	Pos.	Supports Key Challenge/Outcome
<b>New &amp; Enhanced Service Priority Actions:</b>			
Improvement to Surface Transit Schedules	3.7	36	Service reliability
Wheel-Trans Call Centre: Reduce Peak Wait Time	0.2		Service reliability
Anti-Racism Initiative (Ombudsman recommendation)	1.8	4	Inclusive service provider
TEO Independent Complaints Office (Ombudsman recommendation)	1.0	7	Inclusive service provider
Business Transformation	1.6	4	Financial sustainability and modernization
5 year fare policy and 10 year collection strategy	1.0		Service resilience
Eglinton LRT Operations start-up - (5 pos. funded by MX)	0.2	7	Eglinton LRT Operations - Service Resiliency
<b>Total 2020 New &amp; Enhanced Service Priority Actions</b>	<b>9.5</b>	<b>58</b>	

### Service Reliability

- 5 Year Service Plan: Improvements to Surface Transit Schedules

To improve on-time performance, which is crucial to customer satisfaction, surface transit schedules will be revised to reflect operating conditions and improve reliability for customers. This is consistent with the plan outlined in the 5 Year Service Plan and 10 Year Outlook, which was presented to the Board on December 12, 2019. In all, 1,000 weekly service hours will be added over the course of 2020 at an estimated cost of \$3.7 million and is essential to fulfill our commitment to customers that we will improve service reliability on our bus network.

This is our “truth in advertising” promise - that the TTC’s bus will depart on time according to published schedule. To start, service will be added on 5 of the busiest and most operationally challenging corridors in the City including 29/929 Dufferin, 35/935 Jane, 39/939 Finch East, 37/937 Islington and the 86/986 Scarborough Routes. These improvements will benefit service for 175,000 customers per weekday.

## Inclusive Service Provider

- Anti-Racism / TEO Independent Complaints Office

\$2.8 million is recommended to fund the implementation of Ombudsman recommendations approved by the TTC Board for development and roll out of an Anti-Racism strategy and an independent Transit Enforcement Office (TEO) unit. The Anti-Racism strategy will prevent racial bias, racial profiling and anti-Black racism at the TTC, and build trust with racialized communities. This initiative will adopt the Toronto Action Plan to Confront Anti-Black Racism as its foundation. The independent TEO complaints unit will improve TTC's ability to conduct investigations in a fair and effective way and enhance public trust in the investigations process.

## Financial Sustainability and Transformation

- Business Transformation

This one-time \$1.6 million investment will support 4 dedicated resources, external expertise and a task force to examine current work practices and identify opportunities for business transformation efficiencies and shared services, with the ultimate goal of maximizing the efficiency with which we provide service to the public and contributing to TTC's fiscal sustainability.

## Service Resilience

- Fare Policy Review & Collection Strategy

This one-time \$1 million investment, will guide all aspects of fare policy, structure and collection. It will also include a Request for Information (RFI) on Fare Collection systems, as directed by the Board.

This work will enable the TTC to:

- Increase ridership, customer experience and satisfaction through improved products, pricing and payment technology.
- Complete a comprehensive review of our fare structure and policies with a focus on equity.
- Improve fare & service integration through collaboration with regional partners.
- Improve revenue controls mitigating revenue loss from fare evasion.

Including the review of post-secondary fares in the fare policy and collection strategy will allow the TTC to do an in-depth review by:

- Examining discounted post-secondary fares as part of TTC’s overall fare structure.
- Reviewing current fares with a focus on equity and affordable transit for all customers, including students.
- Improving revenue controls for any discounts on proposed post-secondary fares, mitigating revenue loss and fare evasion.

In April 2019, the Province announced the Student Choice Initiative, allowing college and university students to opt out of fees, including transit related fees like the Universal Transit pass (U-pass). The Canadian Federation of Students and York Federation of Students filed a legal challenge against the program, and in November the Ontario Divisional Court ruled in their favour. The province has since then opted to appeal the decision and further information on the U-pass will be given once a decision on the appeal is made.

### **Workforce**

- 2019 Approved Workforce Complement

The 2019 Toronto Transit Commission complement as approved by City Council on March 7, 2019 was 15,951 positions.

- 2020 Complement

The TTC recommended workforce complement will increase by 216 positions or 1.4% from the approved 2019 complement of 15,951 to 16,167 as shown in the table below:

<b>Budget</b>	<b>2019</b>	<b>2020</b>	<b>Change</b>
Operating	12,941	13,097	156
Wheel-Trans	637	623	(14)
Capital	2,373	2,447	74
<b>Total</b>	<b>15,951</b>	<b>16,167</b>	<b>216</b>

Approval of the staff recommended Operating Budget will increase the TTC’s overall complement by 216 positions, of which 121 are operators and 50 are to support Revenue Protection Initiatives. A further 11 positions are to establish independent office to handle Transit Enforcement complaints and implement a broad and comprehensive, system wide anti-racism strategy. The remaining net addition of 34 positions are to support a variety of initiatives including the opening of the McNicoll Bus Garage and requirements for capital program delivery, net of



reductions related to efficiency initiatives, the retirement of legacy streetcar fleet and the transition to PRESTO.

The 2020 Budget does not include a provision for associated costs, recoveries and workforce that may arise from a potential staff services agreement with the Metrolinx for TTC to provide support to the transit expansion projects. The projects that are now under Metrolinx authority include Scarborough Subway Extension, Yonge North Subway Extension and Relief Line South and North.

Further details on 2020 workforce complement are in Appendix D.

### 2021 and 2022 Outlook

The outlook for 2021 and 2022 identifies pressures of \$102 million and \$69 million, respectively. Key drivers include the opening of the Eglinton LRT and energy and material price inflation as well as planned new service investments for year 2 of the 5 Year Service Plan.

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

<b>TTC Outlook 2021 and 2022: Base Incremental Funding Requirements (\$Millions)</b>		
<b>TTC Conventional &amp; Wheel-Trans</b>	<b>2021</b>	<b>2022</b>
<b><u>Economic Factors</u></b>		
Energy, Carbon Tax, Benefits, Material Price Increase	44.4	25.0
Collective Bargaining	8.1	
<b><u>Prior Year Impacts</u></b>		
2020 Fare Increase	(6.2)	
Stabilization Reserve	2.0	
Unspecified Reduction reversal	2.6	
Reversal of one time initiatives (Fare Policy and Business Transformation)	(2.6)	
Improve Surface Transit Schedules (5-Year Service Plan)	1.3	
Service Delivery Efficiencies	(1.0)	
M&P Transformation	1.3	
<b><u>Operating Impact of Capital</u></b>		
McNicol Garage & Master Sign-up	4.4	(0.5)
Eglinton Crosstown LRT	30.1	34.0
One Person Train Operation (YUS)		(11.1)
Vehicle & IT Projects	9.1	2.2
<b><u>Base Changes</u></b>		
Wheel-Trans Ridership Increase (3% in 2021, 3% in 2022)	1.8	1.9
Other Base Changes	11.4	13.1
<b><u>Base Reductions and Efficiencies</u></b>		
Family of Services Efficiencies	(1.5)	
Other Efficiencies	(1.4)	(0.2)
<b><u>Revenue Changes</u></b>		
Revenue based on Ridership	(12.6)	(13.4)
<b><u>New &amp; Enhanced Service Priority Actions</u></b>		
5-year Service Plan and Service Reliability improvements	10.0	18.3
Other Net New initiatives	0.7	
<b>Overall Combined Base Funding Pressure</b>	<b>101.9</b>	<b>69.3</b>

## On-Going Major Transformational Projects

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

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

The financial impact of these transformational projects has been incorporated into the 2020 budget and where known has been reflected in the 2021 and 2022 Outlook.

## Contact

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## Signature

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Josie La Vita  
Interim Chief Financial Officer

## Attachments

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- Appendix A1 TTC Ridership and Revenue Trends
- Appendix A2 TTC Conventional Operating Budget
- Appendix A3 TTC Conventional Operating Budget by Functional Area
- Appendix B1 Wheel-Trans Operating Budget
- Appendix B2 Wheel-Trans Operating Budget by Functional Area
- Appendix C TTC Fare Schedule
- Appendix D Workforce Complement
- Appendix E TTC Stabilization & Long-Term Liability Reserve

## TTC Conventional: Revenue Ridership and Revenue Trends

### Forecast Basis

The starting point for the TTC operating budget process is the ridership forecast for the upcoming year. Each TTC customer ride can comprise multiple trips across bus routes, subway lines and streetcars. Revenue Ridership growth is affected by a combination of short and long-term factors including:

**Economic activity:** employment, retail activity, tourism

**Demographics:** age, density, access, socio-economic characteristics

**Service:** speed, frequency, reliability and cost

**Alternatives:** relative cost & efficiency of driving, walking, cycling, ride-hailing apps. These can also be complementary factors driving transit usage

### Economic Factors

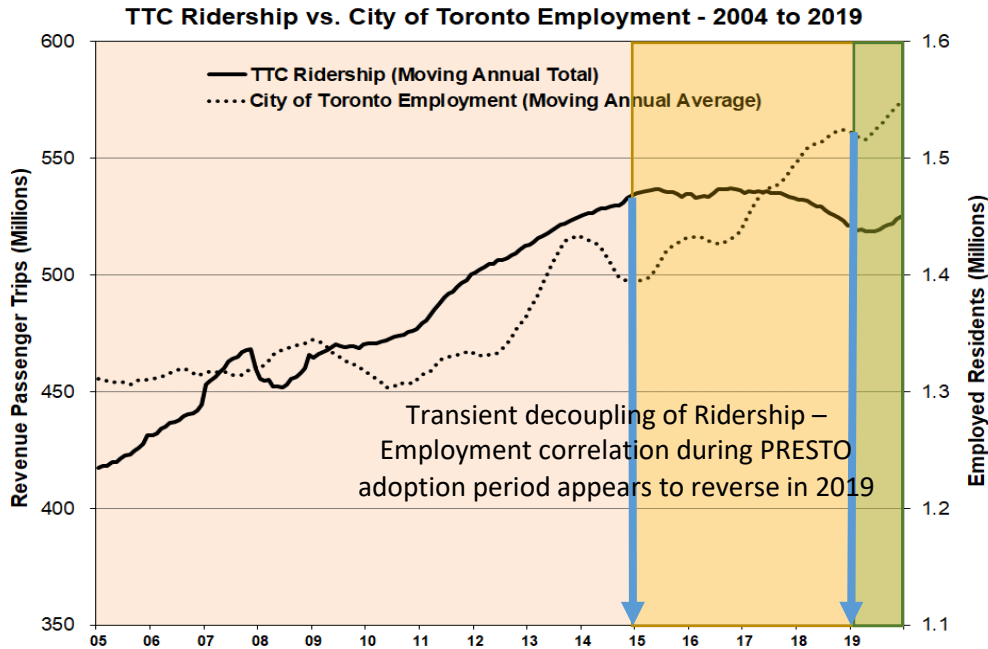
The TTC uses Conference Board of Canada (CBoC) economic forecasts for the Toronto Census Metropolitan Area (CMA) to build its revenue ridership forecasts. These forecasts for employment, Gross Domestic Product (GDP), population, inflation (CPI), etc. are subject to ongoing refinement by the CBOC. TTC forecasts and methods are subject to ongoing refinement with new data. Extracts comparing three CBoC economic forecasts for 2020 are illustrated in the following table:

**TORONTO CMA 2020 ECONOMIC FORECASTS EXTRACTS**

MEASURE	AS AT SPRING 2019	AS AT WINTER 2019	AS AT AUTUMN 2018
Employment	+1.9%	+1.6%	+2.2%
GDP	+2.4%	+2.4%	+2.6%
CPI	+2.0%	+2.1%	+1.9%

## Employment and Revenue Ridership Correlation

Historically, City of Toronto employment levels have shown a significant correlation with TTC revenue ridership, as shown in the graph below. The weakening of this correlation between 2015 and 2018 appears transient, coinciding with the rollout of PRESTO. As farecard adoption approaches maturity a re-establishment of the long-term relationship between revenue ridership and employment is apparent in the 2019 trend.

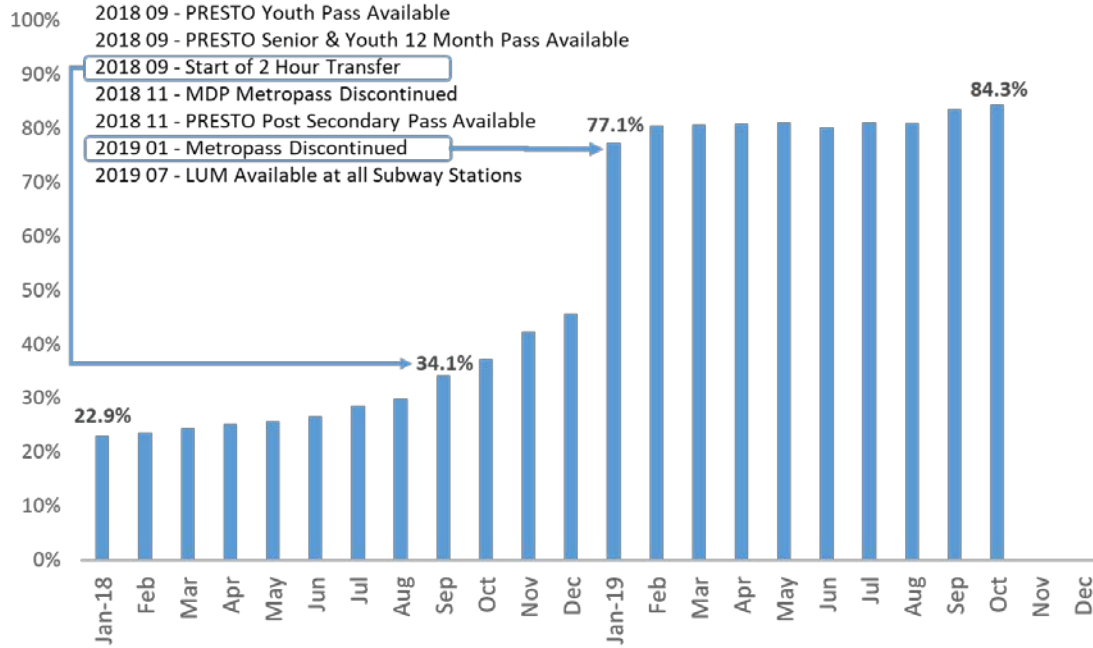


## Revenue Ridership Measurement

Revenue Ridership represents the number passenger trips on the TTC system derived from transit revenue data. The derivation is based on customer surveys using a variety of sampling techniques. Our methodology combines analyses of customer survey data and PRESTO devices data alongside data for other fare media (cash, tokens, printed tickets). While there are still challenges in encouraging all customers to tap e.g. those in the transfer windows or monthly pass holders, our improved ability to model and understand revenue rides using card-tap data helps us develop a greater degree precision and insight for (fare card) e-purse revenue taps.

The graph below shows how our PRESTO adoption has grown over the 2018-19 period. The impact of the changing fare media mix on forecasting is dissipating as we approach full adoption.

### PRESTO Adoption Rate (Ridership Based)



### Measured Ridership Decline

Between 2015 and early 2019 measured ridership growth stalled then declined despite rising boardings and repeated reports of crowding suggesting high system usage. A number of factors influenced revenue ridership decline including:

- Fare Policy Changes e.g. two-hour transfer
- Fare Evasion
- Fare Media Mix e.g. transition from Metropass to PRESTO (see below)
- On board congestion during peak travel hours, limiting growth

The following provides further detail into these temporary disrupting factors:

- The successful fare gate installation over 2017-2018 had a significant impact on our users during construction.
- Metropass conversion to PRESTO e-purse; resulting data suggest some users migrated to single use products (with higher tap rates), encouraged by the Aug. 2018 introduction of free two-hour transfers. Also, model assumptions on Metropass usage could be overstated in some instances.
- Monthly Discount Program (MDP) discontinued in Nov. 2018 could also have had as similar an impact as the Metropass conversion cited above.

- Volume Incentive Program (VIP) discontinued in 2019 resulting in customer drop-outs i.e. lost customers and fewer rides.

## 2019 Ridership Rebound

As PRESTO adoption matured and stabilized, TTC updated its model parameters in 2019 to more closely reflect actual user behavior. While Toronto experienced negative employment growth in Q1, it rebounded in Q2. This provides positive, though not conclusive, evidence for the continuing correlation of revenue ridership with employment.

## TTC Budgeted 2020 Revenue Ridership

The TTC budget for 2020 system revenue ridership is 533.5 million, with revenue of \$1,246.2 million. This is ridership and ridership revenue budget is built up from the latest projections of 2019 year-end results as shown in the table below.

<b>TTC Passenger Ridership &amp; Revenues: 2019 Projected to 2020</b>		
<b>Millions</b>	<b>Ridership</b>	<b>Total \$</b>
<b>2019 Projected Passenger Revenues</b>	<b>525.3</b>	<b>1,181.4</b>
<b>2020 Budget Adjustments</b>		
<b>Prior Year Impact:</b>		
Full Year Effect of April 1, 2019 Fare Increase	(0.2)	10.0
March 1, 2020 Fare Increase	(1.1)	32.8
<b>Base Changes:</b>		
2020 Employment & Economic Growth (~1%)	5.5	12.4
Discount Double Fare (Agreement ends March 31, 2020)	(0.4)	(1.1)
2020 Revenue Protection Initiatives	4.3	10.2
Other (Average Fare and Event adjustments)	0.1	0.5
<b>2020 Budgeted Passenger Revenue</b>	<b>533.5</b>	<b>1,246.2</b>

The 2020 budget is constructed on a 1% revenue ridership increase driven primarily by local employment and economic growth, contributing 5.5 million rides and recovery of a further 4.3 million rides from revenue protection initiatives. The TTC's \$10.2 million revenue impact represents almost 17% of the Auditor General's \$60.7 million estimated evasion related revenue losses. While we cannot predict the final year-end recovery, the estimated 2020 outcome is predicated on targeting multiple opportunities and pain points (see below) and will pay dividends now and beyond 2020.

## Revenue Protection Initiatives

The TTC's evasion strategy incorporates the results of the Auditor General's Feb. 2019 Report into its Fare Evasion and Fare Inspection. The TTC, as with other large transit agencies, is increasingly focused on managing a more open system e.g. all-door boarding, proof of payment requirements. The TTC is increasing

investment in its evasion personnel and tools while deepening the integration of its Enforcement planning across the organization:

- Investing In Inspectors: the TTC is increasing its inspection capacity and capability, hiring an additional 50 Transit Enforcement personnel. Training (including mental-health awareness, anti-racism, de-escalation) and tools will ensure they provide the security and customer service our City deserves.
- Data Driven Decision-making: enforcement teams use location based, card level data to inform their situational assessments for more effective evasion targeting and performance monitoring.
- Device and Tools Enhancement: TTC is working with PRESTO to improve the efficiency of Inspectors' handheld terminals and the reliability of farecard readers with the goal of making it easier for our inspection teams to do their job and our users to make payment.
- System Hardening: Together with PRESTO and other agencies we are strengthening concession cards sales controls. We will increase hardening of key access points including locking down fare gate lanes where needed and improving fare gate software that alerts our staff to fraud events.
- Maximizing Organizational Synergies: tackling fare evasion holistically involves a joined-up effort, leveraging domain expertise across many teams. We are working cross-functionally to ensure fare policy, system design and our evasion approach balances equity, fairness, access and sustainability.
- Aligning Stakeholders' Efforts: we are always more effective when we join together. Working with our user community, PRESTO, vendors and the City of Toronto, we will help ensure our customer expectations, service configuration and social policy objectives are aligned.

## APPENDIX A2

### TTC Conventional Service

The 2020 recommended budget for the TTC Conventional service includes an increased City funding requirement of \$20.6 million, comprised of \$87.2 million in opening net base pressures and \$9.3 million of new and enhanced service priorities offset by \$24.8 million in reductions and efficiencies and \$51.1 million of revenue changes. These are summarized in the following table and discussed below.

2020 TTC Conventional Key Cost Drivers				
Description (\$Millions)	Gross	Revenue	Net	Pos.
<b>2019 Approved Budget</b>	<b>1,910.5</b>	<b>1,288.6</b>	<b>621.9</b>	<b>12,941</b>
<b>Prior Year Impacts</b>				
2019 One-time Stabilization Reserve Draw		(13.4)	13.4	
2020 TTC Stabilization Reserve Draw			0.0	
Unsustainable 2019 Corporate Reductions	11.5		11.5	
Full Year Impact of April 1, 2019 Fare Increase		10.0	(10.0)	
Other (One-time items, 2019 workforce additions)	11.0		11.0	10
Collective Bargaining Agreement	25.2		25.2	
<b>Subtotal: Prior Year Decisions</b>	<b>47.7</b>	<b>(3.4)</b>	<b>51.1</b>	<b>10</b>
<b>Economic Factors &amp; Legislative Changes</b>				
Energy Price & Carbon Tax	15.2		15.2	
Employee Benefits	9.2		9.2	
Material Price	4.2		4.2	
<b>Subtotal: Economic Factors &amp; Legislative Changes</b>	<b>28.6</b>	<b>-</b>	<b>28.6</b>	<b>-</b>
<b>Operating Impact of Capital</b>				
McNicoll Garage	3.6		3.6	59
PRESTO Transition	(5.3)		(5.3)	(15)
IT related projects	1.9		1.9	(7)
<b>Subtotal: Operating Impact of Capital</b>	<b>0.2</b>	<b>-</b>	<b>0.2</b>	<b>37</b>
<b>Base Changes</b>				
Conventional Service & Operator Workforce	4.8		4.8	88
Metrolinx LRT Construction Bus Augmentation	2.4		2.4	
Other Base Changes	3.6	3.5	0.1	10
<b>Subtotal: Base Changes</b>	<b>10.8</b>	<b>3.5</b>	<b>7.3</b>	<b>98</b>
<b>Base Budget Reductions</b>				
Vehicle Renewal Including: Fuel consumption savings & Legacy streetcar retirement	(6.9)		(6.9)	(29)
Base Budget Reductions (Line by Line)	(2.5)		(2.5)	
Unspecified Budget reduction	(2.6)		(2.6)	
Shared Services	(7.1)		(7.1)	
<b>Efficiencies</b>				
Implementation of AG Recommendations	(3.8)		(3.8)	
Other Efficiency Measures	(1.9)		(1.9)	(68)
<b>Subtotal: Base Reductions &amp; Efficiencies</b>	<b>(24.8)</b>	<b>-</b>	<b>(24.8)</b>	<b>(97)</b>
<b>Revenue Changes</b>				
10 cent Fare Increase March 1, 2020	1.6	32.8	(31.2)	
Revenue Protection Initiative	3.2	10.2	(7.0)	50
Revenue Adjustment based on 2019 Experience as at period 9		(5.4)	5.4	
Discount Double Fare (Agreement ends March 31, 2020)		(1.1)	1.1	
Metrolinx LRT Construction Service Cost Recovery		19.4	(19.4)	
<b>Subtotal: Revenue Changes</b>	<b>4.8</b>	<b>55.9</b>	<b>(51.1)</b>	<b>50</b>
<b>New &amp; Enhanced Requests</b>				
Improvement to Surface Transit Schedules	3.7		3.7	36
5 year fare policy and 10 year collection strategy	1.0		1.0	
Business Transformation	1.6		1.6	4
Anti- Racism Initiative (Ombudsman recommendation)	1.8		1.8	4
TEO Independent Complaints Office (Ombudsman recommendation)	1.0		1.0	7
Eglinton LRT Operations start-up - (5 pos. funded by MX)	0.2		0.2	7
<b>Subtotal: New &amp; Enhanced Requests</b>	<b>9.3</b>	<b>-</b>	<b>9.3</b>	<b>58</b>
<b>TTC Conventional 2020 Operating Budget Request</b>	<b>1,987.1</b>	<b>1,344.6</b>	<b>642.5</b>	<b>13,097</b>
<b>Total Changes (2019 Approved to 2020 Budget)</b>	<b>76.6</b>	<b>56.0</b>	<b>20.6</b>	<b>156</b>
<b>Change from 2019</b>	<b>4.0%</b>	<b>4.3%</b>	<b>3.3%</b>	<b>1.2%</b>



## **Prior Year Decisions:**

### Reversal of 2019 one-time strategies:

Stabilization Reserve Draw - \$13.4 million

The 2019 budget included a one-time draw of \$15.4 million from the TTC Stabilization Reserve as a one-time funding source, resulting in a 2020 budget pressure. As \$3 million of the planned 2019 draw is expected to not be required to balance the 2019 budget, it is planned to draw \$2 million of this amount in 2020.

Unsustainable 2019 Corporate Reductions - \$11.5 million

As part of the 2019 budget, TTC included a \$24 million unspecified reduction. While the majority of these reductions were achieved to balance the 2019 budget, approximately half of this was achieved through one-time savings and cannot be sustained.

- Benefits \$4 million: Employee benefits are projected to be on budget, but only due to a one-time recovery and lower pension fund contributions due to elevated levels of operator new hires whereby pension contributions are not payable for the first 6 months of their employment.
- Corporate Costs \$4 million: This was primarily achieved in 2019 due to the delay in the occupancy date for the consolidated warehouse to 2020.
- PRESTO Commissions \$2.5 million: One-time savings related to a lower adoption rate can be attributed to continued sales of legacy fare media in 2019. Given the collector stop-selling date taking effect November 30, 2019, these savings will not be sustained in 2020.
- Ancillary Revenues \$1 million: This was achieved in 2019, primarily through one-time revenues such as the sale of retired vehicles. These one-time revenues are not anticipated to continue in 2020.

April 1, 2019 Fare Increase - \$10 million

In 2019, TTC implemented a 10 cent fare increase effective April 1<sup>st</sup>. The full year effect of this fare change results in a \$10 million increase to 2020 passenger revenues.

Other Prior Year Impacts - \$11 million

This includes the annualization of 104 non-operator workforce including IT resources to support new systems, instructors and Transit Enforcement personnel, approved in the 2019 operating budget with start dates throughout 2019. Also included is a reversal of a one-time reduction in liability provisions which was included in the 2019 budget.

### Collective Bargaining Agreement - \$25.2 million

In 2018 new Collective Bargaining Agreements were reached with Local 5089 and Lodge 235 and imposed through interest arbitration for Locals 2 and 113. The largest union (Local 113) received 2% annual wage increases through interest arbitration, along with certain benefit improvements. When combined with the approved commensurate increases for non-union staff approved by the TTC Board on January 24, 2019, the 2020 incremental budget impact for TTC Conventional is \$25.2 million.

### **Economic Factors & Legislative Changes:**

#### Energy Price & Carbon Tax - \$15.2 million

- Diesel Price - In 2019, TTC budgeted for Diesel at an average price of \$0.97/litre. Based on 2020 market forecasts of \$1.05/litre on 86 million litres, TTC faced a budget pressure of approximately \$7 million. TTC has been able to substantially mitigate this pressure by through diesel price hedging and a new diesel supply contract.
- Carbon Tax - Effective April 1, 2020, a scheduled increase to the Carbon tax will result in an additional \$3.5 million pressure.
- Hydro Price – This \$4.7 million pressure is the result of applying the 2020 projected price for hydro, which provided by City staff to TTC requirements.

#### Employee Benefits - \$9.2 million

This reflects increased utilization and inflationary cost pressures associated with TTC Benefit plans as well as legislative changes to the Canada Pension Plan and the impact of the curtailment of the OHIP+ plan resulting in addition claims to be paid by the TTC.

#### Material Price Inflation - \$4.2 million

Annual inflationary price increases for materials of approximately 2% results in a budget pressure of \$4.2 million.

### **Operating Impact of Capital projects:**

#### McNicoll Garage - \$3.6 million

McNicoll Garage is scheduled to open in November 2020. The \$3.6 million in additional costs reflect the staggered hiring of additional resources to prepare for the commencement of operation and to manage and operate this new garage.

#### PRESTO Transition – (\$5.3) million

The 2020 expense budget has been reduced due to the continued implementation of PRESTO resulting in efficiencies and a net reduction of \$5.3 million.

## IT Related Projects - \$1.9M

As SAP enters the second full year of operation in 2020, IBM will hand-off the managed services function to the TTC's Centre of Excellence team. During this transition phase, approximately \$0.5 million is required for the initial overlap involved as TTC employees work alongside IBM staff to ensure a smooth transition. The remaining \$1.4 million pressure relates mainly to requirements for new SAP-related software, mobile device requirements for recently completed projects VISION and Maximo, full-year impact of call centre upgrade in 2019 and increased software support for network security.

## **Base Changes:**

### Conventional Service & Operator Workforce

Several initiatives are being annualized or completed in 2020 to Maintain Service Standards and are described as part of the review of the Service Budget on page 16.

### Metrolinx Bus Augmentation Changes

As construction of the Eglinton Crosstown and Finch West LRT progress, additional buses are required to maintain service levels. These costs are fully offset by the budgeted recovery from Metrolinx.

## **New and Enhanced Service Priority Actions:**

### Service Reliability

- 5 Year Service Plan: Improvements to Surface Transit Schedules:  
To improve on-time performance, which is crucial to customer satisfaction, surface transit schedules will be revised to reflect operating conditions and improve reliability for customers. This is consistent with the plan outlined in the 5 Year Service Plan and 10 Year Outlook, which was presented to the Board on December 12, 2019. In all, 1,000 weekly service hours will be added over the course of 2020 at an estimated cost of \$3.7 million and is essential to fulfill our commitment to customers that we will improve service reliability on our bus network. This is our "truth in advertising" promise - that the TTC's bus will depart on time according to published schedule. To start, service will be added on 5 of the busiest and most operationally challenging corridors in the City including 29/929 Dufferin, 35/935 Jane, 39/939 Finch East, 37/937 Islington and the 86/986 Scarborough Routes. These improvements will benefit service for 160,000 customers per weekday.

## Inclusive Service Provider

- **Anti-Racism:**  
Based on the Board Report entitled "TTC Status Update - Ombudsman Recommendations" approved by the TTC Board on September 24, 2019, the TTC committed to implement a broad and comprehensive system-wide Anti-Racism Strategy to prevent racial bias, racial profiling and anti-Black racism at the TTC, and build trust with our racialized communities. This initiative to develop and implement an Anti-Racism Strategy, with the adoption of the Toronto Action Plan to Confront Anti-Black Racism as its foundation. \$1.8 million is recommended to fund the ongoing capacity for implementation of various anti-racism initiatives across the TTC through a new Race Relations Unit. This will include focused efforts on policy review and development using the City of Toronto's Anti-Black Racism Analysis Tool; public awareness and community engagement; recruitment and advancement; research and public reporting (including race-based data collection and analysis); and staff education and training.
  
- **TEO Independent Complaints Office:**  
Consistent with Ombudsman recommendation, \$1.0 million is recommended to fund this initiative. This will structurally strengthen the independence of internal investigations of the Transit Enforcement Unit through a plan to create an independent investigation unit, and new complaint and investigation procedures.

## Financial Sustainability and Modernization

- **Business Transformation:**  
Consistent with the commitment made in the 2018-2022 Corporate Plan, this one-time \$1.6 million investment will support 4 dedicated resources, external expertise and a task force to examine current work practices and identify opportunities for business transformation efficiencies and shared services, with the ultimate goal of maximizing the efficiency with which we provide service to the public and contributing to TTC's fiscal sustainability.

## Service Resilience

- **Fare Policy Review and Fare Collection Strategy:**  
The fare policy review will guide all aspects of fare policy, structure and collection. It will include a five-year implementation plan. It will enable:
  - Optimization of fare products
  - Improved revenue control mitigating revenue loss from fare evasion
  - Mitigation of reputational risk related to the absence of a strategic approach
  - Increased ridership, customer experience and satisfaction through improved products, pricing and payment technology

- A rational and structured process for setting and increasing fares  
Consistent with TTC Board direction, it will also include consideration of fare product pricing for post-secondary students amongst others.

### Budget Reductions and Efficiencies

The following table summarizes \$24.8 million in reductions and efficiencies which are included in the TTC Conventional budget. There are no service implications to these reduction actions.

<b>Actions Taken to Reduce Pressure</b>	
<b>2020 TTC Conventional Base Operating Budget</b>	
<b>(\$Millions)</b>	<b>TTC Net</b>
<b>Reduction &amp; Efficiency Actions</b>	
<b>Operating Impact of Capital</b>	
Vehicle Renewal including: Fuel consumption savings & Legacy streetcar retirement	(6.9)
<b>Base Budget Reductions</b>	
Line by Line Review:	
Depreciation	(1.6)
Material Price increase reduction 0.5%	(0.9)
Unspecified Budget Reduction	(2.6)
Shared Services:	
Diesel - Hedging	(5.0)
Diesel RFP improved discount relative to market price	(2.1)
<b>Implementation of AG Recommendations</b>	
Bus Maintenance - Warranty Recoveries	(3.5)
M&P Transformation	1.5
M&P Transformation funding - Bus Maintenance alternative sourcing of parts	(1.5)
Bus Maintenance - After-market parts savings	(0.3)
<b>Efficiency Measures</b>	
Service Delivery Efficiencies	(0.3)
Transit Control Service Accountability	(0.7)
Step Backs and Average Hours per Crew- Subway	(0.9)
<b>Total TTC Reduction &amp; Efficiency Actions</b>	<b>(24.8)</b>

### Expenditure Reduction & Efficiency Actions

- Operating Impact of Capital  
Significant deliveries of new buses and LRVs have been received in 2019, reducing the average age of TTC surface fleet. As a result, reduced maintenance expenses are expected in the near term. In addition, the newer buses are on average more fuel efficient than older vehicles resulting in a 3.7% improvement in 2020 fuel consumption rates compared to the 2019 budget.

Overall, the 2020 fuel consumption rate is expected to be 15% lower than in 2015.

- **Line-By-Line Reviews**  
Requested budgets were reviewed against historical spending patterns as part of line-by-line reviews. Through these reviews \$2.5 million in reductions were made including:
  - Depreciation expenses: \$1.6 million related to lower spending on equipment and non-revenue vehicle purchases.
  - Absorption of material price increase, where increases were not specifically mandated under the related contract.
  
- **Shared Services**  
Working with the City of Toronto, a new contract has been secured for physical supply of diesel fuel. The new contract includes a higher discount relative to market price when compared to the previous contract, resulting in \$2.1 million in annual savings. In addition to this, TTC has secured hedges for approximately 48% of its 2020 fuel requirements, successfully securing 2020 pricing which is lower than market price projections, yielding a budget reduction of \$5 million.
  
- **Implementation of AG Recommendations**  
These items reflect savings associated with the Auditor General's report entitled "Toronto Transit Commission – 2019 Results of Follow-up of Previous Audit Recommendations" that was approved by Council on July 17, 2019 and presented to and approved by the Board through the report entitled "Audit, Risk and Compliance: Progress and Strategies to Address Toronto Transit Commission's "High Priority" Outstanding Recommendations from the Auditor General of Toronto" on September 19, 2019 as it relates to Bus Maintenance and Warranty Administration and Improving Materials Management and Purchasing Policies. TTC will achieve net savings of approximately \$3.8 million in 2020 by implementing AG recommendations associated with bus warranty recoveries, alternate sourcing of bus parts and after-market bus parts savings.
  
- **Efficiency Measures:**  
Savings will be achieved through efficiencies including:
  - **Service Delivery Efficiencies:** The 2020 TTC Conventional Operating Budget tentatively includes savings of approximately \$0.3 million associated with the second sourcing of non-core functions at the new McNicoll Bus Garage. This assumes that the tentative decisions with respect to second-sourcing will be implemented. Implementation of these decisions is dependent on the outcome of the consultation process required by the Collective Agreement. Depending on the outcome of the collective agreement process these projections may change. Should these savings not be realized, TTC intends to rely on an additional draw from the TTC stabilization reserve.

- **Transit Control Service Accountability:** This initiative will centralize accountability for supervisory response to incidents and events resulting in a more efficient deployment of resources.
- **Subway Step Backs & Average Hours per Crew:** While avoiding any impact to revenue service, adjustments have been made to operator schedules and relief personnel at end terminals.

The following appendix, A3, summarizes TTC Conventional Revenue Sources and shows expenses by functional area.

APPENDIX A3

<b>TORONTO TRANSIT COMMISSION 2020 OPERATING BUDGET</b>			
(\$000s)			
	2019 BUDGET	2020 BUDGET	2020 vs. 2019 BUDGET CHANGE
<b>REVENUES</b>			
Passenger Revenues	1,195,800	1,246,225	50,425
Outside City Services & Charters	7,847	7,715	(132)
Advertising	28,375	29,500	1,125
Rent Revenue	13,989	13,325	(664)
Commuter Parking	11,682	11,550	(132)
Other Income	8,199	26,974	18,775
Stabilization Reserve Draw	15,691	2,300	(13,391)
Long-term Liability Reserve Draw	7,000	7,000	0
<b>TOTAL REVENUES</b>	<b><u>1,288,583</u></b>	<b><u>1,344,589</u></b>	<b><u>56,006</u></b>
<b>EXPENSES</b>			
CEO's Office	41,671	48,031	6,360
Corporate Affairs	1,118	1,758	640
People Group	87,388	97,256	9,868
Strategy and Customer Experience Group	21,166	23,155	1,989
Engineering and Construction Group	4,633	5,211	578
Corporate Services Group	6,035	7,141	1,106
Deputy CEO Group	25,268	29,605	4,337
Operations Group	648,994	669,481	20,487
Infrastructure & Engineering Group	161,129	167,037	5,908
Vehicles Group	297,199	297,214	15
Employee Benefits	314,100	331,102	17,002
Vehicle Fuel	85,926	85,565	(361)
Traction Power	56,109	60,410	4,301
Utilities	27,987	29,423	1,436
Depreciation	25,954	24,327	(1,627)
Taxes, Licences and Insurance	8,764	9,562	798
Accident Claim Payments/Contribution to Reserve	25,200	25,200	0
Non-Departmental Expenses	22,800	24,112	1,312
PRESTO Commissions	49,100	54,150	5,050
Undetermined Corporate Reduction	0	(2,569)	(2,569)
<b>TOTAL EXPENSES</b>	<b><u>1,910,541</u></b>	<b><u>1,987,171</u></b>	<b><u>74,149</u></b>
<b>Operating Funding Required</b>	<b>621,958</b>	<b>642,582</b>	<b>20,624</b>
<b>Operating Funding Available</b>	<b><u>621,958</u></b>	<b><u>621,958</u></b>	<b><u>0</u></b>
<b>TTC FUNDING SHORTFALL</b>	<b><u>0</u></b>	<b><u>(20,624)</u></b>	<b><u>20,624</u></b>
<b>WHEEL-TRANS FUNDING SHORTFALL</b>		<b>(6,338)</b>	
<b>COMBINED FUNDING SHORTFALL</b>		<b>(26,962)</b>	
<b>Note:</b>			
1. All figures by group are subject to refinement.			
2. 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. Consistent with the practice since then, the budget for these non-cash expenses has been deducted to match the City's subsidy for the current year.			
3. Refer to Appendix B2 for details of the Wheel-Trans shortfall.			
4. Refer to Appendix E for details on the contribution to reserve.			



## 2020 Wheel-Trans Budget Pressures and Actions Taken

The 2020 budget for the Wheel-Trans service includes an increased City funding requirement of \$6.3 million. This is comprised of \$14 million increase in base expenditures and \$0.2 million in new & enhanced requests offset by \$6.8 million in reductions and \$1.1 million in revenue changes. This appendix provides additional detail on base pressures, revenues, efficiencies, new & enhanced items and reduction & efficiency actions relating to the Wheel-Trans service budget.

2020 Wheel-Trans Budget Pressure				
Description (\$Millions)	Gross	Revenue	Net	Pos.
<b>2019 Approved Budget</b>	<b>149.0</b>	<b>8.1</b>	<b>140.9</b>	<b>637</b>
<b><u>Prior Year Impacts</u></b>				
Collective Bargaining Agreement	1.2		1.2	
Wheel-Trans Transformation one-time cost reversal	(2.1)		(2.1)	
<b>Subtotal: Prior Year Decisions</b>	<b>(0.9)</b>	<b>0.0</b>	<b>(0.9)</b>	<b>0</b>
<b><u>Economic Factors &amp; Legislative Changes</u></b>				
Energy Price & Carbon Tax	0.5		0.5	
Employee Benefits	0.8		0.8	
Material Price & Contracted Services	2.1		2.1	
<b>Subtotal: Economic Factors &amp; Legislative Changes</b>	<b>3.4</b>	<b>0.0</b>	<b>3.4</b>	<b>0</b>
<b><u>Base Changes</u></b>				
Contract Taxi Average Trip Length	9.5		9.5	
Wheel-Trans Call Centre Capacity	0.8		0.8	10
Other Base Changes	1.2		1.2	
<b>Subtotal: Base Changes</b>	<b>11.5</b>	<b>0.0</b>	<b>11.5</b>	<b>10</b>
<b><u>Expenditure Reduction &amp; Efficiency Actions</u></b>			0.0	
All Reduction and Efficiencies	(6.8)		(6.8)	(24)
<b>Subtotal: Expenditure Reductions &amp; Efficiency Actions</b>	<b>(6.8)</b>	<b>0.0</b>	<b>(6.8)</b>	<b>(24)</b>
<b><u>Revenue Changes:</u></b>				
Revenue Adjustment based on 2019 Experience		0.9	(0.9)	
10 cent Fare Increase March 1, 2020		0.2	(0.2)	
<b>Subtotal: Revenue Changes</b>	<b>0.0</b>	<b>1.1</b>	<b>(1.1)</b>	<b>0</b>
<b><u>New &amp; Enhanced Requests</u></b>				
Wheel-Trans Contact Centre: Reduce Peak Wait Time	0.2		0.2	
<b>Subtotal: New &amp; Enhanced Requests</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>	<b>0</b>
<b>Wheel-Trans 2020 Operating Budget Request</b>	<b>156.4</b>	<b>9.2</b>	<b>147.2</b>	<b>623</b>
<b>Total Changes (2019 Approved to 2020 Budget)</b>	<b>7.4</b>	<b>1.1</b>	<b>6.3</b>	<b>(14)</b>
<b>Change from 2019</b>	<b>5.0%</b>	<b>13.6%</b>	<b>4.5%</b>	<b>-2.2%</b>

- **Prior Year Impacts, Economic Factors & Legislative Changes**  
 Consistent with Collective Bargaining, economic, contractual and legislative changes impacting TTC service, these factors combine to a \$4.6 million pressure for the Wheel-Trans service.
- **Wheel-Trans Transformation One-time Cost Reversal**  
 A comprehensive review of the Wheel-Trans Transformation Program operating costs was undertaken, resulting in a \$2.1 million in savings through completion of consultant work and completion or near completion of items identified as part of the 10-year Transformation Program.
- **Contracted Taxi Average Trip Length**  
 The \$9.5 million budget increase, reflects the 2019 experience whereby contracted taxi services are expected to exceed budget by approximately \$10 million. The spending increase is due in part to both increases in the average length of customer trips and the Collective Bargaining Agreement modal share requirements.
- **Call Centre Capacity**  
 In order to reduce call abandonment rates, actions are ongoing to decrease the average Wheel-Trans Contact Centre wait time. Average wait time has decreased from 1 hour near the end of 2018, to 5 minutes in recent months. Aim is to target additional resources to peak demand times to reduce wait times.
- **Other Base Changes**  
 Primarily related to the upgrade of in-vehicle equipment on the friendly buses to ensure the friendly buses are compatible with the 4G network after the discontinuation of the 2G network in December 2020.
- **Revenue Changes**  
 A \$0.9 million increase in passenger revenue is expected, based on the adjusted methodology of the allocations of PRESTO monthly pass revenue between Wheel-Trans and TTC Conventional implemented in 2019 and the recommended 10 cent fare increase on all fares excluding adult cash.

### **Wheel-Trans Expenditure Reduction & Efficiency Actions**

Included in the 2020 budget are \$6.8 million in efficiencies and reductions. This includes vehicle renewal savings, savings from shared services and hedging approximately 50% of Diesel fuel requirements, as well as other line-by-line reductions.

<b>2020 Wheel-Trans Reductions &amp; Efficiency Actions</b>	
(\$Millions)	Wheel-Trans Net
<b><u>Reduction Actions</u></b>	
Vehicle Renewal: Fuel Consumption Savings	(0.7)
Line-By-Line Review	(2.0)
<b><u>Efficiency Actions</u></b>	
Family of Services	(2.0)
Procedural Updates for Wheel-Trans Dispatchers	(1.2)
Gasoline Fueling at Lakeshore	(0.6)
Service Delivery Efficiencies	(0.3)
<b>Total Reduction and Efficiency Actions</b>	<b>(6.8)</b>

- Vehicle Renewal: Fuel Consumption Savings  
 Newer buses are on average more fuel efficient than the older friendly vehicles resulting in a 2% improvement in 2020 fuel expenditure compares to the 2019 budget.
- Expenditure Reductions (Line-By-Line)  
 Requested budgets were reviewed against historical spending patterns as part of line-by-line reviews. Through these reviews \$2.0 million in reductions were made including operator expenses, bus maintenance materials and diesel hedging based on 2019 experience.
- Efficiencies  
 Savings will be achieved through efficiencies including:
  - Family of Services:  
 Continued roll-out of this initiative is expected to reduce trip length for 8% of the door-to-door trips.
  - Procedural Updates for WT Dispatchers:  
 This is expected to improve dispatch and decrease any gaps in a bus schedule to maximize the use of bus fleet.
  - Gasoline Fueling at Lakeshore:  
 Implementation of onsite gasoline fueling at Lakeshore garage will increase the amount of service hours available to deliver rides by gasoline vehicles.
  - Other Service Delivery Efficiencies:  
 Tentatively includes savings associated with the second sourcing certain functions at the Lakeshore Garage. This assumes that the tentative decisions with respect to second-sourcing efficiencies are implemented. Implementation of these decisions is dependent on the outcome of the consultation process required by the Collective Agreement. Depending on the outcome of the collective agreement process these projections may

change. Should these savings not be realized, an additional draw from the TTC stabilization reserve, will be relied upon.

### Wheel-Trans Ridership

	<b>2020 Budget</b>	<b>2019 Projected</b>	<b>2019 Budget</b>
Ridership in ('000)	4,205	4,152	4,304
2020 Ridership increase relative to 2019		53	(99)
2020 Ridership percentage change relative to 2019		1.3%	-2.3%

The 2020 Wheel-Trans budget incorporates a 1.3% growth rate between the 2019 projected ridership of 4.15 million and the 2020 budgeted ridership of 4.2 million. Ridership demand has stabilized in 2019 after years of significant growth as a result of increased customer awareness of the Family of Services program and increased accessibility across the conventional system.

The Wheel-Trans service budget is summarized on the following page by functional area.

<b>WHEEL-TRANS 2020 OPERATING BUDGET (\$000s)</b>			
	<b>2019 BUDGET</b>	<b>2020 BUDGET</b>	<b>2020 vs. 2019 BUDGET CHANGE</b>
<b>REVENUES</b>			
Passenger Revenues	8,111	9,237	1,126
<b>EXPENSES</b>			
Contracted Taxi Service	58,994	66,456	7,462
Operators	32,919	32,085	(834)
Divisional Staff	602	695	93
Mobile Supervision	1,255	773	(482)
Dispatch	4,628	5,978	1,350
Equipment Maintenance	13,978	14,058	80
Senior Manager's Office	1,215	1,292	77
Reservations	3,210	3,951	741
Taxi Administration	304	308	4
Customer Service	4,874	2,587	(2,287)
Lakeshore Garage Costs	746	753	7
Employee Benefits	16,500	17,429	929
Vehicle Fuel	3,487	3,161	(326)
Utilities	579	602	23
Accident Claim Payments/Contribution to Reserve	350	570	220
Non-Departmental Expenses	5,378	5,785	407
<b>TOTAL EXPENSES</b>	<b><u>149,019</u></b>	<b><u>156,483</u></b>	<b><u>7,464</u></b>
<b>Operating Funding Required</b>	<b>140,908</b>	<b>147,246</b>	<b>6,338</b>
<b>Operating Funding Available</b>	<b><u>140,908</u></b>	<b><u>140,908</u></b>	<b><u>0</u></b>
<b>WHEEL-TRANS FUNDING SHORTFALL</b>	<b><u>0</u></b>	<b><u>(6,338)</u></b>	<b><u>6,338</u></b>
<b>Note:</b>			
1. All figures by group are subject to refinement.			
2. 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. Consistent with the practice since then, the budget for these non-cash expenses has been deducted to match the City's funding for the current year.			
3. Refer to Appendix E for details on the contribution to reserve.			

APPENDIX C

December 16, 2019			
<b>2020 RECOMMENDED FARE SCHEDULE</b>			
Effective March 1, 2020			
Description	Current Fares	Recommended Fares	Price Change
<b>Adult Fares</b>			
Cash <sup>1</sup>	\$3.25	\$3.25	\$0.00
PRESTO ticket	\$3.25	\$3.25	\$0.00
Token	\$3.10	\$3.20	\$0.10
PRESTO E-Purse	\$3.10	\$3.20	\$0.10
PRESTO E-Purse GO co-fare <sup>3</sup>	\$1.60	\$1.70	\$0.10
Transit Fare Equity - single fare	\$2.05	\$2.10	\$0.05
Transit Fare Equity - City subsidy	\$1.05	\$1.10	\$0.05
Transit Fare Equity - GO co-fare <sup>3</sup>	\$1.60	\$1.70	\$0.10
PRESTO Monthly	\$151.15	\$156.00	\$4.85
PRESTO 12 Month MDP (Price per Month)	\$138.55	\$143.00	\$4.45
Transit Fare Equity - Monthly	\$119.40	\$123.25	\$3.85
Transit Fare Equity - Monthly City subsidy	\$31.75	\$32.75	\$1.00
PRESTO Monthly Post-Secondary	\$122.45	\$128.15	\$5.70
<b>Senior Fares</b>			
Cash	\$2.20	\$2.30	\$0.10
Ticket	\$2.15	\$2.25	\$0.10
PRESTO E-Purse	\$2.15	\$2.25	\$0.10
PRESTO E-Purse GO co-fare <sup>3</sup>	\$1.60	\$1.70	\$0.10
PRESTO Monthly	\$122.45	\$128.15	\$5.70
PRESTO 12 Month MDP (Price per Month)	\$112.25	\$117.45	\$5.20
<b>Youth Fares</b>			
Cash	\$2.20	\$2.30	\$0.10
Ticket	\$2.15	\$2.25	\$0.10
PRESTO E-Purse	\$2.15	\$2.25	\$0.10
PRESTO E-Purse GO co-fare <sup>3</sup>	\$1.60	\$1.70	\$0.10
PRESTO Monthly	\$122.45	\$128.15	\$5.70
PRESTO 12 Month MDP (Price per Month)	\$112.25	\$117.45	\$5.20
<b>Other Fares</b>			
PRESTO Day pass	\$13.00	\$13.50	\$0.50
PRESTO Downtown Express pass <sup>2</sup>	\$44.45	\$45.90	\$1.45
Convention Day pass <sup>4</sup>			\$0.50
<b>Notes:</b>			
1. Adult cash fare last increased January 2016 (\$3.00 to \$3.25).			
2. PRESTO Downtown Express Pass is equal to any PRESTO Monthly pass plus \$45.90. Sold as a single product.			
3. Extension past March 31st, 2020 is conditional on new agreement between TTC, Metrolinx and the City.			
4. Pricing matrix based on volume.			

## APPENDIX D

### TTC Operating Complement

The Operating Budget year-end workforce will increase by 156 positions as summarized in the following table and described below:

<b>TTC Operating Complement</b>				
	<b>Operators</b>	<b>Transit Inspection/ Enforcement</b>	<b>Other</b>	<b>Total</b>
<b>2019 Budget</b>				<b>12,941</b>
<b>Base Changes</b>				
<b><u>Prior Year Decisions</u></b>				
Consolidated warehouse			10	10
<b><u>Operating Impacts of Capital</u></b>				
McNicol Garage			59	59
PRESTO			(15)	(15)
IT related projects			(7)	(7)
<b><u>Base Changes</u></b>				
Conventional Service & Operator Workforce	88			88
Revenue Protection Initiative		50		50
Other Base Changes			10	10
<b><u>Efficiency Measures</u></b>				
Efficiencies			(59)	(59)
Vehicles Renewal & Legacy Streetcar Retirements			(29)	(29)
M&P Transformation			10	10
Transit Control Service Accountability			(2)	(2)
Step Backs and Average Hours per Crew- Subway	(17)			(17)
<b>Subtotal: Base Changes</b>	<b>71</b>	<b>50</b>	<b>(23)</b>	<b>98</b>
<b>New and Enhanced Service Priority Actions</b>				
Improvement to Surface Transit Schedules	31		5	36
Business Transformation			4	4
Anti- Racism Initiative (Ombudsman recommendation)			4	4
TEO Independent Complaints Office (Ombudsman recommendation)			7	7
Eglinton LRT Operations start-up - (5 funded by Metrolinx)			7	7
<b>Subtotal: New and Enhanced Service Priority Actions</b>	<b>31</b>	<b>-</b>	<b>27</b>	<b>58</b>
<b>2020 Budget Increase</b>	<b>102</b>	<b>50</b>	<b>4</b>	<b>156</b>
<b>Total 2020 Budget</b>				<b>13,097</b>

### **Base Changes**

- Operators – 71 positions  
71 net operator positions are being added, primarily to accommodate 2020 service initiatives and adhere to service standards. Specifically, 88 operators are to maintain existing service levels, which are offset by 17 operators by making adjustment to subway crew schedules, without impacting service.

It should be noted that actual workforce complement will not 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. Failure to pre-hire would increase the risk that service would not be met, resulting in significant negative implications for customers and the Commission.

- Transit Enforcement: Revenue Protection Initiative – 50 positions  
These positions are being added to support Revenue Protection initiatives described on page 19.
- Other – net (23) positions (detailed below)
  - Consolidated Warehouse – 10 positions  
10 temporary positions required for the consolidated warehouse move at 2233 Sheppard Avenue West, including Store-persons, Inventory Analyst and Project Coordinator.
  - McNicoll Bus Garage – 59 positions  
59 positions for the opening of McNicoll bus garage to accommodate growing ridership and expanding bus fleet. Positions include Mechanics, Repair-persons, Forepersons, General Divisional Clerks and Store-persons. These positions are offset by tentative savings associated with second sourcing efficiencies (see next bullet).
  - Efficiencies – (59) positions  
A reduction of 59 positions relates to tentative second sourcing efficiencies, including 38 related to McNicoll bus garage (offsetting the increase noted above) and 21 related to vehicle servicing changes. Implementation of these efficiencies is dependent on the outcome of the consultation process required by the Collective Agreement.
  - PRESTO – net (15) positions  
The net decrease of 15 positions related to PRESTO implementation is comprised of a reduction of 50 positions, related to the elimination of legacy fare media, including Subway Suppliers, Collector Fund Verifiers and Order Drivers and Packers. Offsetting this reduction is an increase of 31 positions to support Stations Transformation and implementation of PRESTO. 4 additional positions related to PRESTO include statistical analysis and Commercial Management functions.



- **IT Related Projects – net (7) positions**  
A net reduction of 7 positions relates to various IT projects, including a reduction of 16 related to the implementation of VISION, offset by a total of 9 positions for SAP, MAXIMO, enterprise data and cyber security.
- **Vehicle Renewal & Legacy Streetcar Retirements – net (29) positions**  
A net reduction of 29 positions is related to lower anticipated maintenance requirement of new surface vehicle fleets.
- **Materials and Procurement Transformation – 10 positions**  
A portion of the savings from efficiency initiatives are being reinvested to augment resourced in Procurement and Commercial Management to maximize value received by TTC on future contracts and deliver future incremental savings. Positions include Managers, Sourcing Specialists and Analysts.
- **Transit Control Service Accountability – net (2) positions**  
A net reduction of 2 positions related to the centralization accountability for supervisory incident response in Transit Control.
- **Other base changes of 10 positions include:**  
2 for store-person control at new Markham non-revenue location, 2 safety roles related to track level initiatives, 2 IT contractor positions converted to TTC employees, 2 dedicated diversity and inclusion roles, including outreach hiring initiatives, 1 Legal Prosecutor to handle appeals related to fare evasion fines and net 1 other.

### **New and Enhanced Service Priority Actions**

- **New & Enhanced Service Priority Requests – 58 positions**  
These requests include:
  - 31 Operators and 5 Coach Technicians to support additional service hours associated with Improving Transit Schedules Initiative as part of the 5 year service plan.
  - 4 temporary positions to support the Business Transformation Task Force.
  - 4 positions to implement a broad and comprehensive system-wide Anti-Racism Strategy.
  - 7 positions to implement the TEO independent complaints office
  - 7 positions to support the development of the LRT Program (5 positions will be funded by Metrolinx).

## **Wheel-Trans Complement**

The Wheel-Trans year-end workforce will decrease by (14) positions as summarized in the following table:

<b>2019 Wheel-Trans Complement</b>	<b>637</b>
Reservationists	10
Efficiencies	(24)
<b>Total Wheel-Trans Complement Decrease</b>	<b>(14)</b>
<b>2020 Wheel-Trans Complement</b>	<b>623</b>

The 10 Reservationists are required to address call centre wait times.

The reduction of 24 positions are comprised of two initiatives, including:

- A reduction of 19 positions related to second sourcing of certain vehicle servicing positions. This reduction is tentative, based on the outcome of the process mandated under the Collective Agreement.
- A reduction of 5 Mobile Supervisors is related to the centralization of incident response in Transit Control.

## Capital Budget Complement

The Capital Budget year-end workforce will increase by 74 positions as shown in the following table:

<b>2019 TTC Capital Complement</b>	<b>2,373</b>
Line 1 & Line 2 Capacity Improvements	23
Operator requirements to support bus shuttle requirements during closures and diversions related to capital projects.	19
Yonge-Bloor Capacity Enhancements	16
Toronto Rocket State of Good Repair	14
Conversion of Consultant roles to TTC employees on various construction projects	13
Waterfront LRT	11
Western Yard	9
SRT Life Extension	6
Automatic Train Control	4
New Technology & Innovation	3
Wheel Trans Family Services	3
Health & Safety Related roles	3
Claims & Prevention Analysts	3
Bus Rebuild	2
Expansion Projects Uploaded to Province	(63)
All Other Changes (Net)	8
<b>2020 Total Capital Complement Change</b>	<b>74</b>
<b>2020 TTC Capital Complement</b>	<b>2,447</b>

**Long-Term Liability Reserve**

This reserve was created in 2014 specifically for TTC accident claim requirements. 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 \$18.8 million (\$18.2 million for TTC and \$0.57 million for Wheel-Trans) to the Long Term Liability Reserve Fund (XR1728) in 2020.

TTC and Wheel-Trans will then be authorized to draw from this reserve as required to support actual accident claim payments at the time of settlement. Given the reduction made to the net accident claims budget in 2019, \$7 million of projected accident payments will continue to be funded from a draw from the current reserve balance, as outlined in the table below.

**TTC Stabilization Reserve**

This reserve was created to stabilize the funding of TTC’s operating expenditures over time. For 2020, this reserve is projected to have an opening balance of \$9.6 million. Of which, \$2.0 million, available for general stabilization of TTC’s operating expenditures, is planned to be drawn in 2020.

\$6.9 million was contributed to the reserve in 2018 and was received in connection with the construction of an inter-regional terminal at Kipling Station. This terminal will be on the site of a former commuter parking lot, on TTC owned land. As part of the arrangement, replacement parking spaces will be provided on hydro right of way lands. As the difference in land ownership will result in incremental TTC operating costs starting in 2019, this portion of the balance (projected to be \$6.3 million at the end of 2020) million will be drawn from the reserve annually over time to offset these incremental costs.

Projected reserve balances based on the 2020 budget are outlined in the following table.

(In \$000s)	Reserve / Reserve Fund Number	2020	2021	2022
		\$	\$	\$
<b>Long Term Liability Reserve</b>				
<b>Projected Opening Balance</b>	<b>XR1728</b>	<b>31,362.0</b>	<b>24,362.0</b>	<b>16,832.0</b>
Budgeted Contribution		18,770.0	18,770.0	18,770.0
Projected Accident Claim Payments		(25,770.0)	(26,300.0)	(26,800.0)
<b>Projected Closing Balance</b>		<b>24,362.0</b>	<b>16,832.0</b>	<b>8,802.0</b>
<b>TTC Stabilization Reserve</b>				
<b>Projected Opening Balance</b>	<b>XR1056</b>	<b>9,600.0</b>	<b>7,300.0</b>	<b>7,000.0</b>
Annual Draw re Kipling Commuter Lot		(300.0)	(300.0)	(300.0)
2020 One-Time Draw		(2,000.0)		
<b>Projected Closing Balance</b>		<b>7,300.0</b>	<b>7,000.0</b>	<b>6,700.0</b>