



Staff Recommended 2024 TTC Conventional and Wheel-Trans Operating Budgets and 2024-2033 Capital Budget and Plan

Date: December 20, 2023
To: TTC Board
From: Chief Financial Officer

Summary

This report presents the Staff Recommended 2024 Operating Budget and 2024-2033 Capital Budget and Plan for the TTC. It seeks the Board's approval of a combined Operating Budget for TTC Conventional and Wheel-Trans Services as well as the 2024 Capital Budget and planned estimates over the 2025-2033 capital planning period to provide funding for the acquisition, renewal and improvement of the TTC's assets.

2024 Operating Budget

The 2024 Staff Recommended Operating Budget totals \$2.568 billion in gross expenditures and \$1.337 billion in revenues, requiring \$1.231 billion in net funding to fund the TTC's current services, increase service to meet demand, operate transit expansion and conversion initiatives, invest in safety, security and well-being initiatives, and begin the rollout of a People Strategy for 2024. It also provides for:

- Substantial base budget pressures, primarily driven by inflationary costs for vehicle parts, service contracts, and escalating employee benefit-related expenses;
- Increased maintenance capacity for Line 2 and for new and existing streetcars to be delivered in 2024;
- Annualized cost of increasing Conventional service hours to 95% from 91% in 2023 to respond to increased and changing demand patterns;
- A service increase to 96% by April 2024 and to 97% by September 2024 to address increasing demand growth and increasing congestion on mixed-traffic corridors;
- Wheel-Trans service hours to meet the rising demand, estimated to reach 84% of pre-pandemic levels by year-end 2024;
- Operational and maintenance costs for the opening of Lines 5 and 6 based on a planned Revenue Service date of September 2024¹ and the full operation of the Line 3 Scarborough Rapid Transit bus replacement service;

¹ The TTC is planning for opening of Lines 5 and 6 in September 2024, but this may change
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2024-2033 Capital Budget and Plan

- 12.9 million in efficiency savings that brings the cumulative savings from efficiencies to \$195 million since 2019, and a one-time withdrawal of \$25 million from the TTC Stabilization Reserve to help mitigate the financial challenges of the City, with the intent it be replaced with sustainable funding from new revenue sources in the mid-term;
- \$28.2 million in priority actions with a focus on sustaining the TTC's Community Safety, Security and Well-Being program for 2024, supporting TTC employees with the initial rollout of People Strategy actions to foster employee engagement, health and well-being; and advancing service and Council priorities;
- A 2024 passenger revenue projection that will reach 80% of pre-pandemic levels by year-end, driven by an expected 1%-2% increase in population growth with an anticipated 422 million rides;
- TTC fares at 2023 rates, in recognition of the impact current economic conditions have on customers; and
- On-going COVID-19 impacts, estimated at \$303.9 million, driven by a projected decrease in passenger revenues compared to pre-pandemic levels, as ridership levels have stabilized with hybrid workers averaging about 2.5 days per week in-office.

To help alleviate some of these financial pressures, \$175 million in Provincial funding will be made available through the Ontario-Toronto New Deal Agreement, which is included in the 2024 Operating Budget and applied to eligible expenses that include:

- A total of \$100 million of \$300 million in one-time Provincial funding provides support for subway and transit safety, recovery and sustainable operations to support building back ridership through improved service levels and affordable, convenient, efficient and safe transit services; and
- \$75 million of the \$330 million to fund the 2024 costs of operating and maintaining Lines 5 and 6.

Looking ahead, the TTC's projections for 2025 and 2026 indicate ongoing financial pressures, including COVID-19 financial impacts, totalling \$354.1 million and \$298.5 million, respectively. These pressures primarily stem from annualized expenses associated with service demand, transit expansion operations, and inflationary impacts. While the delivery of high-quality service clearly relies on sustainable operating funding to meet current and future demand, service reliability is also dependent on a steady investment in asset state of good repair and the ability to accommodate future growth and network expansion.

2024-2033 Capital Budget and Plan

The 2024 Staff Recommended Capital Budget stands at \$1.369 billion, including projected 2023 carry-forward funding. This report seeks approval for the 2024-2033 TTC Capital Budget and Plan of \$12.398 billion. This 10-year Capital Plan allocates 58% towards maintaining transit in a state of good repair, 8% for safety and legislated requirements, and 34% for service improvement and growth-related projects.

It also:

- Reprioritizes \$500 million in approved funding to address critical priorities and fully fund cost escalations for projects, while staying within the existing funding projections;
- Maintains and/or improves steady-state funding for essential SOGR capital work to ensure safety and reliability of our system, addressing the risk on Line 2 state of good repair;
- Completes the close-out phase of Automatic Train Control (ATC) signalling on Line 1 and fully funds ATC on Line 2 over the 10-year period;
- Fully funds the City/TTC's one-third share for the Line 2 subway car procurement to ensure readiness to proceed with the procurement of 55 subway trains, once matching funding from the Federal government is confirmed;
- Continues funding to deliver 60 new Streetcars; the upgrade to the Hillcrest Facility and the renewal of the Russell Carhouse to support the storage and maintenance of new streetcars;
- Continues funding for 336 Hybrid Buses, 340 eBuses and charging infrastructure based on revised delivery schedules;
- Advances work on major capacity improvement projects (including Bloor-Yonge Capacity Improvements and Line 1 and Line 2 Capacity Enhancement projects);
- Establishes a steady-state cybersecurity SOGR program; and
- Continues business modernization (SAP, Maximo, Vision, Wheel-Trans, Stations Transformation, Service Planning and Scheduling and Enterprise Asset Management).

Despite significant SOGR investment, challenges persist in funding the growing backlog, estimated to reach \$8.244 billion by 2033, with unmet capital needs projected at nearly \$17.916 billion over 10 years and \$35.458 billion over 15 years. Recognizing the substantial funding required for unmet capital needs, investing in the TTC's future remains crucial for the city's vitality, offering economic, environmental, and social benefits, not only for Toronto, but also for the GTA, Province of Ontario, and Canada at large.

Recommendations

It is recommended that the TTC Board:

1. Approve a 2024 Operating Budget totalling \$2.568 billion in gross expenditures, \$1.337 billion in revenues and net funding requirement of \$1.231 billion for the TTC comprising the following services:
 - a. 2024 TTC Conventional Operating Service Budget of \$2.404 billion in gross expenditures, \$1.329 billion in revenues and a net funding requirement of \$1.076 billion, as summarized in Appendix B1 of this report; and
 - b. 2024 Wheel-Trans Operating Budget of \$163.6 million in gross expenditures, \$7.9 million in revenues and a net funding requirement of \$155.7 million, as summarized in Appendix B2 of this report.

2. Approve a 2024 year-end workforce complement of 17,508 positions, comprised of 14,422 operating positions and 3,086 capital positions, reflecting an increase of 367 operating positions and 176 capital positions, as summarized in Appendix C of this report;
3. Approve a 2024 Capital Budget of \$1.369 billion and future year planned estimates of \$11.029 billion for a total TTC 2024-2033 Capital Budget and Plan of \$12.398 billion, comprising the following:
 - a. A 2024 Capital Budget of \$1.319 billion and future year planned estimates of \$10.970 billion, for a total TTC 2024-2033 Base Capital Budget and Plan of \$12.289 billion, as outlined in Appendix E of this report; and,
 - b. A TTC 2024 Capital Budget of \$50.02 million and future year planned estimates of \$58.89 million, for a total TTC 2024-2033 Capital Budget and Plan of \$108.91 million for Transit-Expansion-Related Projects, as outlined in Appendix E of this report.
4. Forward this report to the City Budget Committee and the City Manager as the official 2024 Operating Budget and 2024-2033 Capital Budget and Plan submission for the Toronto Transit Commission.

Financial Summary

This report seeks approval of the Staff Recommended 2024 Operating Budget and the 2024-2033 Capital Budget and Plan, as summarized in Table 1 below:

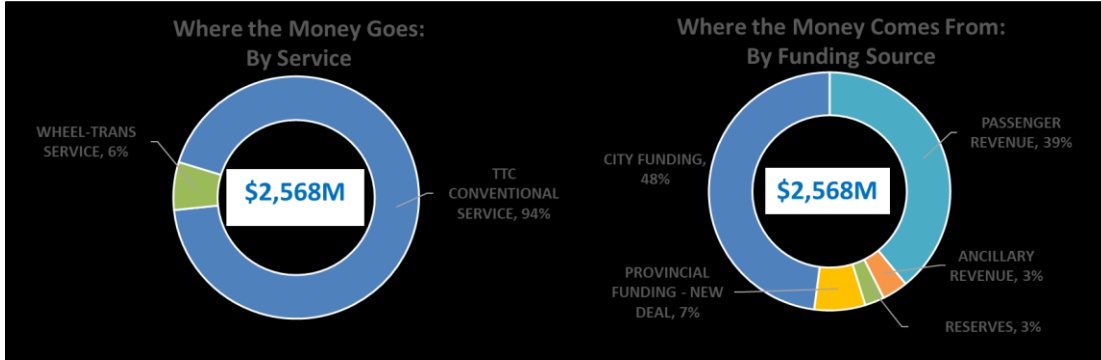
Table 1
Staff Recommended 2024 Operating Budget and 2024-2033 Capital Budget and Plan

(\$Millions)	2024 Operating Budget			(\$Millions)	2024-2033 10-Year Capital Plan		
	Gross	Revenue	Net		2024	2025-2033	Total
TTC Conventional	2,404	1,329	1,076	Base Program	1,319	10,970	12,289
Wheel-Trans	164	8	156	Transit Expansion Related Projects	50	59	109
Total Operating Budget	2,568	1,337	1,231	Total Capital Budget & Plan	1,369	11,029	12,398

2024 Staff Recommended Operating Budget Overview

The recommended 2024 TTC Operating Budget is \$2.568 billion gross and \$1.231 billion net to deliver transit services in the city of Toronto. A total of \$2.404 billion or 94% is allocated to fund TTC Conventional service while \$163.6 million gross or 6% is dedicated to fund Wheel-Trans service costs as shown in Chart 1 below:

Chart 1
Where the Money Goes: By Service
Where the Money Comes From: By Funding Source



Combined with the Wheel-Trans Service, 42% of the 2024 Operating Budget’s funding will be generated from passenger fare and ancillary revenues, with 48% sourced from base City operating funding and 3% from reserve funding. The remaining 7% represents the one-time New Deal funding from the Province announced on November 27, 2023, as shown in Chart 1 above.

Table 2 below summarizes the allocation of the increased City funding available for the TTC:

Table 2
TTC Conventional and Wheel-Trans Operating Funding

2024 TTC Conventional & Wheel Trans Operating Budget			
Description (\$Millions)	Gross	Revenue	Net
2023 Approved Funding, Excluding COVID-19 Impact	2,388.7	1,429.6	959.1
Base Pressures	102.9	1.7	101.2
TTC Conventional & WT Service Demand	49.1	2.7	46.4
Subtotal: Base Pressures, Before Efficiencies	152.0	4.3	147.7
Efficiencies & Balancing Actions	(12.9)	25.0	(37.9)
Subtotal: Base Pressures	139.1	29.3	109.8
Transit Expansion & Conversion	8.5	3.0	5.5
New & Enhanced Priority Actions	28.7	0.5	28.2
Total 2024 Funding Change, Before COVID-19 Impact	176.2	32.8	143.5
2024 COVID-19 Impact	2.9	(301.0)	303.9
Total 2024 Funding Change	179.1	(268.2)	447.4
Provincial Funding - New Deal	-	175.3	(175.3)
Net Change in Operating City Funding Request from 2023	179.1	(92.9)	272.1
Total 2024 Operating City Funding Request	2,567.9	1,336.7	1,231.2
Change from 2023	7.5%	-6.5%	28.4%

2024 Operating Budget Changes

For 2024, the Operating Budget funds \$147.7 million in base pressures required for the delivery of Conventional and Wheel-Trans services, many of which are fixed and driven by economic conditions; are prescriptive; or are service-and-safety critical requirements, including:

- Cost escalations for vehicle parts and service contracts, increased WSIB, LTD and Health and Dental costs due to higher claims and utilization;
- Legislatively determined increases to Canada Pension Plan, Employment Insurance Premiums and carbon pricing;
- Operating impacts of capital that provides the first phase of increased maintenance required for 44 of the 60 additional streetcars to be operational in 2024 and the sustainment of completed IT projects;
- Increased maintenance requirements to address aging fleet and infrastructure, including increased maintenance capacity on Line 2;
- Annualized cost of 2023 TTC Conventional service increased in-year to 95% of pre-pandemic service hours to meet service demand, and a further increase to 96% in April 2024 and to 97% in September 2024 to accommodate construction and traffic congestion; and
- Accommodating the forecasted increase in Wheel-Trans service demand.

To help mitigate these cost pressures, the 2024 Operating Budget incorporates \$37.9 million in efficiency savings and balancing actions that reduces the base pressures to \$109.8 million. These measures include:

- The implementation of efficiency measures and the results of a line-by-line expenditure review totalling \$12.9 million; this brings the cumulative savings from efficiencies to \$195 million since 2019;
- A one-time withdrawal of \$25 million from the TTC Stabilization Reserve; and
- No fare increase is recommended for 2024 in recognition of affordability challenges.

In addition to addressing the base pressures, the 2024 Operating Budget provides funding of \$5.5 million net, reflecting an adjustment in the 2024 incremental operating and maintenance costs for Lines 5 and 6 adjusted to align with a planned September 2024 Revenue Service date and \$10 million to annualize service costs for SRT Bus Replacement. The 2024 Operating Budget includes a total of \$92.4 million gross and \$77.7 million net for anticipated costs associated with Transit Expansion and Conversion.

The 2024 Budget dedicates \$28.2 million in new funding to invest in key priority actions that include:

- Sustainment of the Community Safety, Security and Well-Being initiative, approved by the Board in September 2023;
- Implementation of priorities that begin the rollout of a People Strategy intended to foster a highly engaged workforce focused on serving Toronto's diverse

communities, with actions to support the engagement, health and well-being of TTC employees; and

- Initiatives that support service and Council-approved priorities.

This budget continues to isolate the ongoing financial impact as a result of COVID-19, which for 2024 totals \$303.9 million, and is driven primarily by lost passenger revenues of \$276.5 million due to commuter rider patterns that sees commuters continuing to work 2.5 days per week in the office as a result of the hybrid work model.

The 2024 Operating Budget includes \$175 million in Provincial funding directed to support subway and transit safety, recovery and operational sustainability, and the costs of operations and maintenance of Lines 5 and 6, as per the terms of the Ontario-Toronto New Deal Agreement, announced November 27, 2023. As a result, the net City funding increase required for 2024 totals \$272.1 million.

2024 Operating Complement

The approved operating complement will increase by 367 positions overall. This reflects a reduction in the TTC's approved base operating complement of 30 positions and a reduction of six positions related to Transit Expansion and Conversion; offset by an addition of 390 positions required to address TTC Conventional and Wheel-Trans service demand and 13 positions to support other new investments. Further details are included in the Comments section as well as in Appendix C.

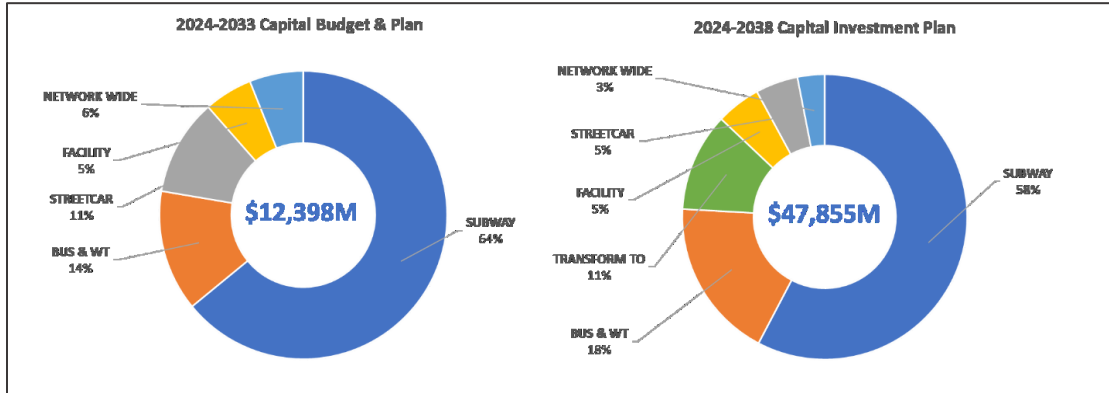
2025 and 2026 Outlook

The outlooks for 2025 and 2026 identify pressures of \$354.1 million and \$298.5 million, respectively. Key drivers include the continued impact of the hybrid work model on passenger revenue, the annualized costs associated with Transit Expansion operations and Conversion, operating impacts of capital and continued inflationary impacts. Conventional service is projected to increase 1-2% to accommodate population growth, while Wheel-Trans projected ridership is forecasted to grow 2% each year, primarily due to new registrants. It should be noted that the 2025 and 2026 outlooks do not include provisions for conventional transit service to accommodate accelerated ridership recovery, service improvements or other emergent needs, nor wage increases or benefit improvements, past the March 31, 2024, expiry of the Collective Agreement with ATU 113.

2024-2038 Capital Investment Plan Overview

The 2024-2038 Capital Investment Plan (CIP) totals \$47.855 billion in base capital needs over a 15-year period. The following chart summarizes the TTC's capital investment requirements over the next 10 years, and 15-year outlook by mode and by project category.

**Chart 2
2024-2038 Capital Investment Plan**



Given this is a rolling plan, the 2024-2038 Capital Investment Plan (CIP) is approximately \$9.810 billion higher than the \$38.045 billion presented in the 2023-2037 CIP. With a recommended 2024-2033 Capital Budget and Plan of \$12.398 billion, it results in an unfunded balance of \$35.457 billion over the CIP’s 15-year planning horizon, as summarized in Table 3 below:

**Table 3
2024-2038 Capital Investment Plan**

(\$ Millions)	Years 1-10	Years 11-15	Total CIP
Funded	12,397.7	0.0	12,397.7
Unfunded	17,915.7	17,542.0	35,457.7
Total CIP	30,313.4	17,542.0	47,855.4

Further details on the changes to the 15-Year Capital Investment Plan and a detailed review of the TTC’s unfunded capital needs are contained in the companion report entitled TTC’s 2024-2038 Capital Investment Plan: A Review of Unfunded Capital Needs.

2024-2033 Capital Budget and Plan Overview

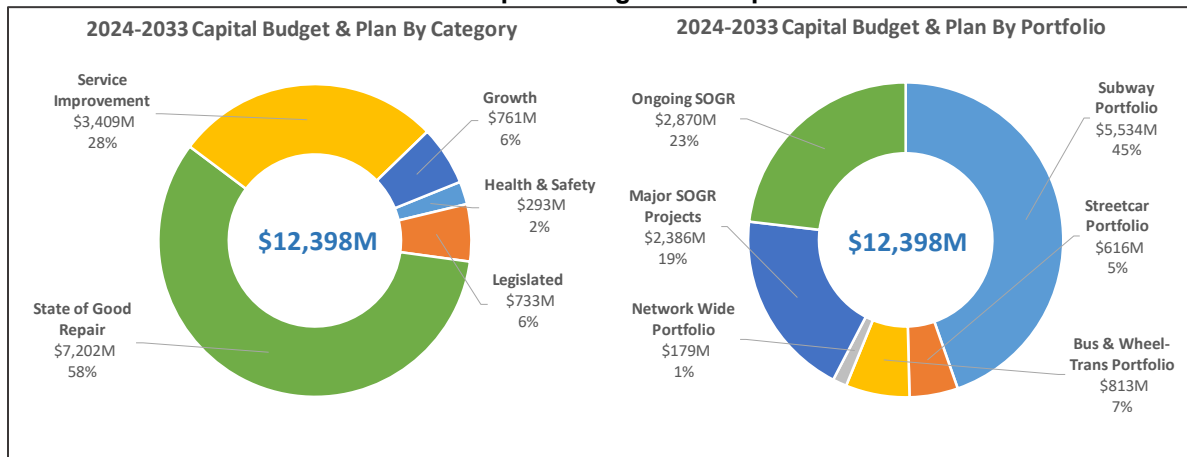
With the inclusion of the projected 2023 carry-forward funding, the recommended 2024-2033 Capital Budget and Plan totals \$12.398 billion, providing \$12.289 billion to fund the TTC’s base capital program and \$108.91 million for transit-expansion-related projects as summarized in Table 4:

**Table 4
2024-2033 Capital Budget and Plan Summary**

(\$ Millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	10-Year Total
Base Program	1,318.65	1,749.60	1,338.92	1,283.06	1,201.40	1,207.01	1,121.97	1,135.17	1,001.90	931.13	12,288.81
Expansion	50.02	29.59	2.92	1.00	12.00	9.08	4.30	0.00	0.00	0.00	108.91
Total	1,368.67	1,779.19	1,341.84	1,284.06	1,213.40	1,216.09	1,126.27	1,135.17	1,001.90	931.13	12,397.72

The TTC has also strategically bundled major capital projects in a portfolio view, bringing together conventional SOGR, Service Improvement and Growth project categories for the Subway and Vehicles portfolios. On this basis, the remaining SOGR portfolios have been delineated between Major and Ongoing SOGR. The Major SOGR project portfolio comprises of 16 discrete SOGR projects, including but not limited to subway and surface track replacement, roofing rehabilitation, on-grade paving, structure rehabilitation as well as elevator and escalator overhaul and replacement programs and overhauls for all modes of transit. The breakdown by project category and by portfolio view is presented in Chart 3 below:

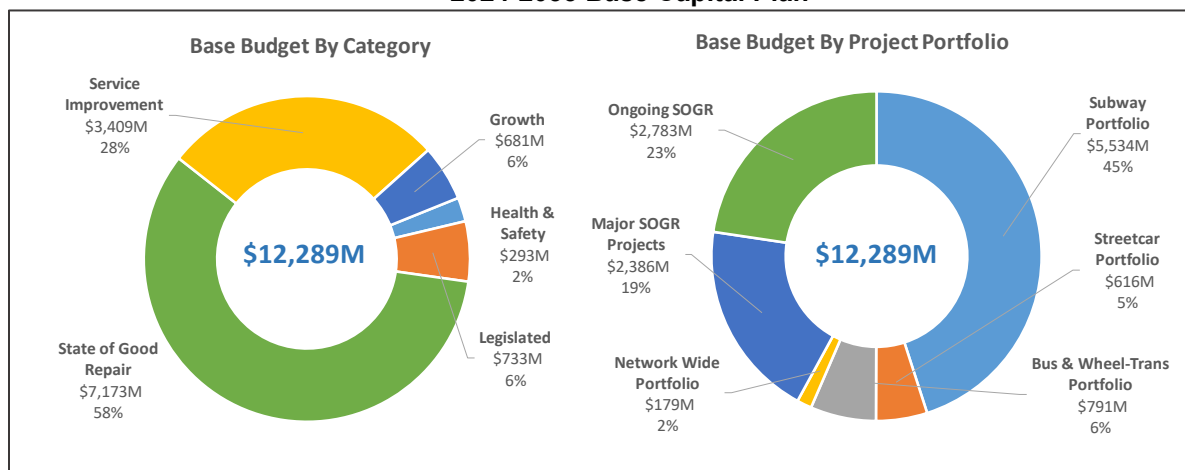
Chart 3
2024-2033 Capital Budget and Capital Plan



2024-2033 Capital Budget and Plan – Base Program

The vast majority of the TTC 2024-2033 Capital Budget and Plan is dedicated to the TTC’s Base Capital programs, which account for \$12.289 billion of the total 2024-2033 Capital Budget and Plan as shown in Chart 4 below:

Chart 4
2024-2033 Base Capital Plan



From a project categorization perspective, over \$1.026 billion or 8% of the 10-year Capital Plan is committed to Health and Safety and Legislated project funding. State of Good Repair (SOGR) capital projects make up 58% or \$7.173 billion, which includes Vehicle Overhauls, Subway and Surface Track Replacement, Traction Power, Communications and Signal Systems projects.

The remaining 34% or \$4.090 billion continues to fund Service Improvement and Growth capital projects, including the Bloor-Yonge Capacity Improvements; Lines 1 and 2 Capacity Enhancement projects and the start-up on Line 2 Automatic Train Control (ATC).

On a portfolio basis, \$5.534 billion or 45% of the total 10-Year Capital Budget and Plan's base program funding is invested in the subway system to provide multi-year funding for the Bloor-Yonge Capacity Improvements and Lines 1 and 2 Capacity Enhancement major projects. It provides funding for the completion of the Easier Access, Islington and Warden Redevelopment projects, and the Fire Ventilation Upgrades and Second Exits capital works. In addition, the 10-Year Capital Plan includes the City/TTC's one-third share for the subway car procurement, completes the close-out phase of ATC signalling on Line 1, and fully funds ATC on Line 2 over the 10-year period.

Approximately \$1.407 billion or 11% of the 10-Year Capital Plan is dedicated to funding the Subway and Streetcar, Bus and Wheel-Trans portfolio, enabling the TTC to complete the purchase of 60 new accessible streetcars and the necessary modifications to the Hillcrest and Russell Yard and Carhouse facilities to ensure they are able to maintain and store the additional streetcar fleet. The 10-Year Capital Plan's funding of \$5.169 billion or 42% is provided for major and ongoing state of good repair of the transit network with just 2% or \$179 million allocated to ensuring the TTC continues network modernization.

Appendix G provides a full summary of the 10-Year Capital Plan at the Major Project Portfolio level.

2024-2033 Capital Budget and Plan – Transit-Expansion-Related Capital Plan

In addition to the TTC's base capital program, there are three transit-expansion-related projects that require funding until their completion. Funding of \$108.91 million is being recommended to be cash flowed between 2024 and 2030 to complete the preliminary design for Waterfront East (Area 1); the SRT Bus Replacement Infrastructure; and to fund close-out costs for the Toronto-York Spadina Subway Extension (TYSSE) project.

Table 5 below summarizes the cash flow funding estimates for transit-expansion-related projects over the next 10 years:

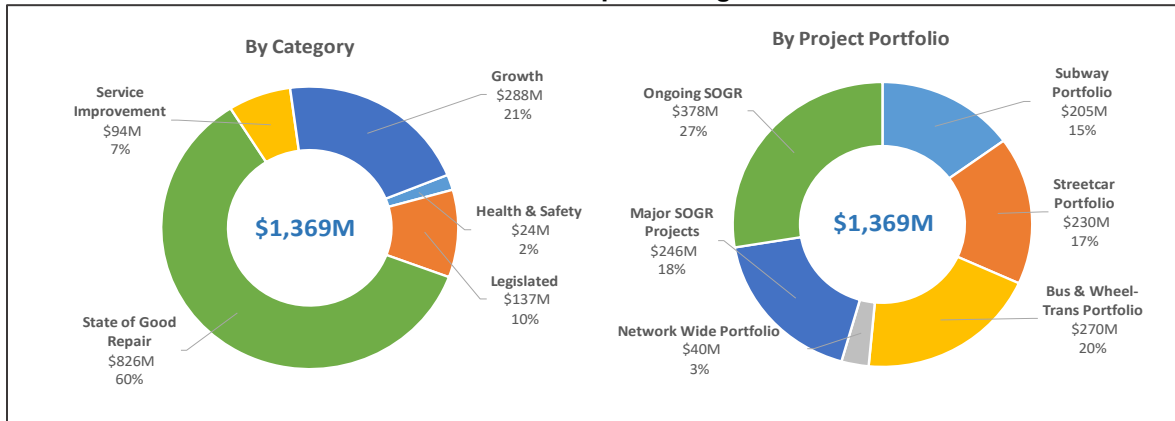
**Table 5
2024-2033 TTC Expansion Capital Plan**

(\$ Millions)	2024	2025	2026	2027	2028	2029-2033	10-Year Total
Toronto York-Spadina Subway Extension	42.34	6.80	-	-	-	-	49.14
SRT Bus Replacement Infrastructure	7.02	22.19	-	-	-	-	29.21
Waterfront Transit Design	0.66	0.60	2.92	1.00	12.00	13.38	30.56
Total	50.02	29.59	2.92	1.00	12.00	13.38	108.91

2024 Capital Budget

The recommended 2024 Capital Budget totals \$1.369 billion, representing Year 1 of the TTC’s 10-Year Capital Plan. Chart 5 below provides an overview of the recommended 2024 Capital Budget from both a project categorization and portfolio perspective:

**Chart 5
2024 Capital Budget**



Almost \$161 million or 12% of the 2024 Capital Budget is committed to Health, Safety and Legislated project funding while State of Good Repair (SOGR) capital projects total \$826 million or 60% of the proposed funding. The remaining 28% or \$382 million of the recommended 2024 Capital Budget is allocated to Service Improvements and Growth capital projects.

From a portfolio perspective, \$705 million or 52% of the 2024 Capital Budget’s funding will be used for Subway and Streetcar, Bus and Wheel-Trans portfolio projects. A combined \$624 million or 45% will be allocated to major and ongoing state of good repair projects, and the balance of \$40 million or 3% will be dedicated to continue Network Wide projects.

Capital Funding Sources

Capital projects are financed through various sources. However, almost two-thirds of the TTC’s 10-Year Capital Plan is funded by the City, with the balance primarily funded by Federal and Provincial sources. The TTC’s capital funding sources over the 10-year period are summarized in Table 6 below and in Appendix F:

**Table 6
2024-2033 Capital Plan by Funding Source**

Funding Sources (\$ Millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	10-Year Total	%
City:												
City Building Fund	547.2	840.7	690.6	654.5	611.0	777.4	334.0	319.1	236.6	177.2	5,188.3	41.8%
Debt	26.1	17.5	7.1	4.1	5.1	3.8	336.7	347.9	345.0	350.0	1,443.3	11.6%
Development Charges	203.3	277.7	280.3	253.5	215.9	46.0	28.5	20.4	14.0	9.2	1,348.8	10.9%
Reserves/ Reserve Funds	56.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	56.9	0.5%
Total City Funding	833.5	1,135.9	978.0	912.1	832.0	827.2	699.2	687.4	595.6	536.4	8,037.3	64.8%
Provincial	179.4	134.1	107.3	121.6	128.4	141.0	159.2	169.5	149.2	145.0	1,434.7	11.6%
Federal	287.6	436.4	219.2	225.4	229.5	233.7	253.8	265.2	242.7	238.0	2,631.5	21.2%
Other Revenue	68.2	72.8	37.3	25.0	23.5	14.2	14.1	13.1	14.4	11.7	294.3	2.4%
Total Funding	1,368.7	1,779.2	1,341.8	1,284.1	1,213.4	1,216.1	1,126.3	1,135.2	1,001.9	931.1	12,397.8	100%

Tripartite investment in public transit is critical to a well-functioning, inclusive and sustainable city, region and country. The TTC recognizes that all orders of government need to work collaboratively to ensure the success of the network through long-term funding commitments. Given that key priorities identified in the CIP for funding in the immediate term, such as the purchase of subway trains, increased investment in the State of Good Repair of aging assets, and the electrification of the TTC’s bus and Wheel-Trans fleets remain unfunded, the TTC will continue to work with the City of Toronto to continue to advocate for a long-term sustainable funding model for public transit.

2024 Capital Complement

The approved capital complement will increase by 176 positions overall, to be funded from the 2024 Capital Budget and third-party recoveries, and will be added to TTC’s capital complement in 2024. Further details are included in the Comments section as well as in Appendix C.

Operating Impacts of Completed Capital Projects

All costs and benefits (savings) to be realized from the completion of capital projects have been identified over the 10-year period. The completion of these capital projects will result in an estimated net savings of \$4.562 million to be realized over the 10 years and an operating impact of \$7.02 million in 2024, which has been incorporated in the recommended 2024 Operating Budget as summarized in Table 7 below:

**Table 7
Operating Impacts of Capital**

Projects	2024 Budget		2025 Plan		2026 Plan		2027 Plan		2028 Plan		2024-2028		2024-2033	
	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions
Information Technology System-Infrastructure	4,115.3	5	3,674.8	13	4,598.6	5	2,062.8	1	520.3		14,971.8	24	18,689.3	25
Purchases of Buses	(662.0)		1,080.0		(4,453.0)		(352.0)		(495.0)		(4,882.0)	-	(61,188.0)	-
Purchase of Street car	2,466.8	30	2,801.2	11	2,371.6	12	1,092.4	3			8,732.0	56	8,732.0	28
Other Various OBIs	1,102.4	3	(1,256.0)	2	(17.2)	2	2,888.2	1	4,805.7		7,523.1	8	29,204.6	6
Total Operating Impacts of Capital	7,022.5	38	6,300.0	26	2,500.0	19	5,691.4	5	4,831.0		26,344.9	88	(4,562.1)	59

The Economic Benefits of Investing in Transit

In 2022, the TTC partnered with the University of Toronto’s Mobility Network to undertake an analysis of economic and other benefits resulting from investment in the transit network. In 2023, the economic modelling was updated to reflect the 2023 Operating Budget and 2023-2032 Capital Budget and Plan. The work is ongoing, key economic metrics based on interim findings report show that investment in TTC operations and capital works translate into:

- Every dollar invested would add an additional \$0.81 dollars in GDP, generating a value-added impact resulting in an increase in profit, taxes and spending on labour;
- Every dollar invested would create the equivalent of \$2.14 of economic activity (Gross Output); and
- Every \$1 million invested creates 13 new jobs.

**Table 8
Economic Benefits of the Staff Recommended 2024 Budget**

	TTC Investment	Value Added	Gross Output	Jobs Impact
2024 Operation Budget (Non-Labour)	\$725 M	\$442 M	\$877 M	6,525
2024 Capital Budget	\$1.4 B	\$1.4 B	\$3.5 B	20,535
2024-2033 Capital Budget and Plan	\$12.4 B	\$12.6 B	\$31.6 B	186,000

Based on table 8 above, approval of the Staff Recommended 2024 Operating Budget and 2024-2033 Capital Budget and Plan would provide the following benefits: non-labour operating spending will add \$442 million in GDP, \$877 million in economic activity (gross output) and add over 6,525 jobs in addition to the TTC’s own complement in 2024. 2024 Capital spending will add \$1.4 billion in GDP, \$3.5 billion in economic activity and add over 20,535 jobs. Funding the full 10-Year Capital Budget and Plan would add \$12.6 billion in GDP, \$31.6 billion in economic output and 186,000 jobs over the 10-Year horizon.

The TTC Board will receive a presentation at is December 20, 2023 meeting by the University of Toronto on the interim findings of the second phase of research on the benefits of investing in the TTC, with a final report and findings to be delivered later in 2024.

Equity/Accessibility Matters

The TTC is strongly committed to making Toronto’s transit system barrier-free and accessible to everyone so that all customers can enjoy the freedom, independence and flexibility to travel anywhere on the public transit system. While ridership trends and financial constraints necessitate adjustment to service, service coverage remains protected.

Expenditures required to meet the TTC's accessibility and equity requirements are provided for in this budget, including \$163.6 million gross and \$155.7 million net City funding to support the Wheel-Trans service and accommodate the anticipated 3.3 million rides in 2024.

In order to support the accessibility of transit, there is no TTC fare increase included in the 2024 Operating Budget. In addition, through the City's Social Development, Finance and Administration Division, eligible customers, including Ontario Works, Ontario Disability Support Program, Child Care Fee Subsidy, Rent Geared to Income clients whose income is below a threshold set below 75% of the Low Income Measure, are eligible for the Fair Pass Program. This program entitles eligible customers to a discount of approximately one-third on single adult fares for single rides or 21% off adult monthly passes.

The TTC continues to protect service coverage across the city. This recognizes that even on the lowest ridership routes, the customers on board need the service. This is one of the factors related to the need to operate a comparatively higher level of service today (i.e. 95% pre-pandemic service) compared to revenue ridership return. The TTC is also operating more bus service than before the pandemic, reflecting ridership demand changes. Recent and planned service increases will continue to be prioritized and implemented with an equity lens, with a greater focus on the customers who are using the service and not solely based on the neighbourhood a route serves.

The 2024-2033 Capital Budget and Plan provides full funding of \$525.07 million to complete the TTC's Easier Access Program, which is underway to make all subway stations accessible with elevators, wide faregates and automatic sliding doors.

It also provides funding for several improvements elsewhere across the transit system, including Warden and Islington stations, to accommodate low-floor streetcars, buses and new Wheel-Trans fleet, as well as a making an additional 322 bus and streetcar stops accessible.

In accordance with the City of Toronto's Equity Responsive Budgeting requirements, the TTC undertook an equity impact analysis of changes (reductions and investments) in the Operating Budget to inform decision-making throughout the budget process. The TTC strives to apply an equity lens to its activities to identify and remove barriers and to support best practices in planning, budgeting, implementation and evaluation of its services.

Decision History

At its meeting of December 15, 2021, City Council adopted the Net Zero Strategy that builds on the initial Transform TO Strategy to reduce community-wide greenhouse gas (GHG) emissions in Toronto, establishing a new net zero goal of 2040, from the original 2050 goal, and critical steps to achieve the revised goal.

[TransformTO: Critical Steps for Net Zero by 2040](#)

At its meeting of January 9, 2023, the TTC Board approved the 2023 Operating Budgets of \$2.237 billion gross and \$1.048 billion net for TTC Conventional Service; \$142.8 million gross and \$136.3 million net for Wheel-Trans Service, for a total \$2.380 billion gross and \$1.184 billion net; and a 2023 total year-end workforce complement of 16,787 positions.

[2023 TTC Conventional and Wheel-Trans Operating Budgets](#)

At its meeting of January 9, 2023, the TTC Board approved the 2023-2032 TTC Capital Budget and Plan of \$12.340 billion over the 10-year period. In addition, the Board endorsed the 2023-2037 Capital Investment Plan and the TTC's 2023-2037 Real Estate Investment Plan update, including the implementation timeline.

[TTC 15-Year Capital Investment Plan, Real Estate Investment Plan Update and 2023-2032 Capital Budget and Plan](#)

Subsequently, on February 15, 2023, City Council approved an amended 2023 TTC Operating Budget. The operating budget for TTC Conventional Service was increased by \$0.5 million net reflecting a one-year pilot to provide mental health supports to persons experiencing homelessness. City Council also approved the Board's 2023-2032 TTC Capital Budget and Plan of \$12.491 billion over the 10-year period.

[City of Toronto 2023 Capital and Operating Budgets](#)

At its meeting of June 12, 2023, the TTC Board approved adjustments to the TTC's 2023-2032 Capital Budget and Plan for the TTC Green Bus Program that increased the approved 10-Year Capital Plan by \$349 million to a total of \$799 million for the TTC Green Bus Program. This increase was fully offset by \$349 million in incremental funding to be received through Infrastructure Canada's Zero Emission Transit Fund for the procurement of 340 eBuses and 248 charge points.

This funding has enabled the TTC to procure previously unfunded buses needed for replacement to the end of 2026, continue to increase the electrification of its fleet to 20% and contribute to advancing TransformTO's NetZero goal by 2040. The 15-Year Capital Investment Plan's unfunded capital needs were reduced, accordingly.

[Financial and Major Projects Update for the Period Ended April 29, 2023](#)

At its meeting of June 12, 2023, the TTC Board considered the report entitled Sustaining a Reliable Transit System to Keep Toronto Moving: Outlook 2024 and Beyond. The TTC outlined the key risks and issues facing the TTC as it undertook and identified key considerations informing a refresh of the strategic planning priorities for the Board. This report sets the foundation for the operating and financial context of the TTC's 2024-2028 Corporate Plan, including external risks and opportunities, ridership trends and financial framework of the TTC.

[Sustaining a Reliable Transit System to Keep Toronto Moving: Outlook 2024 and Beyond](#)

At its meeting of September 18, 2023, City Council approved in-year budget adjustments consisting of \$226.414 million in a reallocation of funding between projects to accelerate/defer work and/or transfer scope to reflect timing and scheduling of projects and align with year-end projections.

[Capital Variance Report for the Six Months Ended June 30, 2023](#)

At its meeting of September 26, 2023, the TTC Board approved an increase in complement of 178 positions to support the continuation of the 2023 approved and emergency community safety, security and well-being measures in place, and the introduction of new measures for the balance of 2023 to: increase staff presence in key subway stations, bus and streetcar terminals; utilize TTC buses to transport individuals to shelters; and provide community safety program support.

[TTC's Partnership Approach to Community Safety, Security and Well-Being on Public Transit](#)

At its meeting of September 26, 2023, the TTC Board approved adjustments to the TTC's 2023-2032 Capital Budget and Plan to offset projects that have had accelerated spending by \$2.1 million with projects that have experienced delays and lower spending by \$2.1 million with no debt impact.

[Financial and Major Projects Update for the Period Ended July 1, 2023](#)

At its meeting of November 22, 2023, the TTC Board approved recommendations to continue with Line 2 modernization plans, while advancing in parallel the necessary planning should the TTC need to implement temporary measures to extend the Line 2 fleet past design life by 10 years and further extend the life of signalling infrastructure. Specifically, the Board approved prioritizing funding of the TTCs one-third share of the revised estimated cost of the 80 new subway trains of \$3.2 billion, \$130 million to implement a 30-Year SOGR program for the full fleet of Line 2's T1 trains and \$5 million to advance in parallel, risk mitigation activities for Line 2. The Board also approved recommendations to government partners to prioritize new funding in their 2024 Budgets to enable Line 2 modernization to advance, and to support Line 1 growth and expansion by investing in trains and a Train Maintenance and Storage Facility.

[New Subway Train Procurement and Implications for Line 2 Modernization and Future Growth](#)

On November 27, 2023, the Government of Ontario and City of Toronto announced a new deal that will help achieve long-term financial stability and sustainability for the city. As part of this new deal, Ontario has agreed to provide the city with up to \$1.2 billion in provincial operating supports over three years and significant capital relief, including the following provincial support that will directly benefit the TTC:

- Annual operating funding of \$330 million over three years beginning in 2024–2025 for new subway-integrated provincial transit projects — the Eglinton Crosstown LRT and the Finch West LRT;

- \$758 million in funding for 55 new subway trains for the TTC's Line 2, conditional on matching federal support; and;
- \$300 million in one-time funding for subways and transit safety, recovery and sustainability that includes commitments on the part of the city related to increased police or safety officer presence on and near transit, continued expansion of transit rider cellular and data services across the TTC network and enhanced emergency reporting options and response timelines for riders.
- The New Deal Term Sheet also requires the City to use immediate financial benefits and "all future financial benefits of the (Gardiner Expressway and Don Valley Parkway) upload" to "support investments in housing and the infrastructure that supports and enables growth". This will allow for current budgeted funding to be reallocated to existing and unfunded City infrastructure priorities and may have potential benefits to the TTC.

[News Release: Ontario and Toronto Reach a New Deal Terms of the New Deal between Ontario and Toronto](#)

Background

Developing the 2024 Operating Budget and 10-Year Capital Plan

The 2023 operating and capital experience and results help to inform the development of the 2024 Operating Budget and 2024-2033 Capital Budget and Plan. In particular, service demand, passenger revenue and service cost pressures experienced in 2023 are the basis for developing the Operating Budget. Similarly, spending results and the drivers of under-spending are used to guide and assess the cashflow funding required annually by assessing the ability to spend on the capital side. Key consideration is given to readiness to proceed and the ability to deliver by examining the status of 2023 capital projects and the subsequent carry-forward of funding for their completion relative to new 2024 planned work and funding that is being requested for that purpose.

However, investments are also guided by priorities outlined by the Board and strategic objectives set out in the TTC's 5-Year Corporate Plan as well as consideration being given to risks and issues that need to be addressed.

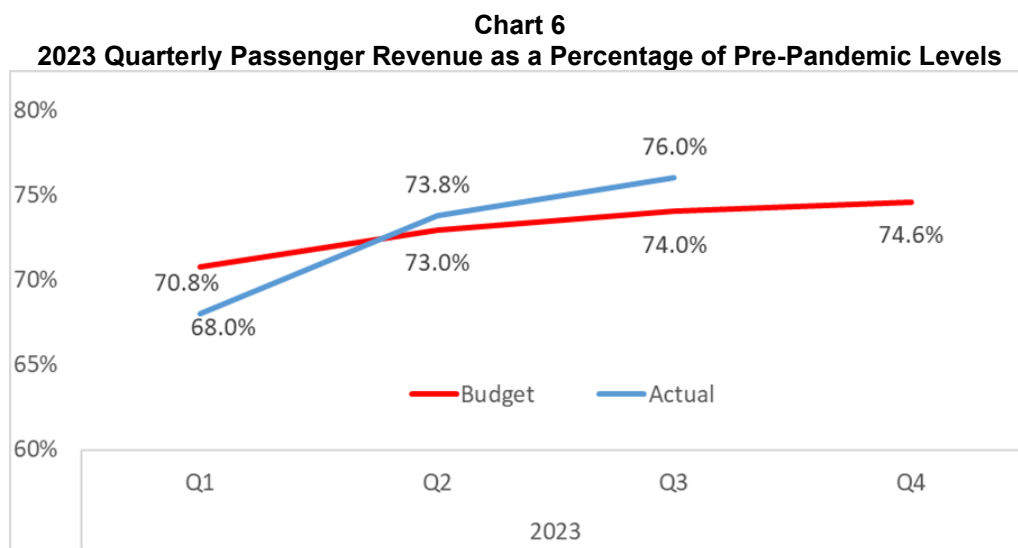
2023 Operating Budget Plan

Overall, the 2023 Operating Budget accommodated significant inflationary cost pressures and costs of Transit Expansion and Conversion, including costs to mobilize and operate Line 5 and Line 6 as well as incremental costs of the SRT Bus Replacement Plan, which was implemented upon the closure of the SRT in Q4 2023. As well, to facilitate investments in enhanced system safety, cleanliness and accessibility, and to partially mitigate the impact of high diesel prices, a 10-cent fare increase on adult and youth single fares only, while holding seniors, pass users and fair pass riders at 2020 rates.

To align service to changes in customer demand, service hours were reduced to 91% of pre-pandemic levels, but were higher than the forecasted 75% ridership recovery level in 2023. In response to higher than planned service, TTC Conventional service hours were increased to 93% of pre-pandemic levels in spring 2023, and again in Q4 2023, service was further increased to 95% of pre-pandemic levels. This was necessary to account for city-wide transit coverage, increasing traffic congestion, and to ensure sufficient capacity to support the upper range of increasing customer demand.

2023 Ridership and Passenger Revenue

As shown in Chart 6 below, TTC Conventional passenger revenue saw steady growth in 2023, stabilizing in the fall. Period 10 ridership still remains higher than expected at 77% of pre-COVID levels (budget 75%) and ridership is expected to remain at this level, projecting to start 2024 at 78% of pre-COVID levels.



Analyzing the changes in rider frequency groups from late 2019 to October 2023, it is evident that although riders have resumed using the system, their average usage has decreased. For instance, the count of 'commuter' riders – those who used to ride four or five weekdays each week – is currently at 60% of the levels observed in March 2020, indicating a shift from former commuting patterns likely due to hybrid work policies.

2023 Operating Financial Results

The TTC's projected year-end financial results show a favourable net variance of \$21.9 million net. Expenditures are projected to be \$46.5 million below budget primarily due to the opening of Line 5 and Line 6 being deferred to 2024. These under-expenditures are partially offset by the cost of regular operating service delivered above the budgeted level with service anticipated to operate at 95% of pre-pandemic levels by the end of the year as well as significant cost escalation experienced on vehicle parts.

While overall expenditures will be below budget, the year-end projection also incorporates anticipated over-expenditures resulting in ongoing cost pressures, with 2024 budget impact, including:

- Delivered regular service above the budgeted level at 95% of pre-pandemic service hours;
- Increasing unit cost and requirements of bus and streetcar parts;
- Higher benefits costs of approximately \$5 million, primarily due to a higher-than-anticipated 8.5% increase in the dental fee guide and benefit utilization;
- Wheel-Trans Service costs of \$2.2 million due to higher ridership demand, which is expected to be 4% above the 2.95 million rides budgeted; and
- Additional \$10 million to support Safety, Security and Well-being measures.

This is mitigated as passenger revenue is forecast to remain at current levels above budget.

2023-2032 Capital Plan Financial Results

The TTC’s Approved 2023-2032 Capital Budget and Plan by the was approved by the TTC Board on January 9, 2023 and by City Council on February 15, 2023, and was subsequently adjusted to account for significant project deferrals and project accelerations, and most notably increasing the 10-Year Capital Plan for the receipt of \$349.3 million from the Federal government and matching funds to procure 340 eBuses and associated charging infrastructure. As a result, the 2023 Capital Budget increased to \$1.450 billion from \$1.342 billion, and the overall 10-Year Capital Plan increased to \$12.922 billion from \$12.491 billion.

By year-end, the TTC’s capital spending is projected to be in the order of \$1.269 billion, representing an overall spending rate of 87.5%, with the TTC’s base capital program projected to expend \$1.203 billion or 88.3% and transit-expansion-related capital works at a projected total of \$66.2 million or 75.7%. Any unspent 2023 capital funding, which is currently projected to be \$180.5 million, will be carried forward into 2024 to complete capital work, in accordance with the City’s Carry Forward Policy. The year-to-date and year-end projections summarized in Table 9 below are based on the revised 2023 Capital Budget that accounts for the Council-approved budget adjustments described above.

**Table 9
2023 Capital Budget Variance as of Period 9**

Description (\$ Millions)	Year-To-Date			2023		
	Budget	Actual	%	Budget	YE Proj	%
TTC Base Capital						
Infrastructure Projects	520.2	424.5	81.6%	871.1	783.2	89.9%
Vehicle Related Projects	287.1	304.9	106.2%	490.9	419.6	85.5%
Total - Base Capital	807.3	729.4	90.4%	1,362.0	1,202.8	88.3%
TTC Transit Expansion-Related Projects						
Toronto York Spadina Subway Extension	32.5	32.5	100.0%	56.1	39.7	70.8%
SRT Conversion to Busway	16.1	12.8	79.5%	27.4	23.5	85.8%
Waterfront Transit - Design	2.9	2.1	72.4%	4.0	3.0	75.0%
Total - Transit Expansion Related Projects	51.5	47.4	92.0%	87.5	66.2	75.7%
Total	858.8	776.8	90.5%	1,449.5	1,269.0	87.5%

Year-to-date and year-end projected capital underspending is a result of various key drivers, including but not limited to resourcing and supply chain constraints, and adjustments to project schedules due to dependencies with third parties/other projects and unforeseen factors. When these drivers are excluded from the capital program, the projected spending rate increases to 95.6% for the TTC's base capital program and 94.4% for transit-expansion-related projects, or 95.5% overall.

By taking into account the remaining work that is projected to be completed by the end of this year, the development of the 2024-2033 Capital Plan takes into consideration: the projected year-end carry-forward funding and recalibrates the 10-Year Capital Plan's project estimates based on previous spending results and project readiness; adjusts the annual cash flow estimates to tightly align cash flow spending with project schedules; and ensures funding commitments are fully funded, including cost escalations for in-flight projects.

Environmental Context

As noted in the companion report on the Update on the TTC's Next 5-Year Corporate Plan report also before the Board, the scale and importance of Toronto's transit network to the long-term viability of Toronto and the Region provides the context for the TTC's corporate *and* financial planning. In June 2023, the Board received a report that provided an outlook of key issues and challenges facing the organization, with an overview of the financial constraints and pressures in the immediate and longer term. The following link contains the staff report that was presented at the June 12, 2023 TTC Board meeting.

[Sustaining a Reliable Transit System: Outlook 2024 and Beyond](#)

The following are some of the key immediate-term factors considered for 2024:

- Ridership is currently averaging at 77% of the pre-pandemic level, due in large part to the continuation of hybrid work averaging 2.5 days per week in the office.
- Recovery of ridership continues to be strongest on bus compared to other modes and serves many of Toronto's equity-seeking communities. As of October 2023, TTC demand has returned to 82% of pre-COVID weekday demand and 99% of weekend demand. September 2023 reached 85% of September 2019, with bus reaching 95% in September 2023, subway demand at 75% and streetcar at 73%.
- Recent data shows traffic congestion in Toronto is near pre-pandemic levels despite 50% of office worker trips not taking place. Major construction is also planned and underway over the next seven-to-eight years with further potential impacts on surface transit reliability.
- Customer experience and satisfaction are important to attracting and retaining riders. However, concerns regarding streetcar service and community safety, amongst other factors, have resulted in a decline in customer satisfaction scores, which are currently at 70% compared to pre-COVID where scores were consistently about 80%.
- The heavy reliance on the farebox has demonstrated the vulnerability of the system and poses a risk to service (approximately 70% of operating costs pre-

pandemic were funded by fares). The TTC continues to face significant ridership revenue impacts from COVID.

- The labour market for skilled talent, particularly in transit and transportation, and related professional fields is increasingly competitive. Reviewing our policies, and value proposition as an employer, will continue to be a key priority, as demographics shift, market conditions evolve, and new competencies and skills sets are required.
- Continuing to demonstrate agility in response to emergent risks and issues and taking advantage of new opportunities, will be critical, as the pace of technology changes, and external forces result in the requirement to more rapidly pivot and shift in response (e.g. cybersecurity, global pandemic, etc.).

In the medium to longer term:

- New rapid transit services are being built that will transform the network, but also introduce new operating cost pressures to a challenging fiscal framework once entered into revenue service (e.g. Line 5, Line 6 and future subway expansion currently being built by Metrolinx, with the TTC positioned to operate).
- Service reliability is also dependent on steady investment in asset state of good repair. The TTC's infrastructure, facilities and fleet relied upon to deliver service range in age from one year old to more than 100 years old. The recommended 2024-2038 Capital Investment Plan totals \$47.855 billion in base capital needs over a 15-year period, of which \$12.398 billion is funded, leaving \$35.457 billion in unfunded capital needs. The recent update includes \$5.3 billion in capital requirements to meet the City of Toronto's TransformTO service objectives of increasing frequency to reduce community wide emissions².
- Climate change impacts will also pose threats to the road and transit network. Extreme heat and precipitation events cause increased infrastructure wear and tear and even closures – rendering the system less reliable as a whole. Extreme heat can affect travel speeds on outdoor rail, while precipitation can flood tunnels and stations and lead to extended closures. These events are expected to increase annually through to 2051³. Applying a resiliency lens to TTC assets, as identified in the TTC's forthcoming Innovation and Sustainability Plan will be key.
- Population growth in Toronto and the Region is expected, with Toronto's population expected to grow to 3.561 million by 2051. With a current transit mode share of 23% (compared to 27% pre-pandemic), and the City's TransformTO goals to increase share of trips taking sustainable transportation modes, ensuring the competitiveness of public transit will be key in a climate-changed environment.

It is in this context, of both internal and external environmental factors, that the TTC is reviewing and refreshing the Corporate Plan, for the next five years and beyond. Building on the foundation of prior multi-year planning work, including key supporting documents, such as the 2024 Annual Service, and 15-Year Capital Investment Plan,

² [December 7, 2023 Presentation to Board on TTC Role in TransformTO](#)





³ Extreme weather days are expected to increase at least five-fold in the coming years: https://www.ontario.ca/page/ontario-provincial-climate-change-impact-assessment?utm_source=substack&utm_medium=email.

amongst others, the TTC has established key priorities for the 2024 Budget process while in the process of finalizing the next iteration of the 5-Year Corporate Plan for the organization.

Comments

2024 Priority Actions

The priority investments and actions included in the 2024 Financial Plan were guided by the following service objectives and outcomes, in accordance with the emerging strategic directions in the TTC’s forthcoming Draft Corporate Plan for 2023 to 2027, namely:

 <p>Foster a Highly Engaged, Diverse and Skilled Workforce</p> <p>Priority Initiatives</p> <ul style="list-style-type: none"> ▪ Expand recruitment outreach with campaign ▪ Provide employee well-being and mental health supports ▪ Initiate Employee Engagement program ▪ Continue to implement the Embrace Diversity: 10-Point Action Plan ▪ Enhance Labour Relations and undertake Collective Bargaining ▪ Review Non-Union Compensation <p>Capital:</p> <ul style="list-style-type: none"> ▪ Create Modern and Inclusive Workspaces 	 <p>Safe, Reliable Service Responsive to Customer Needs</p> <p>Priority Initiatives</p> <ul style="list-style-type: none"> ▪ Deliver Conventional Service from 95% up to 97% in September to address demand growth and congestion on mixed traffic corridors ▪ Accommodate Wheel-Trans ridership increase ▪ Sustain Safety, Security & Well-Being initiatives ▪ Expand cellular service in subways ▪ Re-invest in Line 2 Subway and Streetcar Maintenance Capacity <p>Capital:</p> <ul style="list-style-type: none"> ▪ Fully fund New Subway Trains (TTC Share) and Line 2 ATC ▪ Reprioritize for critical SOGR ▪ Continue Easier Access and Wheel-Trans Transformation Program ▪ Complete SRT Bus Replacement 	 <p>Enable Sustainable Long Term Growth</p> <p>Priority Initiatives</p> <ul style="list-style-type: none"> ▪ Prepare for Line 5 Eglinton LRT and Line 6 Finch West Startup ▪ Implement Fare Integration ▪ Continue Fare Collection Strategy ▪ Undertake 2051 Ridership and Demand Modelling <p>Capital:</p> <ul style="list-style-type: none"> ▪ Deliver E-Buses and charging infrastructure ▪ Deliver New Streetcars and Facility Upgrades ▪ Continue Long Term Capacity Enhancement Programs ▪ Establish Innovation & Sustainability Strategy & Roadmap ▪ Begin Energy efficiency retrofits 	 <p>Transform to Address the Fiscal Challenge</p> <p>Priority Initiatives</p> <ul style="list-style-type: none"> ▪ Continue Business Transformation ▪ Manage Overtime & Absenteeism ▪ Continue to implement Auditor General’s recommendations ▪ Protect Fare Revenue ▪ Maximize intergovernmental funding opportunities and partnerships <p>Capital:</p> <ul style="list-style-type: none"> ▪ Update Capital Investment Plan <ul style="list-style-type: none"> ▪ Detailed review of unfunded needs ▪ Update Real Estate Investment Plan ▪ Continue Business Modernization ▪ Implement Digital Advertising ▪ Implement Enterprise Asset Management
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Recommended 2024 Operating Budget

The 2024 Operating Budget to account for service costs, service delivery and the above noted objectives results in a net City funding increase of \$272.1 million as summarized in Table 10 below:

**Table 10
TTC Conventional and Wheel-Trans Operating Funding**

Description (\$Millions)	Gross	Revenue	Net
2023 Approved Funding, Excluding COVID-19 Impact	2,388.7	1,429.6	959.1
Base Pressures	102.9	1.7	101.2
TTC Conventional & WT Service Demand	49.1	2.7	46.4
Subtotal: Base Pressures, Before Efficiencies	152.0	4.3	147.7
Efficiencies & Balancing Actions	(12.9)	25.0	(37.9)
Subtotal: Base Pressures	139.1	29.3	109.8
Transit Expansion & Conversion	8.5	3.0	5.5
New & Enhanced Priority Actions	28.7	0.5	28.2
Total 2024 Funding Change, Before COVID-19 Impact	176.2	32.8	143.5
2024 COVID-19 Impact	2.9	(301.0)	303.9
Total 2024 Funding Change	179.1	(268.2)	447.4
Provincial Funding - New Deal	-	175.3	(175.3)
Net Change in Operating City Funding Request from 2023	179.1	(92.9)	272.1
Total 2024 Operating City Funding Request	2,567.9	1,336.7	1,231.2
Change from 2023	7.5%	-6.5%	28.4%

TTC Base Service Budget

TTC Conventional Service Demand for 2024

Throughout 2023, service hours were increased from 91% to 95% of pre-pandemic levels in response to observed travel demand changes and to adjust schedules due to congestion. It is expected by year-end 2024, that ridership is estimated to reach 80% of pre-COVID levels and service is proposed to be adjusted to 97% of pre-COVID hours to accommodate the increased service demand. The increase in service will be gradually phased in over 2024, with an increase to 96% in April followed by a further increase to 97% in September. This gradual increase in service hours is required to accommodate demand growth and increasing congestion on mixed-traffic corridors.

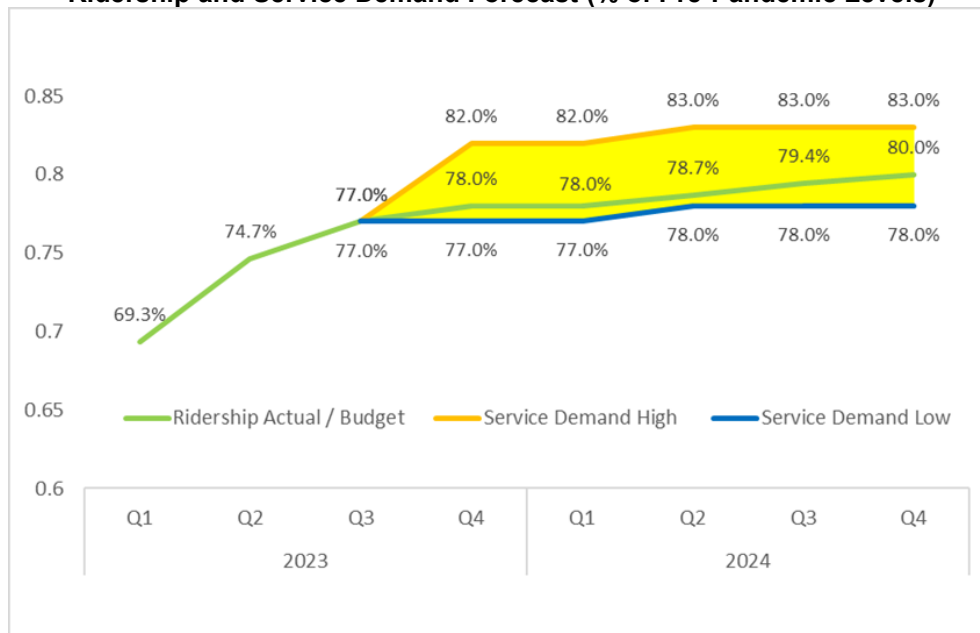
Relative to pre-pandemic operations, scheduled and operated service will continue to be higher than the estimated ridership levels in 2024. This ensures that resources are retained to account for increases in traffic congestion that require revised schedules and ensures sufficient capacity exists to service the upper range of forecasted customer demand, in the event it occurs. Resources required in 2024 to operate Line 5, Line 6 and the SRT Bus Replacement plan, are accounted for separately and therefore will be in addition to the hours noted in Table 11 below for current service modes.

**Table 11
2024 Service by Mode**

Service Plan	Bus	Streetcar	Rapid	Total
Pre-Pandemic (adjusted)	143,700	19,700	16,800	180,200
Scheduled – Fall 2023 (actual and in operation)	140,900	16,600	13,700	171,200
Proposed (Q1 2024)	140,900	16,600	13,700	171,200
% of Pre-COVID (adjusted for initiatives and efficiencies)	98%	84%	82%	95%
Proposed (starting Spring 2024)	142,400	16,600	14,000	173,000
% of Pre-COVID (adjusted for initiatives and efficiencies)	99%	84%	83%	96%
Proposed (starting Fall 2024)	143,900	16,900	14,000	174,800
% of Pre-COVID (adjusted for initiatives and efficiencies)	100%	86%	83%	97%

The establishment of the customer demand forecast is the basis on which the annual service plan is developed. In order to forecast customer demand through 2024, key segments of TTC ridership were assessed using survey data with a particular focus on return to office trends and employers' anticipated plans for 2024. This enabled a forecast of a probable range of customer demand levels as depicted by the upper and lower line in Chart 7 below and the revenue ridership forecast (green line) was established within this range.

**Chart 7
Ridership and Service Demand Forecast (% of Pre-Pandemic Levels)**



The insights and analysis on ridership trends, which formed the basis for the 2024 ridership budget are discussed in Appendix A: TTC Conventional Revenue Ridership and Revenue Trends.

2024 Revenue Ridership Forecast

TTC Conventional ridership stabilized by fall 2023, with future ridership growth restricted by hybrid work policies. As a result, ridership growth incorporated into the 2024 TTC Conventional ridership budget is expected to be gradual throughout 2024, driven only by a general anticipated 1-2% population increase in the city of Toronto. Most employers have now accommodated a hybrid model of work allowing a partial work-from-home of their employees. Hybrid work practices are expected to stay at fall 2023 levels throughout 2024, averaging approximately 2.5 days per week in-office, as understood by 2023 employer surveys and the Strategic Regional Research Alliance occupancy index. Attendance levels at events and in-person class settings for post-secondary institutions and schools are also expected remain at current levels. Forecasted 2024 ridership levels assume:

- Ridership patterns have stabilized with no further COVID recovery;
- Maintain similar behaviour of office workers, with in-office days staying at fall 2023 levels, averaging approximately 2.5 in-office days a week;
- A gradual ridership increase from an anticipated 1-2% population increase in the city of Toronto;
- Discretionary travel, including attendance at special events, similar to pre-COVID levels; and
- In-person class settings at post-secondary institutions and schools comparable to 2023 levels.

For 2024, the TTC is expecting approximately 422.4 million revenue rides, which represents 79% of pre-COVID normal levels, starting the year at 78% in January and ending the year at 80% in December.

In order to support the accessibility to and affordability of transit to all riders, fares will be frozen at 2023 rates, resulting in 2024 TTC Conventional budgeted passenger revenue of \$998.2 million (\$953.8 million net of PRESTO fees).

No Fare Increase for 2024

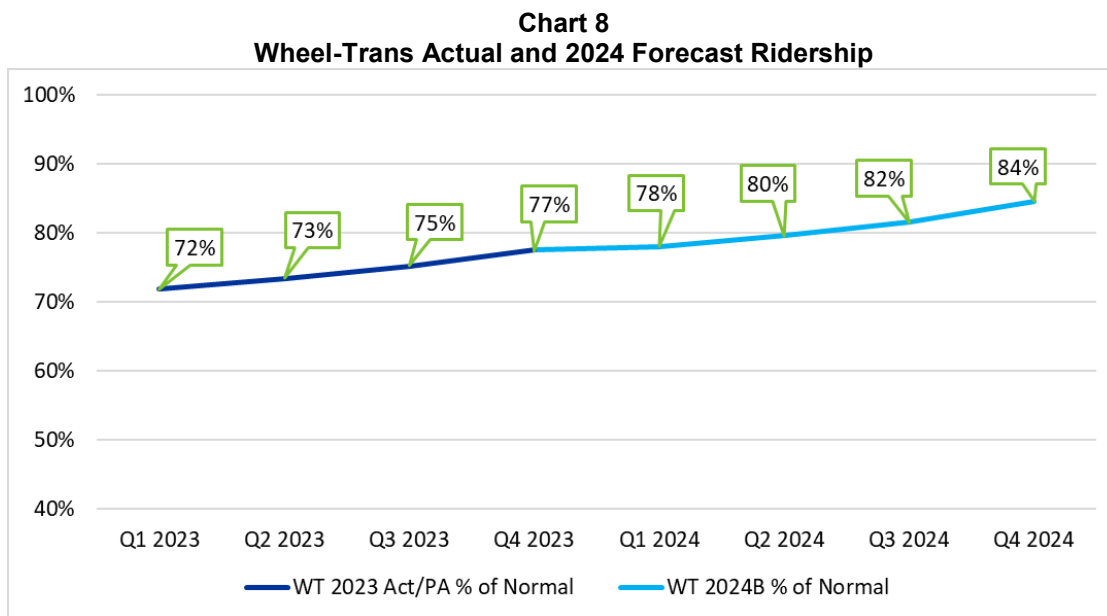
For 2024, TTC fares will be frozen at 2023 rates. This decision stems from a commitment to safeguard the financial accessibility of transit services following the 10-cent fare increase implemented in 2023. While the 2023 fare adjustment helped to fund crucial system safety, cleanliness, and accessibility investments, it is acknowledged that it also had an undue hardship on those riders who depended on transit the most. This action is necessary to minimize the impact on TTC riders given current economic conditions.

Wheel-Trans Service Demand

Given the nature of Wheel-Trans service, Wheel-Trans service expenditures are directly linked to the number of rides required. The 2023 Wheel-Trans Operating Budget anticipated ridership demand to increase to 72% of pre-pandemic levels.

Ridership is currently forecasted to reach an average of 74% of pre-pandemic levels in 2023. Overall, the trend in Wheel-Trans ridership recovery rate has generally mirrored that of the TTC Conventional system.

The 2024 Operating Budget for Wheel-Trans service is based on a forecast of continued Wheel-Trans ridership growth from projected levels due to increasing ridership recovery mainly as a result of increased registrant growth. As a result, Wheel-Trans service demand is expected to average 81% of pre-pandemic levels for 2024 and end the year at approximately 84% of pre-pandemic levels, as outlined in Chart 8 below:



The 2024 Operating Budget for Wheel-Trans service provides funding and complement to accommodate the anticipated 3.33 million rides in 2024, an increase of 13% from the 2.95 million rides budgeted in the 2023 Operating Budget and an increase of 9% from the 3.05 million riders in the 2023 year-end projection.

Base Pressures

For 2024, the 2024 Operating Budget is funding \$147.7 million in base budget pressures, many of which are fixed costs and driven by economic conditions; are prescriptive; or are necessary to meet service – or safety-critical requirements. Of this amount, \$88.3 million of net expenditures is required to fund impacts from prior year decisions, inflation and legislation cost pressures alone as shown in Table 12 below:

**Table 12
2024 Base Budget Pressures**

Description (\$Millions)	Gross	Revenue	Net	Positions
Base Pressures:				
Prior Year Impacts				
CBA to March 2024 & Cost of Living	13.8		13.8	
Reversal of 2023 Stabilization Reserve Draw		(15.7)	15.7	
Annualize April 1st, 2023 Fare Increase	0.2	5.5	(5.3)	
Other Net Prior Year Impacts	(1.4)		(1.4)	
Subtotal: Prior Year Impacts	12.6	(10.2)	22.8	
Inflationary Pressures				
Vehicle Parts Price Escalation	25.0		25.0	
Benefits Impact (WSIB, Health & Dental, LTD)	23.8		23.8	
Other Contractual & Material Price escalation	5.1		5.1	
Subtotal: Inflationary Pressures	53.9	-	53.9	
Legislative & Calendar Impacts				
Legislative - CPP/EI & Carbon Price	9.1		9.1	
Calendar Impact	6.0	3.5	2.5	
Subtotal: Legislative & Calendar Pressures	15.1	3.5	11.6	
Base Service Changes				
Operating Impacts of Capital	7.1		7.1	38
Aging Fleet & Infrastructure	4.3		4.3	11
Other Base Changes	10.0	8.4	1.6	(45)
Subtotal: Base Service Changes	21.3	8.4	12.9	4
Service Demand				
TTC Service Restoration to 95%	24.6	3.8	20.8	202
TTC Service Restoration to 97% to address Traffic Congestion	9.3		9.3	130
Service to Mitigate Construction Impact (City & MX projects)	(2.4)	(2.4)	-	(24)
Wheel-Trans Service Demand	17.6	1.3	16.3	82
Subtotal: Service Demand Changes	49.1	2.7	46.4	390
Total Base Pressures	152.0	4.4	147.7	394

Prior Year Impacts

The 2024 Operating Budget accounts for \$22.8 million in net funding pressures resulting from prior year decisions. This is comprised of \$13.8 million to cover the annualized cost of the signed Collective Bargaining agreement expiring in March 2024 and associated wage progression for union employees and \$15.7 million relating to the reversal of the one-time withdrawal in 2023, which is partially offset by the annualized impact of the fare increase approved in 2023.

Inflationary Pressures

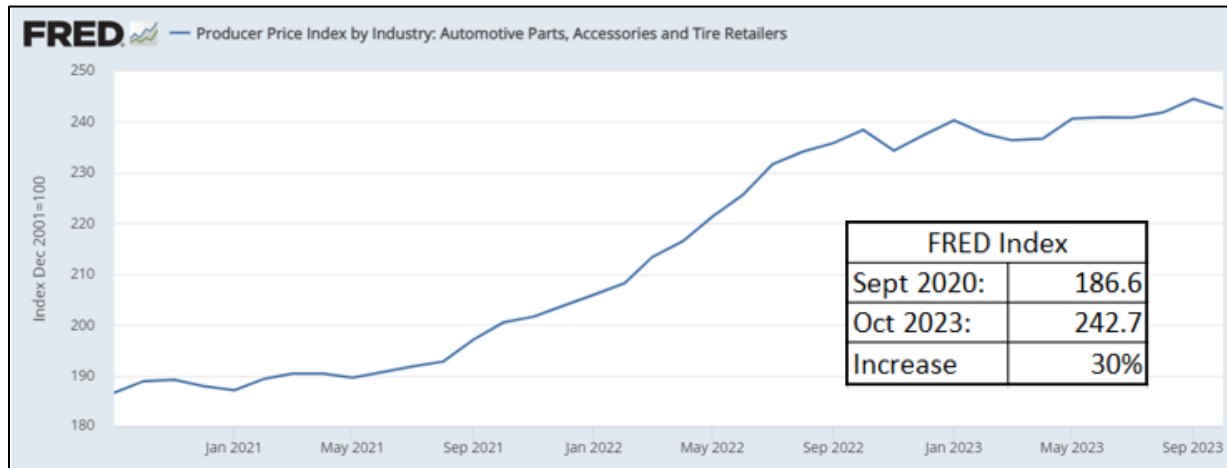
The 2024 Operating Budget includes \$53.9 million for inflationary and cost escalation pressures, mainly as the result of two key drivers – vehicles parts price escalation and benefits impact:

Vehicle Parts Price Escalation – \$25 million

The TTC is experiencing significantly increased costs for vehicle parts as expiring contracts come up for renewal. Contracts coming up for renewal in 2023 have been on average 30% higher pricing than at the start of the contract term, which is in line with the trends noted in the Federal Reserve Economic Data (FRED) Producer Price index for Automotive Parts, Accessories and Tire Retailers as shown in Chart 9 below. Of the

\$25 million budget increase, approximately \$15.3 million has been experienced as a result of renewed contracts in 2023, while a provision of \$9.7 million has been added for part contracts coming due in 2024 factoring in market pricing trends.

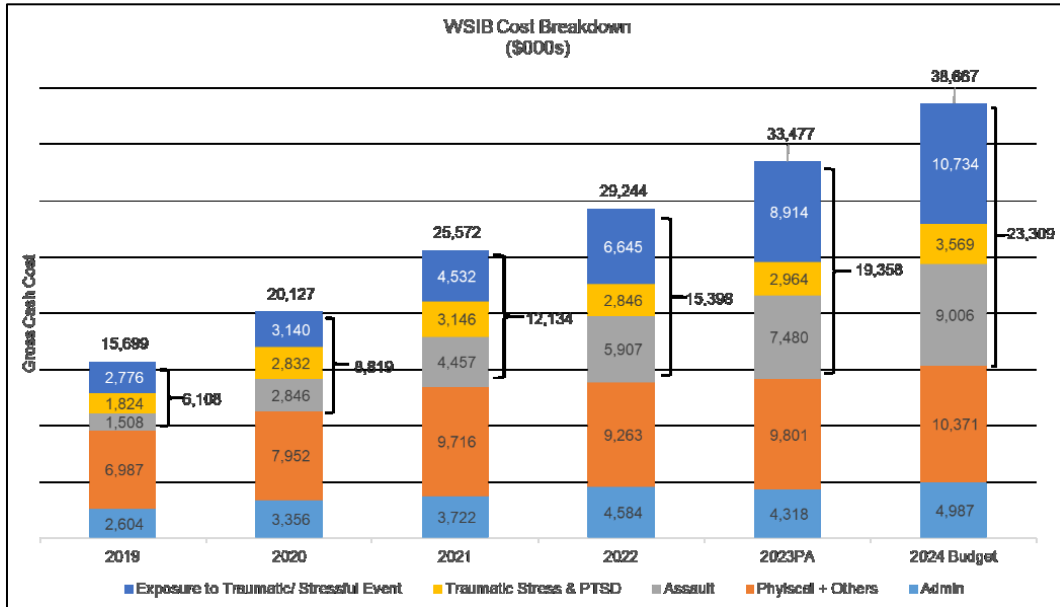
Chart 9
FRED Producer Price Index for Automotive Parts and Accessories



Benefits Impact (WSIB, Health and Dental, LTD) – \$23.8 million

The TTC is also experiencing a significant cost escalation in Health and Dental costs as a result of inflation as determined by the Dental fee guide and higher WSIB and LTD claims, utilization and longer durations. In particular, the TTC has experienced a significant increase in WSIB costs related to trauma and physical assaults since 2019, as shown below in Chart 10. The TTC continues to monitor trends and is requesting additional resources in the 2024 Budget as part of the People Strategy to reduce claim loads and improve capacity to support employees’ return to work and mental health.

**Chart 10
WSIB Gross Cash Costs**



Legislative and Calendar Impacts

The 2024 Operating Budget funds legislative increases in Canada Pension Plan (CPP) and Employment Insurance (EI) rates totalling \$11.6 million. This accounts for increases in the yearly CPP maximum pensionable earnings, the introduction of the new second earnings ceiling (YAMPE) taking effect in 2024 and an increase in the EI insurable earnings limits. The 2024 Operating Budget also funds the anticipated impact of the Carbon price increase on diesel and natural gas on April 1, 2024 and accounts for a calendar impact of two additional weekdays and one less Sunday in 2024.

Base Service Changes

The 2024 Operating Budget funds a \$12.9 million net increase for base service costs. Of this increase, \$7.1 million and 38 positions are required to fund the operating impacts of completed capital projects, mainly to provide additional fleet maintenance for 44 of the 60 new streetcars by the end of 2024; to fund sustainment costs for completed phases of IT projects, such as SAP and VISION; as well as the annualized cost for cybersecurity managed services, consistent with the July 14, 2022 Contract Award for Managed Security Services report to the TTC Board.

In addition, funding of \$4.3 million and 11 positions are required to support the TTC’s aging fleet and infrastructure maintenance needs, including the replacement of wheel and truck components on aging accessible streetcars cars that are approaching minimum levels as well as increased maintenance capacity for Line 2. A further \$1.6 million net is required to fund various initiatives, such as route management associated with the return of streetcar service at Broadview Station, AODA re-registration support for Wheel-Trans customers, and increased tree-trimming service costs around streetcar lines to maintain compliance with the Ontario Electrical

Safety code. Partially offsetting these costs is increased interest income due to higher interest rates and recoveries from third parties.

Base Expenditure Reductions, Efficiency Measures and Balancing Actions

The 2024 Operating Budget reflects \$37.9 million in base expenditure reductions and balancing actions. This is comprised of \$12.9 million from the implementation of efficiency measures and a review of budgeted expenditures against actual experience, as shown in Table 13 below:

Table 13
Base Expenditure Reductions, Efficiency Measures & Balancing Actions

Description (\$ Millions)	Gross	Revenue	Net	Positions
Base Budget Reductions				
Line-by-Line Reviews	(6.8)		(6.8)	
Subtotal: Base Budget Reductions	(6.8)	0.0	(6.8)	
Efficiency Measures				
Overtime reductions	(0.8)		(0.8)	
Diesel Hedging	(2.5)		(2.5)	
Absence Management	(1.4)		(1.4)	(24)
Other Efficiencies	(0.7)		(0.7)	(4)
Subtotal: Efficiency Measures	(5.4)	0.0	(5.4)	(28)
Implementation of AG Recommendations				
Wheel-Trans Call Centre	(0.5)		(0.5)	(6)
Aftermarket Parts Warranty	(0.2)		(0.2)	
Subtotal: Implementation of AG Recommendations	(0.7)	0.0	(0.7)	(6)
Total Efficiencies and Line-By-Line Review	(12.9)	0.0	(12.9)	(34)
Balancing Actions				
TTC Stabilization Reserve Draw		25.0	(25.0)	
Total Base Expenditure Reductions and Efficiency Measures	(12.9)	25.0	(37.9)	(34)

Base Budget Reductions

Material and Service spending trends were assessed as part of the expenditure line-by-line review. As a result of the analysis undertaken, \$6.8 million in expenditure reductions primarily due to hydro pricing, material volume and contract costs being lower than original estimates have been identified and reflected in the 2024 Operating Budget.

Efficiency Measures

Efficiency measures are specific actions taken by TTC staff that achieve cost reductions without impacting service levels for customers. Some of the key efficiency measures implemented are described below:

- Overtime reductions
The management of overtime expenses continues to be a key area of focus for the TTC that is reviewed, monitored and reported quarterly in the Financial Update Report. As part of this overtime reduction strategy, TTC staff have been able to

identify an additional \$0.8 million in overtime reductions arising from ongoing reviews of the utilization of staffing, scheduling and resource requirements.

- Diesel Hedging

Throughout 2023, the TTC has entered into several hedges and has secured pricing for approximately 25% of 2024 diesel requirements at an average price of \$1.33/L, that will result in a \$2.5 million budget reduction for 2024.

- Absence Management

Through improved absence management, TTC Transportation staff have been able to improve the utilization of spareboard Operators. These Operators cover scheduled service that is vacant as a result of unplanned absences. Based on current absence trends, planning assumptions for 2024 have been updated, resulting in a reduction of 24 positions across all modes, and total cost savings totalling \$1.4 million.

- Other Efficiencies

TTC staff continue to monitor their areas to identify ways of providing the same level of service more effectively and efficiently. In 2023, staff have identified \$0.7 million in efficiencies, including a reduction of four positions, which is mainly a result of a change in Stations zone management and scheduling practices and from a thorough review of Streetcar maintenance activities.

Implementation of Auditor General Recommendations

The continued implementation of Auditor General Recommendations relating to the Wheel-Trans reservations call centre contract, and improved use of aftermarket part warranties is expected to save \$0.7 million and a reduction of six positions in 2024.

Balancing Actions

Taking into account the TTC budget pressures for 2024 and all the actions outlined above, a \$25.0-million withdrawal from the TTC Stabilization Reserve was required to balance the budget. The use of the TTC Stabilization Reserve is recommended to help to mitigate inflationary impacts and contribute to the overall financial challenges of the City.

It is acknowledged that use of the Stabilization Reserve will have to be reversed and replaced in the 2025 Operating Budget. This amount will need to form part of a multi-year, multi-pronged funding strategy to address this resultant budget pressure along with the other significant pressures forecasted in the short and mid-term.

Transit Expansion and Conversion

The 2024 Operating Budget includes a total of \$77.7 million net to fund anticipated operating costs of Transit Expansion and Conversion. This accounts for funding of \$72.2 million approved in 2023 for the initial mobilization and readiness costs for Line 5 and Line 6. The 2024 Operating Budget provides new funding of \$5.5 million net, reflecting an adjustment in the 2024 incremental operating and maintenance costs for

Lines 5 and 6 adjusted to align with a planned September 2024 Revenue Service date and \$10 million to annualize service costs for SRT bus replacement service, as outlined in Table 14 below:

**Table 14
Transit Expansion and Conversion**

(\$ Millions)	Total Annual Requirement			Change 2024 vs 2023	Change 2025 vs 2024
	2023 Budget	2024 Budget	2025 Forecast		
Line 5					
Mobilization & Operating Costs	70.5	60.7	99.4	(9.9)	38.8
Bus Service Savings	-	-	(10.0)	-	(10.0)
Incremental Revenues	(3.0)	(2.1)	(5.7)	0.9	(3.6)
Reserve Draw to Fund One-Time Costs	(7.3)	(10.3)	-	(2.9)	10.3
Subtotal Line 5	60.2	48.3	83.7	(11.9)	35.4
Line 6					
Mobilization & Operating Costs	12.1	20.3	35.3	8.2	15.0
Bus Service Savings	-	-	(7.4)	-	(7.4)
Incremental Revenues	-	(0.5)	(1.5)	(0.5)	(0.9)
Reserve Draw to Fund One-Time Costs	(1.6)	(1.9)	-	(0.3)	1.9
Subtotal Line 6	10.5	17.9	26.4	7.4	8.5
Total Line 5 & 6	70.7	66.1	110.1	(4.5)	43.9
SRT Bus Replacement Plan	1.5	11.5	11.5	10.0	-
Net City Funding Impact: Transit Expansion and Conversion	72.2	77.7	121.6	5.5	43.9

In 2023, funding was provided for Line 5 and Line 6 based on the planned mobilization activities at the time. 2023 funding for both lines covers annualized labour expenses to mobilize and train staff, including the start of Operator training in Q1 2024, and once revenue service commences, the cost of traction power, utilities and maintenance costs through a third-party contract. Anticipated costs of one-time project variations identified by the TTC to ensure operational and safety practices are aligned with current modes are also included.

New Priority Action Investments:

The recommended funding of \$28.2 million for new and enhanced service priority actions focuses on sustaining the TTC’s Community Safety, Security and Well-Being program for 2024, TTC employees by implementing key initiatives to foster employee engagement, health and well-being and to support service and Council priorities. These are summarized in Table 15 below:

**Table 15
New and Enhanced Priority Actions**

Description (\$Millions)	Gross	Revenue	Net	Positions
Community Safety, Security & Well-Being	26.2		26.2	
People Strategy:				
Trauma Assist	0.4		0.4	
Mental Health Training	0.1		0.1	
Health, Well-Being & Disability Management	0.4		0.4	4
Employee Relations Support	0.3		0.3	2
Employee Engagement	0.4		0.4	2
Subtotal: People Strategy	1.6	-	1.6	8
Service Support				
5-Year Service Plan Implementation	0.1		0.1	1
Family of Services - Travel Trainers	0.2		0.2	3
Subtotal: Service Support	0.3	-	0.3	4
City Council Approved Priorities				
ModernTO	0.1		0.1	1
Toronto Green Standard	0.5	0.5	-	
Subtotal: City Council Approved Priorities	0.6	0.5	0.1	1
Total New & Enhanced Priority Actions	28.7	0.5	28.2	13

Community Safety, Security and Well-Being

Community safety and the well-being of employees and customers is of paramount importance to the TTC. Societal challenges continue to impact the transit network and in response, the TTC has implemented a multi-disciplinary approach with the City of Toronto. The 2024 Operating Budget includes a total of \$31.7 million for anticipated costs associated with the Community Safety, Security and Well-Being Program, an increase of \$26.8 million consisting of \$0.6 million to fund the annualized cost of 2023 approved initiatives and \$26.2 million in new investment to support the continuation of actions commenced under CEO delegated authority in 2023.

For further details of this initiative, please refer to the September 26, 2023 TTC Board report on [TTC's Partnership Approach to Community Safety and Well-being on Public Transit](#).

People Strategy

As part of the TTC's commitment to fostering a highly engaged workforce focused on serving Toronto's diverse communities, \$1.6 million is recommended to begin the rollout of a People Strategy with the implementation of actions, with actions to support the engagement, health and well-being of TTC employees.

Trauma Assist Program

A specialized Trauma Assist Program will be established to provide comprehensive support and resources to employees facing traumatic events or distressing situations. This program offers immediate assistance, counselling, and resources tailored to aid employees in navigating and recovering from traumatic experiences, fostering a supportive and caring workplace culture.

Given the critical need for trauma support for employees, the TTC initiated this program in November 2023, which is also used by the City of Toronto and Toronto Police Service through the three organizations' benefits administration provider. The 2024 request of \$0.4 million is recommended to fund this program permanently.

Mental Health Training

Recognizing the importance of mental health in the workplace, resources will be allocated to establishing new mental health training programs for the TTC. This initiative will provide Psychological Health and Safety (PHS) training for TTC leaders to provide them with approaches to support employee psychological health and workplace psychological safety.

Health, Well-being & Disability Management

The investment is required to increase the capacity of the TTC's health, well-being, and disability management programs. These programs aim to proactively promote employee health, prevent workplace injuries, and effectively manage disability-related issues, ensuring a supportive and inclusive environment for all team members. Four additional resources at a cost of \$0.4 million are being requested to manage the increase in volume and complexity of the workload and to manage the increase in WSIB claims.

Employee Relations Support

Funding of \$0.3 million and two positions are being requested as these resources are required to manage the increase in workload in the department and will be dedicated to strengthening employee relations support across the TTC. The additional resources will enable more proactive communication, guidance, conflict resolution and support.

Employee Engagement

Funding of \$0.4 million and two positions is being requested to formalize an employee engagement framework for the TTC. \$0.150 million of this amount is required to issue an employee engagement survey in 2024 that will establish a baseline of employee input. The two positions will enable the TTC to dedicate staff that will establish and manage employee engagement programs and measure the impacts of various initiatives on employee sentiment.

Other New Investments

5-Year Service Plan Implementation

The TTC is allocating \$0.1 million for a Senior Planner in Systems Planning as part of the 5-Year Service Plan Implementation. This funding aims to facilitate the execution of new actions that will be outlined in the TTC's 5-Year Service Plan, requiring detailed research, project development, and recommendations necessary for effective plan implementation. This role will also support an evolving and extended consultation process to meet customer and stakeholder expectations and support co-ordination and alignment with City of Toronto strategic programs, such as ActiveTO and CafeTO.

Family of Services – Travel Trainers

Funding of \$0.2 million is being requested to support the Family of Services – Travel Trainers program with the addition of three travel trainers. These resources are intended to eliminate barriers for Wheel-Trans customers using the Conventional transit system. The program aims to significantly increase the number of customers trained annually to 600 from 150, with a focus on enhancing administrative support to prioritize customer training. Moreover, the TTC will collaborate with external agencies through a “Train the Trainer” program to address future demands for Travel Training to better serve the needs of customers.

Toronto Green Standard

The TTC requires \$0.5 million to ensure TTC standards comply with requirements for sustainable design and performance known as the Toronto Green Standard (TGS). This one-time investment, to be funded from the TTC Stabilization Reserve, will ensure that TTC standards are updated in 2024.

ModernTO

A \$0.1 million investment will support the hiring of one new resource under the TTC's Workplace Modernization program, which forms part of the City of Toronto's ModernTO program. As a participant in the broader City program, the TTC is consolidating its corporate functions into City-owned locations. With the TTC's corporate and operational offices functioning within a hybrid working model until the completion of building renovations (planned between 2025-2027), this new position aims to manage the increased scope of work during this transition period. The resource will facilitate the adoption and implementation of activities supporting the consolidation and modernization of TTC office spaces, and optimizing these spaces for enhanced productivity and collaboration.

2024 Operating Complement

Consistent with the initiatives noted throughout this report, the approved operating complement will increase by 367 positions overall. Specifically, the 2024 Operating Budget includes an increase of 390 positions required to address TTC Conventional and Wheel-Trans service demand, 13 positions to deliver the new investments,

including those to support employee health and well-being and four for base service requirements, for a combined total of 407 positions.

This combined 407-position increase will be offset by a reduction of 40 approved positions. This includes a reduction of: (a) 34 positions achieved through the implementation of service efficiency initiatives, such as absence management; and (b) six net positions, comprised of an additional 33 roles for the opening of Lines 5 and 6, offset by a reduction of 39 positions arising from the closure of the Line 3 SRT and implementation of the SRT bus replacement service.

The TTC's Operating complement will increase by 367 positions to 14,422 positions, as summarized in Table 16 below:

**Table 16
Operating Complement**

Positions			
Budgeted Positions	2023	2024	Change
Coventional Operating:			
Base Budget	12,683	13,039	356
Transit Expansion (ECLRT, FWLRT, Line 3 Replacement)	483	477	(6)
New & Enhanced Priority Actions*	213	223	10
Subtotal: Conventional Operating	13,379	13,739	360
Wheel-Trans Operating:			
Base Budget	611	613	2
New & Enhanced Priority Actions		3	3
Subtotal: Wheel-Trans Operating	611	616	5
Metrolinx Transit Expansion (Full Cost Recovery)	65	67	2
Total Operating Positions	14,055	14,422	367

*Note: 2023 includes Council approved in-year adjustments.

Further details on the workforce complement change is outlined in Appendix C.

2025 and 2026 Outlook

The outlooks for 2025 and 2026 identify pressures of \$354.1 million and \$298.5 million, respectively. Approval of the 2024 Operating Budget will result in various cost pressures, including the reversal of the 2024 TTC Stabilization Reserve as a one-time funding source, the annualized effect of 2024 increases in TTC-Conventional and Wheel Trans service, and the annualized operating and maintenance costs of a planned opening of Lines 5 and 6 in 2024. Included in these forecasts are anticipated energy and material price escalation based on continued market conditions, and operating impacts of completed capital projects, in particular the second phase of streetcar maintenance resourcing required for new streetcars arriving in 2025. Conventional service is projected to increase to 98% in 2025 and 99% in 2026, with Wheel-Trans service to meet a projected ridership demand of 2% each year primarily due to new registrants.

Passenger revenue is also forecasted to increase by an assumed 2%, in accordance with projected population growth. This assumes no change to the hybrid work trends

with commuters continuing to use transit 2.5 times per week on average. In addition to this, Provincial funding is expected to increase in 2025 to cover the full projected cost of operating and maintaining Lines 5 and 6, while the \$100 million directed to support subway and transit safety, recovery and operational sustainability is expected to continue.

It should be noted that future year estimates do not include provisions for wage increases or benefit improvements due to the March 31, 2024 expiry of the Collective Agreement with ATU Local 113 (the TTC's largest union) or any additional investments arising from the need to accelerate service increases based on demand or new service improvements. Table 17 below, itemizes the projected cost pressures for 2025 and 2026.

**Table 17
TTC Outlook 2025 and 2026: Incremental Funding Requirements**

Description (\$Millions)	2025	2026
Base Pressures		
Reversal of One-Time TTC Stabilization Reserve Draw	15.0	10.0
Fuel, Traction Power & Utility Price Escalation	9.5	9.5
Inflationary Impacts (Benefit Inflation, Vehicle Parts & Material Price)	21.1	16.4
Legislative Impacts (Carbon Tax & CPP/EI)	10.8	8.5
Operating Impact of Capital (IT Projects)	3.5	0.1
Phase-in of Streetcar Delivery Maintenance Needs	2.8	2.4
Other Base Pressures	12.4	9.1
Total Base Pressures	75.1	56.0
Service Demand		
TTC Conventional Service to Accommodate Population Growth	10.8	8.7
Wheel-Trans 2% Service Demand Growth	3.2	3.3
Total Service Demand	14.0	12.0
Transit Expansion		
Line 5 - Eglinton Crosstown LRT	35.4	-
Line 6 - Finch West LRT	8.5	-
Total Transit Expansion	43.9	-
Total 2025 & 2026 Operating Funding Pressure	133.0	68.0
Passenger Revenue (Net of PRESTO) - Population Growth	(23.7)	(24.3)
Total 2025 & 2026 Operating Funding Pressure, net of Passenger Revenue	109.3	43.7
Provincial Funding		
Change in Provincial Funding - Safety/General	-	-
Change in Provincial Funding - Line 5 & 6	(34.8)	-
Total 2025 & 2026 Operating Funding Pressure, Including Provincial Funding	74.5	43.7
COVID-19		
Ongoing COVID-19 Financial Impacts	279.6	254.8
Combined Operating Funding Pressure, including COVID-19 Impacts	354.1	298.5

Ongoing Financial Impact of COVID-19

The financial impact of COVID-19 will continue to significantly affect the TTC and the City of Toronto’s financial sustainability, in particular due to the continued use of hybrid work and its impact on the TTC’s passenger revenue model. Increases in ancillary revenue will also be dependent on ridership, given parking and subway concession revenues are tied to commuter behaviours. Table 18 below provides an estimate of COVID-19 impacts based on expected ridership for 2024 and directional revenue ridership estimates for 2025 and 2026. The majority of the financial impact relates to lost passenger revenue and ancillary revenues (advertising, parking and subway concessions).

**Table 18
Total COVID-19 Pressures**

TTC Conventional & Wheel-Trans (\$Millions)	2024	2025	2026
Passenger Revenues (Net of Presto Fees)	276.5	252.8	228.6
Ancillary Revenue	12.6	12.2	11.8
Incremental Expenses	14.8	14.6	14.4
Total COVID-19 Pressure	303.9	279.6	254.8

Given the above noted pressures as a result of the pandemic and the subsequent significant shift to a hybrid work environment, it is evident that the TTC’s operating funding model, which was highly dependent on passenger revenues is not sustainable. The pre-pandemic reliance on the farebox will continue to challenge the TTC’s ability to provide safe, reliable transit service going forward and put at risk the critical role it plays in the City’s and Region’s economic recovery, vitality and well-being. While the Toronto-Ontario New Deal Agreement has provided some financial relief, these measures are time-limited. A multi-year, multi-pronged funding strategy will be required to ensure the ongoing sustainability of the TTC’s transit service.

2024-2033 Staff Recommended Capital Budget and Plan Overview

While the delivery of high-quality service clearly relies on sustainable operating funding to meet current and future demand, service reliability is also dependent on a steady investment in asset state of good repair. The TTC has an expansive asset inventory valued at more than \$25 billion that is required for the delivery of transit service. The TTC’s infrastructure, facilities and fleet relied upon to deliver service range in age from one year old to more than 100 years old. Subway trains operating on Line 2 are nearly 30 years old, and a large part of the subway network is approaching 70 years old, with aging infrastructure, facilities and systems. The TTC’s fleet needs to be replaced and existing fleet maintained to ensure service reliability. Facilities need to be rehabilitated to extend their useful life, accommodate new standards and requirements, and systems need to be modernized. Concurrently, the TTC needs to ensure it is able increase future service capacity to accommodate growth projected to 2041 and network expansion. The recommended 2024-2033 Capital Budget and Plan totalling \$12.398 billion aims to strike a balance between ensuring its assets are maintained in a state of good repair while also optimizing the TTC’s operational capacity through future service capacity and

modernization capital works. Key investments in capacity enhancement programs, vehicles procurements and overhaul programs, buildings and structure improvements, and various track and signal systems works will ensure alignment with the TTC's long-term ability to deliver reliable service.

As approved by the Board in the New Subway Train Procurement and Implications for Line 2 Modernization and Future Growth report, this 10-Year Capital Plan reflects the estimates for the subway train procurement Scenario 1 planning assumptions, which assumes full funding commitments are made to advance the subway train procurement in 2024. In order to implement Line 2 modernization, the TTC's one-third matching funding for Line 2 subway trains is fully funded as well as the \$4.836 million for risk mitigation planning activities for Line 2.

The 2024-2033 Capital Budget and Plan funds the TTC's capital priorities in the first 10 years of the Capital Investment Plan, based on available sources of funding. The 2024-2033 Capital Plan:

- Reprioritizes \$500 million in approved funding to address critical priorities, fully funding escalations for in-flight projects while staying within the existing funding projections;
- Maintains and/or improves steady state funding for essential SOGR capital work to ensure safety and reliability of our system, addressing key risks on Line 2 state of good repair;
- With the recent funding commitment announced by the Provincial government, the 10-year Capital Plan reflects the City/TTC's updated one-third share for the Subway Car procurement to ensure readiness to proceed with the NST should the TTC be successful in securing the remaining one-third funding required from the Federal government;
- Continues funding to deliver 60 new Streetcars and upgrade the Hillcrest Facility, with funding support from other orders of government, as well as renew the Russell Carhouse to support the maintenance and storage of the new 60 streetcars; and
- Continues funding for 336 Hybrid Buses, 340 eBuses and charging infrastructure based on revised delivery schedules.

As well, the 10-Year Capital Plan:

- Advances work on major capacity improvement projects (Bloor-Yonge, Line 1 and Line 2);
- Completes the close-out phase of Automatic Train Control (ATC) signalling on Line 1 and fully funds ATC on Line 2 over the 10-year period;
- Establishes a steady state cybersecurity SOGR program; and
- Continues business modernization, such as SAP, Maximo, Vision, Wheel-Trans and Stations Transformation.

There is a continued need for increased funding for state of good repair as \$8.243 billion remains unfunded in the 10-Year CIP and the SOGR backlog continues to grow for both vehicles and infrastructure as discussed below. Increased funding is required for critical investments on Line 2, for our facilities and for our fleet overhauls as

identified in the CIP. The 10-year cash flow estimates for each project within the project portfolios and for ongoing SOGR projects can be found in Appendix G.

Strategies to Fund the 2024-2033 Capital Budget & Plan

The 10-Year Capital Plan establishes a steady state investment plan to ensure critical assets are maintained in a state of good repair to preserve system safety and reliability and improve capacity to meet service objectives. As part of the 2024 Capital review process, steps were taken to achieve an optimal outcome within available funding sources, and it was important to:

- Recalibrate the 10-Year Capital Plan's project estimates based on previous spending results and project readiness and adjust annual cash flow estimates to tightly align cash flow spending with project schedules;
- Review requirements for major capital projects based on the progress made through the stage-gating process;
- Revisit assumptions on needs, scope, and timing to confirm existing capital priorities and requirements, some of which have been moved beyond the 10-year timeframe, and one project cancelled to reallocate funds;
- Ensure funding commitments are fully funded, including cost escalation for in-flight projects; and
- Identify any emergent capital priorities that must be funded to address critical health, safety or state of good repair requirements.

As referenced in the Financial Summary section of this report, the recommended 10-Year Capital Budget and Plan totalling \$12.398 billion will fund:

- \$1.026 billion or 8% for Health, Safety and Legislated projects;
- \$7.202 billion or 58% for SOGR work;
- \$3.409 billion or 28% for Service Improvement projects; and
- \$761 million or 6% for Growth capital works.

In addition to the above project categorization used to identify the purpose or nature of the project work, the TTC also strategically organizes its capital program into project portfolios. This allows TTC staff to effectively manage critical interdependencies to ensure the successful delivery of these major projects and the realization of the investments' deliverables and benefits. As a result, this enables the TTC to advance the fleet, operations/facilities, systems/network and real estate within key portfolios in a coordinated manner.

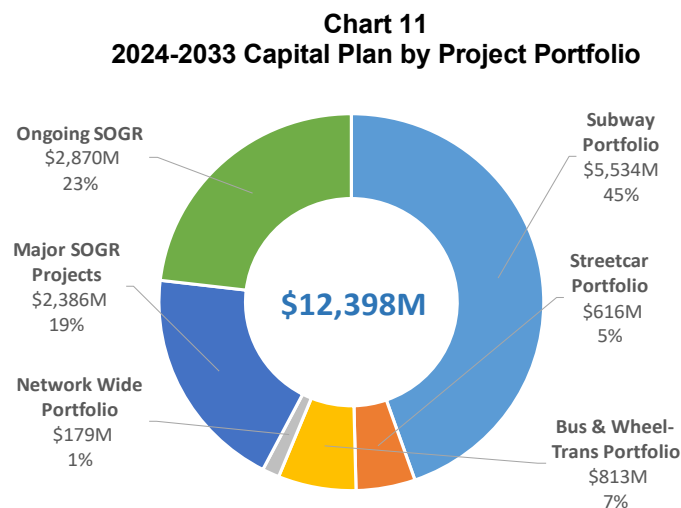
The major project portfolios consist of 28 major projects, which relate to interdependent, priority capital works, which have been strategically bundled, and 16 major SOGR projects, as itemized below:

- Subway Portfolio
 - Bloor-Yonge Capacity Improvements
 - Line 1 Capacity Enhancement
 - Line 2 Capacity Enhancement
 - Purchase of Subway Cars

- Automatic Train Control (Line 1 and 2)
- Easier Access (including Warden and Islington Redevelopments), Fire Ventilation and Subway Station Second Exits and Stations Transformation
- Streetcar, Bus and Wheel-Trans Portfolio
 - TTC Streetcar Program
 - SRT Bus Replacement
 - Green Bus Program
 - Wheel-Trans
- Network Wide Portfolio (SAP ERP, VISION, and TTC PRESTO Implementations)
- Major SOGR Projects
 - Subway and Surface Track Replacement
 - Vehicle Overhauls
 - Roofing Rehabilitation
 - Elevator Overhaul, Escalator Replacement and more.

Given this portfolio bundling, some of the key portfolios, such as the Subway and Streetcar, Bus and Wheel-Trans portfolios, combine State of Good Repair, Service Improvement and Growth projects together. Major SOGR programs have also been bundled together and distinguished from ongoing SOGR capital works.

The Chart 11 below provides an overview of how the 10-Year Capital Plan is allocated according to these project portfolio categories:



Given the notable scope of capital investment being made within the Subway portfolio, more than half of the \$12.398 billion funding within the 2024-2033 Capital Budget and Plan is dedicated to various programs of work that address critical state of good repair of the subway network, legislated requirements to ensure accessibility and service improvement and growth programs to provide future capacity in the system. Approximately \$6.963 billion or 56% of the 10-year capital funding is allocated to the Subway, Streetcar, Bus, and Wheel-Trans portfolios. \$5.256 billion or 42% of the 10-year funding is provided for major and ongoing state of good repair of the transit network while almost 2% or \$179 million is allocated to ensuring the TTC continues its network-wide modernization program.

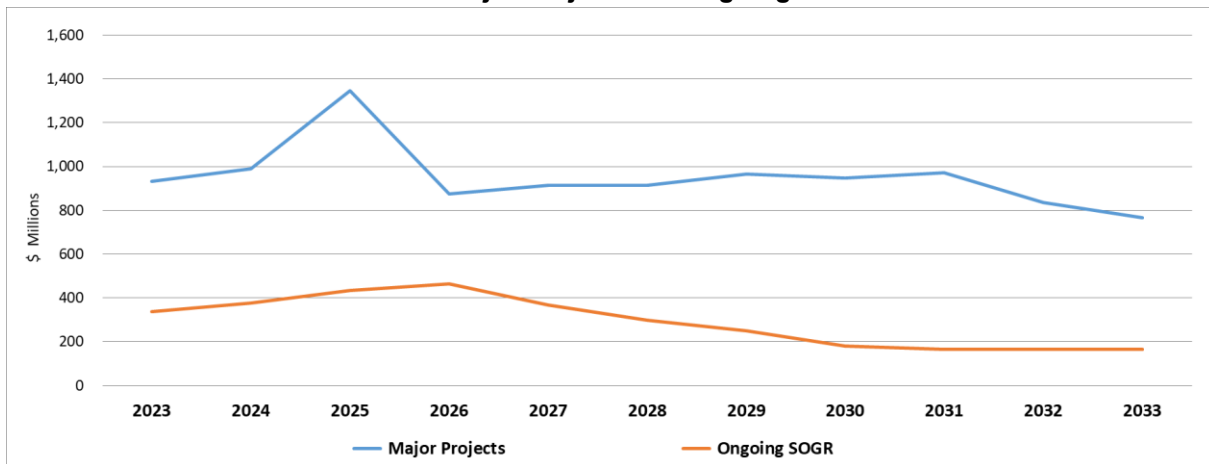
Table 19 below summarizes the cash-flow funding by year for each of the project portfolios. As noted below, over 77% (\$9.528 billion) of the total recommended funding is dedicated to the key major project portfolios, while almost 23% or \$2.870 billion is allocated to ongoing State of Good Repair projects.

**Table 19
2024-2033 Capital Plan by Major Project Category**

(\$ Millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	10-Year Total	% of Total
Major Projects Portfolio:												
Subway Portfolio	205.3	395.7	498.1	602.8	613.8	677.6	686.5	734.3	591.5	529.0	5,534.6	45%
Major SOGR Projects	246.3	266.6	200.3	177.3	243.7	275.3	260.1	236.4	244.2	236.0	2,386.2	19%
Streetcar, Bus and Wheel Trans Portfolio	499.3	640.2	137.8	81.4	57.4	12.7	-	-	-	-	1,428.8	12%
Network Wide Portfolio	40.3	44.2	40.2	53.9	-	-	-	-	-	-	178.6	1%
Subtotal Major Projects	991.2	1,346.7	876.4	915.4	914.9	965.6	946.6	970.7	835.7	765.0	9,528.2	77%
Major Projects as % of Total Budget	72%	76%	65%	71%	75%	79%	84%	86%	83%	82%	77%	
Ongoing SOGR	377.5	432.5	465.4	368.7	298.5	250.5	179.7	164.5	166.2	166.1	2,869.6	23%
Grand Total	1,368.7	1,779.2	1,341.8	1,284.1	1,213.4	1,216.1	1,126.3	1,135.2	1,001.9	931.1	12,397.8	100%

Chart 12 presents the spending pattern for the Major Project portfolio against the spending for ongoing State of Good Repair projects over the 10-Year Capital Plan's timeframe.

Chart 12
Major Projects vs. Ongoing SOGR



The cash-flow spending trend line profiled for major projects align with project deliverables, which results in the peaks and valleys associated with each major project's multi-year delivery plan and associated spending. Conversely, ongoing state of good repair projects tend to be more steady state in nature, reflecting the annual implementation of needed repair and rehabilitation.

The profiling of ongoing state of good repair capital works over the 10-year period clearly shows a higher level of spending in the first four years of the 2024-2033 capital planning period. Spending peaks at \$465.4 million in 2026, but then begins to decline over the balance of the capital planning horizon, with \$166.10 million planned for 2033, representing a 62% reduction from its peak. Given available funding sources, the higher funding required for the major projects crowd out the funding available for ongoing system state of good repair.

Maintaining TTC assets in a state of good repair continues to be the key capital investment priority for the TTC. There is a continued need for increased funding for state of good repair, as \$8.243 billion remains unfunded in the CIP in the first 10 years, and the SOGR backlog continues to grow for both vehicles and infrastructure as discussed below. Increased funding is required for critical investments on Line 2, fleet replacement and fleet overhauls and for TTC facilities that range in age up to 100-plus years old.

The 10-year cash flow estimates for each project within the project portfolios and for ongoing SOGR projects can be found in Appendix G.

2024 Capital Budget

The recommended 10-Year Capital Plan of \$12.398 billion includes \$1.369 billion in project expenditures required for 2024. The 2024 Capital Budget allocates \$991 million to fund the portfolio of major projects and \$378 million for ongoing SOGR projects. The following highlights the planned work in each of these categories for 2024:

Major Projects Portfolio – \$991.2 million, of which \$136.8 million is committed to Health and Safety/Legislated programs; \$584.4 million is committed to SOGR programs and \$270.0 million to SI/Growth programs;

- Subway Portfolio – \$205.3 million comprises of \$133.2 million for Health and Safety/Legislated program; \$25.2 million for SOGR; \$46.9 million for SI/Growth;
 - Advances work on major capacity improvement projects (Bloor-Yonge, Lines 1 and 2).
 - Continues Easier Access capital works at multiple subway stations to make them accessible with elevators, wide fare gates and automatic sliding doors.
 - Continues the replacement of fire ventilation and second exit construction at multiple station locations.
- Streetcar, Bus and Wheel-Trans Portfolio – \$499.3 million, of which \$3.6 million is committed to Health and Safety/Legislated; \$276.4 million is allocated to SOGR programs; and \$219.3 million to SI/Growth programs;
 - Continues production of sub-assemblies, first article inspection and preliminary acceptance of 38 streetcars.
 - Funds the remaining hybrid bus fleet delivery.
 - Continues the installation of bus charging systems.
- Network Wide Portfolio – \$40.3 million, of which \$36.5 million is committed to SOGR; and \$3.8 million to SI/Growth programs;
 - Continues the implementation of business modernization projects, such as SAP's Time and Attendance and Vision projects.
- Major SOGR Projects – \$246.3 million;
 - Delivers the ongoing replacement and rehabilitation of subway and surface track.
 - Delivers the planned SOGR overhauls for Bus, Subway and Streetcar fleet.
 - Continues the On-grade Paving and Structure Rehabilitation programs.

Ongoing SOGR Projects – \$377.5 million;

- Funds small- to medium-sized SOGR projects, including but not limited to, Traction Power, Power Distribution/Electric Systems, Communications, Signal Systems, Equipment, Buildings and Structures and Shop Equipment capital works.

Capital Funding Sources

**Chart 13
How the Capital Program is Funded**

City of Toronto Funding		Provincial Funding		Federal Funding	
8,331.50 67%		1,434.73 12%		2,631.49 21%	
City Building Fund	5,188.28	PTIF	380.62	PTIF	420.39
Debt	1,443.26	Provincial Gas Tax	939.76	Federal Gas Tax	1,817.06
Development Charges	1,348.76	Provincial Subsidy - Streetcar Program	114.35	Federal Subsidy - Streetcar Program	142.17
TTC Internal (Depreciation)	294.26			Federal Subsidy - ZTEV	251.87
Reserve Draws	56.94				

- Continuation of Provincial Gas Tax Fund and the Canada Community-Building Fund (CCBF) funding based on current funding levels;
- Federal PTIF Phase 2 funding and matching funding from the Province and the City (through recoverable debt) for the Bloor-Yonge Capacity Improvements Project;
- Tripartite funding for the Streetcar Program (60 new streetcars and Hillcrest);
- City funding sources, including the City Building Fund, City debt funding and development charges funding;
- Other revenue, including TTC internal depreciation; and
- Other reserves.

While the TTC expects to have significant funding to advance on its 10-Year Capital Plan, it is not sufficient to fully fund the 10-year requirements. Available funding may also be impacted by the following factors:

- Current economic environment impacting City affordability and ability to borrow;
- Provincial Gas Tax and Canada Community Building Fund assumed to be constant could be adjusted for gas consumption in the future; and
- DC revenue collection resulting from the Province of Ontario’s Bill 23, which is still being assessed by the City of Toronto.

Existing committed/secured Provincial and Federal funding are project-specific in nature. Any additional funding for TTC projects will be dependent upon meeting funding program priority outcomes and requirements.

Given the above, it essential that the TTC continue to work with its funding partners to maximize funding opportunities to continue to advance unmet needs and critical capital investment priorities.

Capital Complement

In order to ensure the TTC has the workforce capacity to successfully deliver its capital program, a total of 176 capital positions are requested to be added to the TTC's capital complement starting in 2024, which will be funded through the 2024 Capital Budget and third-party recoveries.

The capital delivery positions are required to ensure sufficient resources are available to support the EV charging infrastructure systems for the delivery of the 340 electric bus fleet and also support the major capital programs, including Bloor-Yonge Capacity Improvements, Lines 1 and 2 Capacity Enhancements, as they approach another milestone in their project delivery activities. Furthermore, additional capital resources are also required to support the mid-life overhaul program for the bus fleet as well as the accessible streetcar overhaul program based on the asset life and scheduled overhaul work. In addition, resources are required to deliver service to accommodate the significant construction activities planned throughout the city and to continue TTC technology modernization with its SAP program. The 2024 capital complement changes are summarized in Appendix C.

Operating Impacts of Completed Capital Projects

Once a capital project is completed, there is a business requirement to maintain, sustain and/or operate the asset and all operating costs are identified and funded in the Operating Budget. Completed capital projects may also result in savings from changes to how service is provided from modernization or transformation initiatives; reduced fuel consumption from the procurement of hybrid or electric vehicles replacing clean-diesel fuel buses and any possible revenue generation.

Many capital projects also have projected benefits to be realized. The TTC requires the identification of sustainment costs and all benefits for all major capital project investments to assess the full return on investment (ROI) and ensure project plans include the identification and realization of all benefits. The TTC is committed to capturing and realizing the benefits from all capital investments.

Table 20 below details the Operating Budget Impacts of completed capital projects based on the 2024-2033 Capital Budget and Plan.

Table 20
Operating Impacts of Capital

Projects	2024 Budget		2025 Plan		2026 Plan		2027 Plan		2028 Plan		2024-2028		2024-2033	
	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions	\$000s	Positions
Information Technology System-Infrastructure	4,115.3	5	3,674.8	13	4,598.6	5	2,062.8	1	520.3		14,971.8	24	18,689.3	25
Purchases of Buses	(662.0)		1,080.0		(4,453.0)		(352.0)		(495.0)		(4,882.0)	-	(61,188.0)	-
Purchase of Street car	2,466.8	30	2,801.2	11	2,371.6	12	1,092.4	3			8,732.0	56	8,732.0	28
Other Various OBIs	1,102.4	3	(1,256.0)	2	(17.2)	2	2,888.2	1	4,805.7		7,523.1	8	29,204.6	6
Total Operating Impacts of Capital	7,022.5	38	6,300.0	26	2,500.0	19	5,691.4	5	4,831.0		26,344.9	88	(4,562.1)	59

All costs and benefits (savings) to be realized from the completion of capital projects have been identified over the 10-year period. The completion of these capital projects will result in an estimated net savings of \$4.562 million to be realized over the 10 years,

and an operating impact of \$7.02 million in 2024, which has been incorporated in the recommended 2024 Operating Budget.

The overall operating savings to be realized over the 10-year period are mainly the result of projected reductions in fuel consumption resulting from the replacement of clean-diesel buses with hybrid and electric buses totalling approximately \$61.18 million. These savings are offset by operating and maintenance costs resulting from the completion of cybersecurity technology implementation, the purchase of streetcars, and various other capital projects, and it is anticipated that this will result in a net 10-year operating budget savings of \$4.56 million. Furthermore, there is an incremental requirement for 56 positions to maintain the new 60 accessible streetcars, with 38 being requested for 2024, as well as sustain information technology systems.

Implications for TTC’s Unmet Capital Needs

Table 21 below outlines the key unfunded capital programs over the 10-year period based on current funding availability and affordability constraints. The list of unfunded capital investments totalling \$17.916 billion over the 2024-2033 period and \$17.542 billion over the following five-year period of the CIP.

**Table 21
Unfunded Capital Requirements**

Project Description	Cash Flow (In \$ Millions)									
	2024	2025	2026	2027	2028	5 Year Total	2029 to 2033	10 year Total	2034 to 2038	15 Year Total
HEALTH & SAFETY/LEGISLATIVE	15.7	33.2	54.3	66.9	54.5	224.6	145.5	370.1	124.0	494.1
FLEET PURCHASE PROGRAMS	17.7	295.8	373.1	343.4	452.8	1,482.8	3,188.1	4,670.9	2,004.7	6,675.6
PURCHASE OF BUSES	17.7	135.5	268.1	265.8	421.6	1,108.7	1,729.1	2,837.8	1,532.9	4,370.7
PURCHASE OF SUBWAY CARS	0.0	160.3	105.0	77.6	31.2	374.1	1,459.0	1,833.1	471.8	2,304.9
OVERHAUL PROGRAMS	2.0	48.1	163.6	123.5	101.6	438.8	304.4	743.2	657.9	1,401.1
BUS OVERHAUL	1.0	29.6	68.9	66.5	27.4	193.4	59.2	252.6	402.7	655.3
STREETCAR OVERHAUL	1.0	18.5	64.1	25.3	40.3	149.2	225.7	374.9	118.1	493.0
SUBWAY OVERHAUL	0.0	0.0	30.7	31.7	33.8	96.2	19.5	115.7	137.1	252.8
SERVICE PLANNING	0.0	8.5	25.5	33.3	51.2	118.5	208.2	326.7	13.6	340.3
KEY BUILDINGS AND STRUCTURES	0.0	0.0	53.2	159.6	306.8	519.6	2,631.5	3,151.1	3,812.5	6,963.6
Line 1 Capacity Enhancement	0.0	0.0	53.2	159.6	304.5	517.3	2,483.2	3,000.5	2,164.8	5,165.3
Line 2 Capacity Enhancement	0.0	0.0	0.0	0.0	2.3	2.3	148.3	150.6	1,647.7	1,798.3
TRANSFORM TO	106.4	124.4	367.4	412.1	320.5	1,330.8	1,780.1	3,110.9	2,228.8	5,339.7
STATE OF GOOD REPAIR	108.4	220.8	295.8	535.6	482.8	1,643.4	1,682.0	3,325.4	2,256.3	5,581.7
SERVICE IMPROVEMENTS	6.1	11.8	45.9	54.5	62.3	180.6	206.3	386.9	4,124.3	4,511.2
GROWTH	0.0	7.2	39.5	40.7	37.0	124.4	1,706.1	1,830.5	2,319.9	4,150.4
Total Unmet Needs (Not Included)	256.3	749.8	1,418.3	1,769.6	1,869.5	6,063.5	11,852.2	17,915.7	17,542.0	35,457.7

Notwithstanding the progress being made on the TTC’s Fleet Plan, there still is a need for \$4.671 billion in the 10-year period to fully fund the balance of fleet replacements: 1,105 eBuses, 324 Wheel-Trans buses and 80 subway trains. Over the 15-year period this will grow to \$6.676 billion. It is worth noting that if the TTC were to receive a Federal commitment for their one-third share funding to support the procurement of the T1 train replacement on Line 2, the unfunded total would be reduced by \$1.266 billion over the next 10 years. The annual cash-flow funding estimates are based on the timing of their respective life cycle replacements.

Once obtained, the fleet must be maintained to ensure the continued safety and reliability of the network. To maintain the TTC’s existing fleet in a state of good repair, \$1.401 billion is required in the 15-year period to complete vehicle overhauls.

Approximately \$340.3 million is required for Service Planning initiatives, such as Bus Lane Implementation and Transit Priority Measures in the 15-year period.

In order for the TTC to increase its network capacity, particularly given the ridership impact expected from population growth and planned network expansions, Line 1 requires up to \$5.165 billion beginning in 2026. Line 2 requires a total of \$1.798 billion with dependencies on completing ATC Line 2 and new subway trains. Combined, Lines 1 and 2 need a total of \$6.963 billion over the next 10 years.

Finally, the TransformTO bus program adds an additional \$3.111 billion of unmet needs within the first 10 years, and \$5.340 billion in unmet needs by 2038.

Table 22 below outlines by project category, the unfunded capital needs over the 15-year timeframe. Over \$13.593 billion or about 38% of unfunded projects in the 15-Year Capital Investment Plan time horizon can be attributed to State of Good Repair (36%) and Health and Safety/Legislated (2%) capital needs, while 62% is required for Service Improvement and Growth projects.

**Table 22
Unfunded Capital Requirements by Project Category**

Category (\$ Millions)	2023	2024	2025	2026	2027	5 Year Total	10 Year Total	15 Year Total	15 Year Total %
Health & Safety/Legislated	15.7	33.2	60.5	76.7	64.3	250.4	441.5	571.3	1.6%
SOGR	128.1	514.9	806.3	988.0	1,038.7	3,476.0	8,243.5	13,022.0	36.7%
Service Improvement/Growth	112.5	201.7	551.5	704.9	766.5	2,337.1	9,230.7	21,864.4	61.7%
Total Unfunded Recommended	256.3	749.8	1,418.3	1,769.6	1,869.5	6,063.5	17,915.7	35,457.7	100.0%

Challenges to be Addressed

The TTC has stewardship over an asset inventory of fleet, facilities, tunnels, structures, systems and equipment valued at more than \$25 billion, most of which are aging and require state of good repair capital works since assets are at or near the end of their life cycle and require replacement. The TTC’s capital program is driven largely by the cost of maintaining these physical assets in a state of good repair.

Managing the accumulated SOGR backlog is a key capital strategic objective and priority for the TTC in order to ensure that current assets are able to support the delivery of transit services and meet service outcomes. When capital funding for planned SOGR capital works is less than the annual SOGR need, the unfunded balance is added to the accumulated SOGR backlog. Conversely, should the capital funding in SOGR exceed the planned SOGR need, the excess is applied against the accumulated SOGR backlog, effectively reducing the balance.

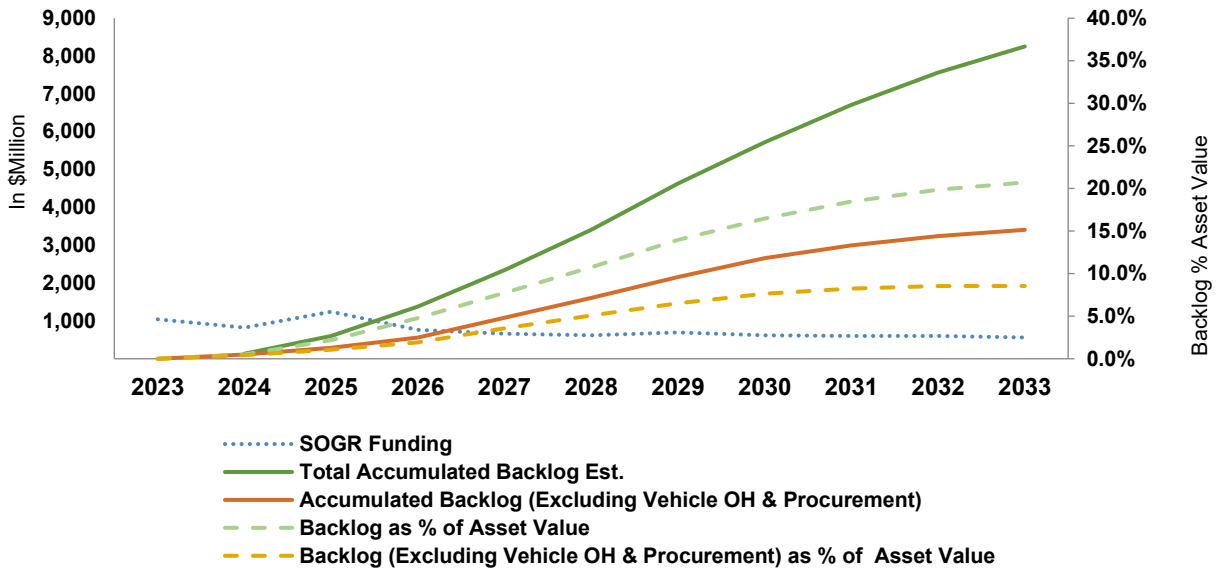
In the absence of comparable benchmarks, the City has established its own state of good repair performance measure; "backlog as a percentage of total asset value (replacement value)" that is applied across its portfolio of assets. The benefits of gathering accurate asset data is that it:

- Provides a true picture of what the accumulated SOGR backlog is;
- Identifies areas of growing need and attention to the TTC's asset condition; and
- Shows the impact of SOGR planned funding on the TTC's accumulated SOGR backlog for the capital planning period.

Unlike other City Divisions and Agencies, the TTC's SOGR Backlog was not documented until 2019. This was made possible with the establishment of the TTC's CIP that identified the funded and unfunded SOGR projects over the 15-year period. With this information now available, the TTC's "SOGR backlog as a percentage of asset value" can provide the TTC's backlog and year-over-year comparisons and trends that can assist TTC staff, TTC Board and City Council in determining how best to apply scarce resources in making strategic investments to reduce the SOGR Backlog. SOGR Backlog funding pressures will continue to rise as the TTC continues to mature its asset management best practices and better information is received about the condition of TTC assets. SOGR needs will continue to be updated based on condition assessments and new assets that are acquired.

The following graph outlines the impact available funding has on the unmet SOGR needs identified in the CIP, charting TTC's SOGR Backlog trend over the 2024 to 2033 timeframe. Current projections detail that failure to continue to increase funding in SOGR will result in further growth of the SOGR Backlog of \$8.244 billion by 2033. Chart 14 and Table 23 below depict the SOGR funding and accumulated backlog estimates for key infrastructure and vehicle asset classes:

**Chart 14
SOGR Backlog**



**Table 23
State of Good Repair Backlog**

\$ Million	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
SOGR Funding	1,043.7	826.2	1,243.0	754.9	668.7	621.1	698.5	619.7	603.4	603.8	562.6
Accumulated Backlog (Excluding Vehicle OH & Procurement)	16.8	129.5	349.7	651.0	1,192.2	1,687.7	2,195.1	2,681.0	3,013.4	3,259.5	3,396.7
Backlog (Excluding Vehicle OH & Procurement) as % of Asset Value	0.1%	0.5%	1.3%	2.3%	3.9%	5.3%	6.6%	7.7%	8.3%	8.6%	8.5%
Vehicle Overhaul & Procurement Backlog	0.0	19.7	313.9	818.1	1,260.9	1,805.6	2,463.2	3,061.7	3,713.9	4,316.5	4,846.7
Vehicle Overhaul & Procurement Backlog as % of Asset Value	0.1%	0.6%	2.4%	5.1%	8.1%	11.0%	14.0%	16.5%	18.5%	19.9%	20.7%
Total Accumulated Backlog Est.	16.8	149.2	663.7	1,469.2	2,453.0	3,493.3	4,658.3	5,742.7	6,727.3	7,576.1	8,243.5
Backlog as % of Asset Value	0.1%	0.6%	2.4%	5.1%	8.1%	11.0%	14.0%	16.5%	18.5%	19.9%	20.7%
Total Asset Value	25,177.6	26,360.9	27,599.9	28,897.1	30,255.3	31,677.3	33,166.1	34,724.9	36,357.0	38,065.7	39,854.8

Despite a combined investment of \$8.227 billion for critical Health, Safety, Legislated and State of Good Repair projects in the next 10 years, the TTC has a significant backlog of unfunded SOGR needs over the next 10 years. Starting from 2024, the SOGR backlog will grow from \$149.2 million (or 0.6% of total asset value) to \$8.244 billion (or 20.7% of total asset value) by 2033 if no additional funding to support the TTC’s SOGR needs is provided. Of this amount, \$3.397 billion is attributed to the backlog of SOGR funding for the TTC’s infrastructure and \$4.847 billion is associated with unfunded vehicle procurements and overhaul requirements.

The 2022-2036 CIP identified the TTC’s most immediate unfunded priorities under four investment programs. Each project within the program belongs to a larger program of investment that is essential to providing a safe, reliable, accessible and resilient integrated transit service that can meet current and future demand.

These key priority investment programs have guided the TTC’s intergovernmental discussions and its capital planning and budgeting in an effort to advance these critical Staff Recommended 2024 TTC Conventional and Wheel-Trans Operating Budgets & 2024-2033 Capital Budget and Plan

investments. The 2023 CIP built on the 2022 approach that identified the most critical unfunded priorities in each of the four major programs by ensuring that some of these critical priorities were funded within existing funding capacity while the TTC continued to work with intergovernmental partners to seek funding for others.

More significantly, and as part of the next phase in maturing the TTC's longer-term capital planning, the 2024 CIP's priority programs have been reorganized so the "Upholding the State of Good Repair" program's fleet, safety, system and operational maintenance requirements have been assigned to each mode. These SOGR maintenance requirements represent the essential infrastructure that upholds the safety and reliability of the transit system. This approach provides a clearer picture of the interdependencies of capital needs, as they must advance in lockstep because, if one falls behind, the entire system is weakened.

Further details on the CIP are included in the report titled 2024-2038 Capital Investment Plan: A Review of Unfunded Capital Needs.

Looking Forward

Achieving Long-Term Financial Sustainability

The TTC continues to be challenged by aging infrastructure, changing demographics and associated service needs, anticipated population growth, and the financial capacity to address these issues. Work is required to:

- Transform financial decision making processes;
- Modernize and innovate Toronto's transit system; and
- Promote benefits of investing in transit.

Progress has been made during the 2024 Budget process to advance the funding of some key unfunded priorities by maximizing existing funding sources and leveraging opportunities from funding partners. Advancing these priorities are critical to maintaining a safe, reliable, accessible and integrated transit system to move riders today, and ensuring there is capacity and agility to respond to and support customer demand based on expected population growth and transit expansion plans.

With the integration of the CIP and REIP, the two 15-year planning documents identify the TTC's capital needs and guide the TTC's stewardship of its assets, enabling staff to focus time, effort and available funding sources on key capital investments and operational needs. However, due to unfunded capital needs to address aging infrastructure, systems and vehicles, the SOGR Backlog continues to rise, and failure to continue to increase investment will result in further deterioration of existing assets, putting system safety and reliability at risk due to possible failure.

The funding required to address the TTC's unmet capital needs is significant. However, the necessary funding to ensure the TTC's continued viability today and adaptability in the future is actually an investment, as the funding will accrue economic, environmental and social benefits that not only contribute to the vitality and well-being of Toronto, but also for the GTA, Province of Ontario and Canada.

Provincial New Deal Funding Agreement

On November 27, 2023, the City of Toronto and the Government of Ontario announced a new deal aimed at addressing the City's operating and capital deficits. This Agreement charts a course toward long-term financial sustainability and growth for Toronto, emphasizing population growth, increased housing, enhanced frontline service delivery, and revenue from a thriving economy as crucial elements for the City's future success.

Under this Agreement, Ontario has committed up to \$1.2 billion in Provincial supports over three years to bolster Toronto's financial stability. Specifically, the TTC will benefit from:

- \$300 million in one-time funding for subway and transit safety, recovery and sustainable operations to support building back ridership through improved service levels, affordable, convenient, efficient and safe transit services;
- Operating funding of \$330 million over three years starting in 2024-2025 for the Provincially owned Finch West LRT and the Eglinton Crosstown LRT. Funding will support bringing these projects online. The two LRT lines provide key transit connections and are integrated into the broader regional transit network;
- Commitment of \$758 million for 55 new subway trains for the TTC's Line 2, subject to Federal matching support; and
- A portion of redirected City capital funding made available from the upload of the Don Valley and Gardner Expressway, to be determined at a later date.

To enact these provisions, the government will introduce the New Deal for Toronto Act, designed to provide the necessary authorities to implement this comprehensive agreement. While significant strides have been made, ongoing Federal and Provincial collaboration and funding remain crucial for the TTC's ongoing financial sustainability and viability.

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Signature

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Chief Financial Officer

Attachments

Appendix A	TTC Conventional Revenue Ridership and Revenue Trends
Appendix B1	TTC Conventional Operating Budget by Functional Area
Appendix B2	Wheel-Trans Operating Budget by Functional Area
Appendix C	2024 Workforce Complement
Appendix D	Long-Term Liability Reserve and TTC Stabilization Reserve
Appendix E	2024 – 2033 Capital Budget and Plan Summary
Appendix F	2024 – 2033 Capital Funding Summary
Appendix G	2024 – 2033 Capital Budget and Plan Summary by Major Project Portfolio
Appendix H	PSAS Compliance

Appendix A: TTC Conventional Revenue Ridership and Revenue Trends

In order to understand the impact of COVID-19 on 2023 ridership and establish a basis for the TTC’s 2024 ridership revenue budget, ridership data and trends experienced in 2023 were analyzed. This included, but was not limited to PRESTO card data by ridership group and frequency of travel.

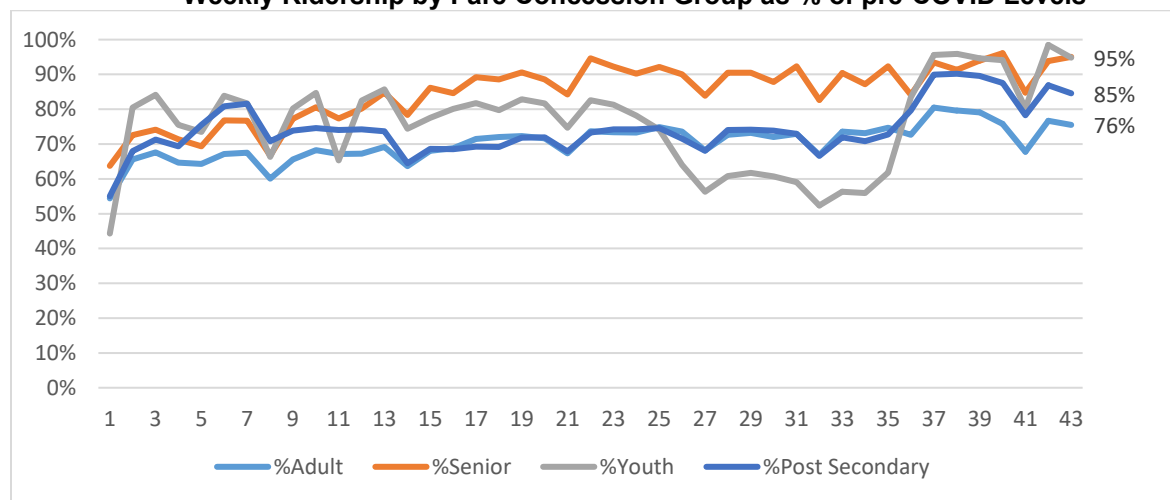
Who is riding?

Chart 15 shows 2023 ridership recovery by fare concession. Hybrid work practices has kept adult ridership as a percentage of pre-COVID levels consistently lower than other fare concessions. Seniors (ages 65+) and youth (ages 13-19) ridership reached close to pre-pandemic levels, with each growing to 95% of pre-COVID levels by the end of October 2023, as hybrid work practices are less likely to impact these riders.

Post-secondary riders benefit from a lower fare when riding with a post-secondary monthly pass. Post-secondary ridership recovery reached a high of 90% of pre-COVID levels in September 2023 before dipping down slightly to 85% at the end of October 2023 due to fall post-secondary reading weeks.

Adult ridership increased throughout 2023, starting the year at an average of 63% of pre-COVID levels in January 2023 and growing to 76% of pre-COVID levels by the end of October 2023, with this growth driven by an increase in in-office work in 2023. As in-office work days are expected to stay at fall 2023 levels of approximately 2.5 days per week throughout 2024, ridership from the adult fare is expected to have minimal increase in 2024. As TTC Conventional ridership has stabilized with the acceptance of hybrid work policies, 2024 ridership growth across all fare concessions will be gradual and driven only by a general anticipated 1% to 2% population increase for the city of Toronto.

Chart 15
Weekly Ridership by Fare Concession Group as % of pre-COVID Levels



How often are customers riding?

PRESTO Riders

As of the end of October 2023, approximately 90% of unique PRESTO riders returned to the system each week, with approximately 1.05 million unique cards used on the TTC as compared to 1.17 million per week pre-COVID in March 2020.

Even though the majority of riders have returned, Chart 16 shows the travel frequency of the riders has dropped. Chart 16 examines the changes to rider frequency groups from late 2019 to October 2023 and shows that while riders have returned to the system, the average use of the system is less frequent. For example, the number of unique riders classified as “commuters” (i.e. ride four or five weekdays each week) are currently at 60% of March 2020 levels, below the overall ridership recovery rate. Conversely, riders who use transit less frequently are above March 2020 levels. This is indicative of a travel pattern change from former commuters to a now less frequent usage group due to work-from-home policies.

These trends have been confirmed through a review of monthly pass purchases. As can be seen in Chart 17, monthly pass sales during January to March 2020 were above 200,000, (reaching 208,000 in March 2020), as there were more frequent riders using the TTC to get to work, school, events, and their daily leisure and non-essential trips. As the pandemic restrictions began to impact travel patterns (work from home, virtual learning, social distancing), pass sales dropped to a low of 37,000 in May 2020. Monthly pass sales grew throughout 2023 and recovered to a post-COVID high of approximately 121,000 in October 2023, but at only approximately 58% pre-pandemic levels, clearly demonstrating lower rider frequency levels. Overall, while most riders have returned to the system, they are using the system less.

As rider frequency levels have stabilized due to the acceptance of hybrid work policies, 2024 ridership growth will be gradual and driven only by a general anticipated 1% to 2% population increase for the city of Toronto.

Chart 16
Unique PRESTO riders by frequency category

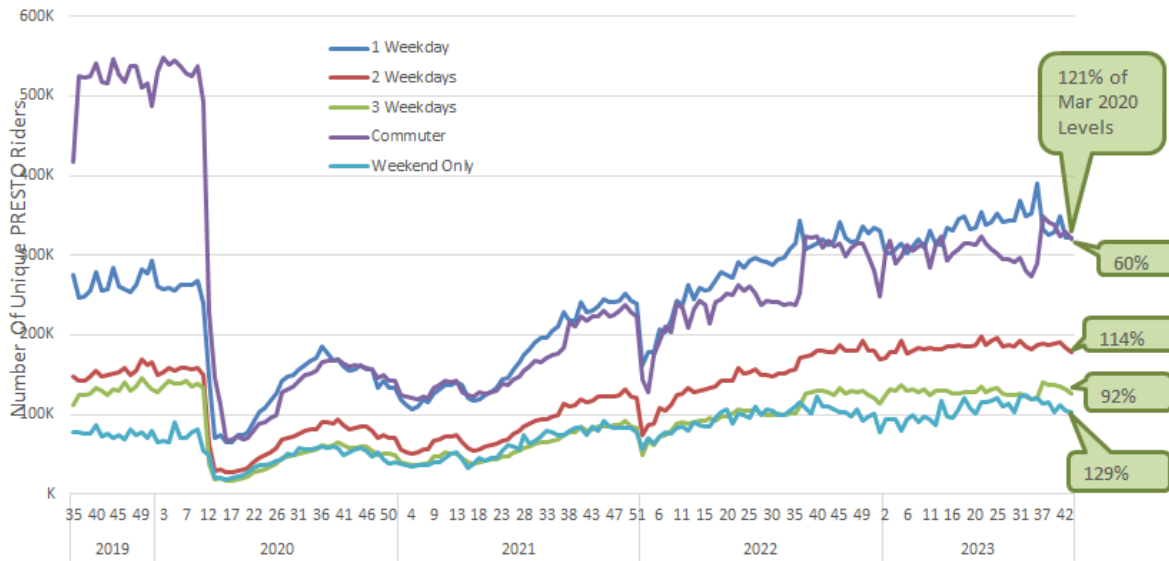
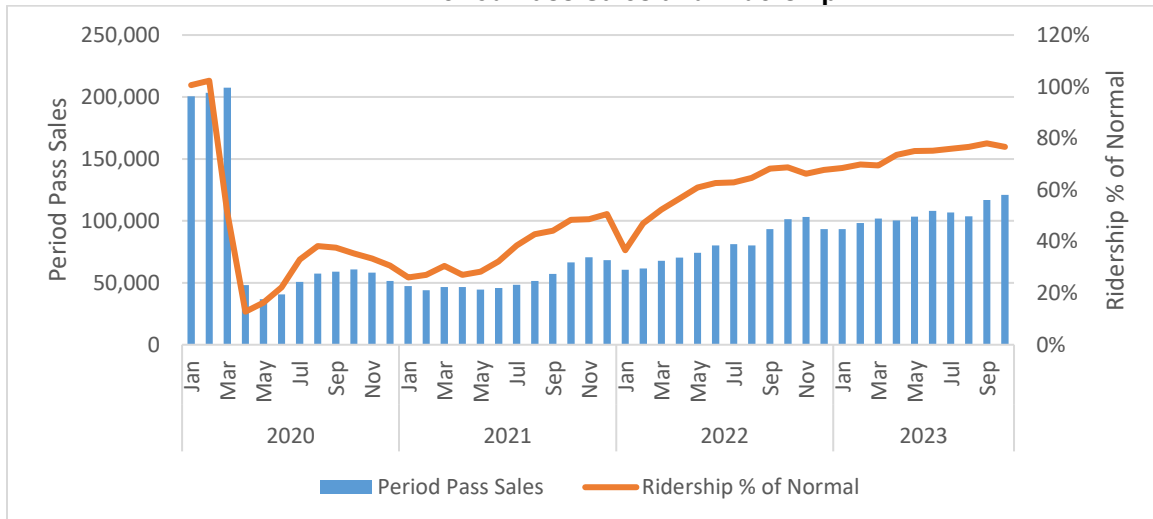


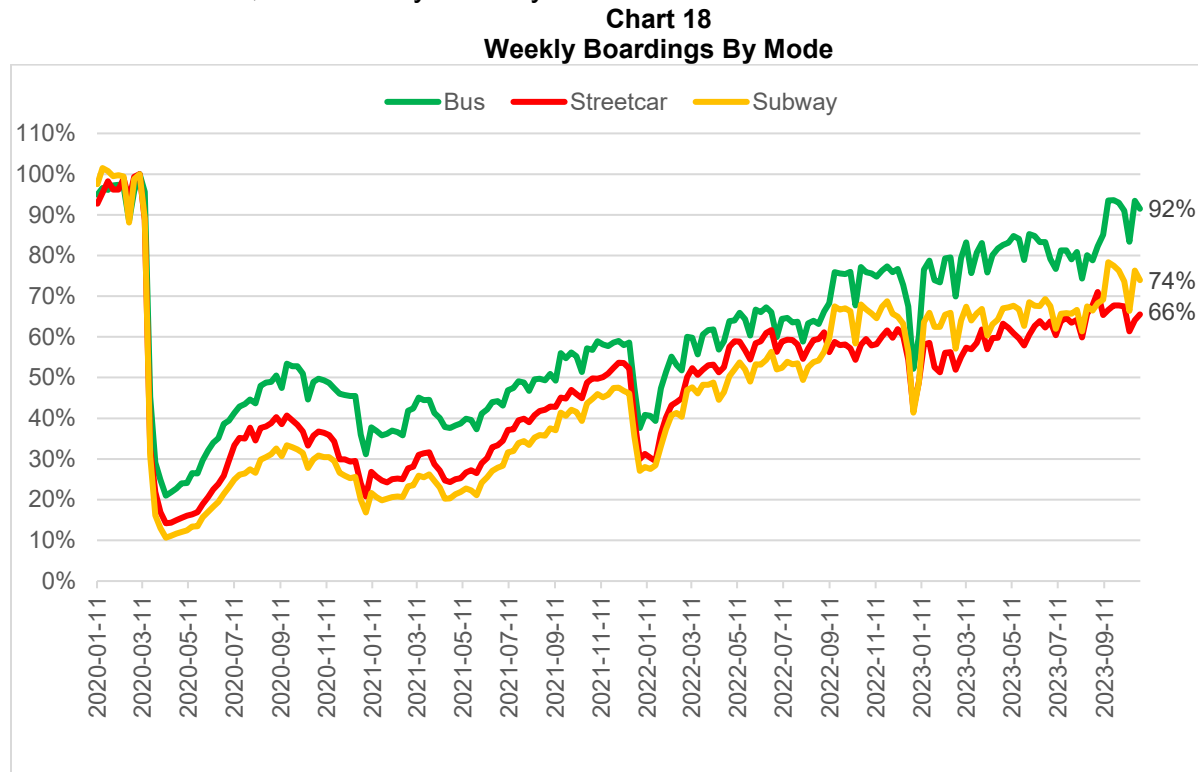
Chart 17
Period Pass Sales and Ridership



Where are Customers riding?

Customer Boardings

As seen in Chart 18, ridership growth was experienced across all modes in 2023 as ridership recovered from the COVID-19 pandemic. Bus boardings remained the highest, with the greatest degree of pre-COVID levels, at 92% of pre-COVID March 2020 levels for October 2023, followed by subway at 74% and streetcar at 66%.

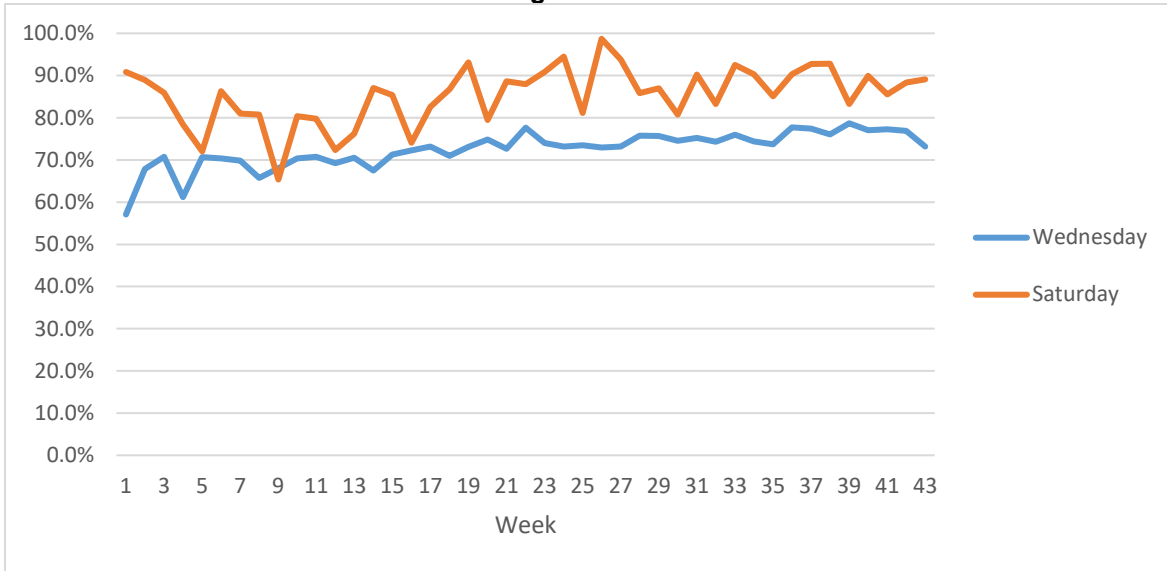


When are Customers Riding?

Weekend ridership has recovered at a much higher level than weekday ridership, and by the end of October 2023, weekend ridership is at approximately 90% of pre-COVID experience versus approximately 72% for weekday use, with weekday use highest and consistent across Tuesday to Thursday, as in-office occupancy is consistently highest on Tuesday to Thursday. As seen in Chart 19, Saturday is at 89% of pre-pandemic levels and Wednesday at 73%. This continues to emphasize the decrease in ridership from the office worker, currently averaging approximately 2.5 in-office days a week whereas the weekend trips, predominately discretionary in nature, have returned at higher levels given that special events and corresponding attendance has returned levels similar to pre-COVID experience.

The weekend ridership recovery rate is expected to continue to remain above the weekday ridership recovery rate throughout 2024 given return-to-office activity has stabilized and fall 2023 in-office days of approximately 2.5 days per week are expected to stay constant throughout 2024.

Chart 19
2023 Wednesday and Saturday Ridership Recovery
As a Percentage of Pre-COVID Levels

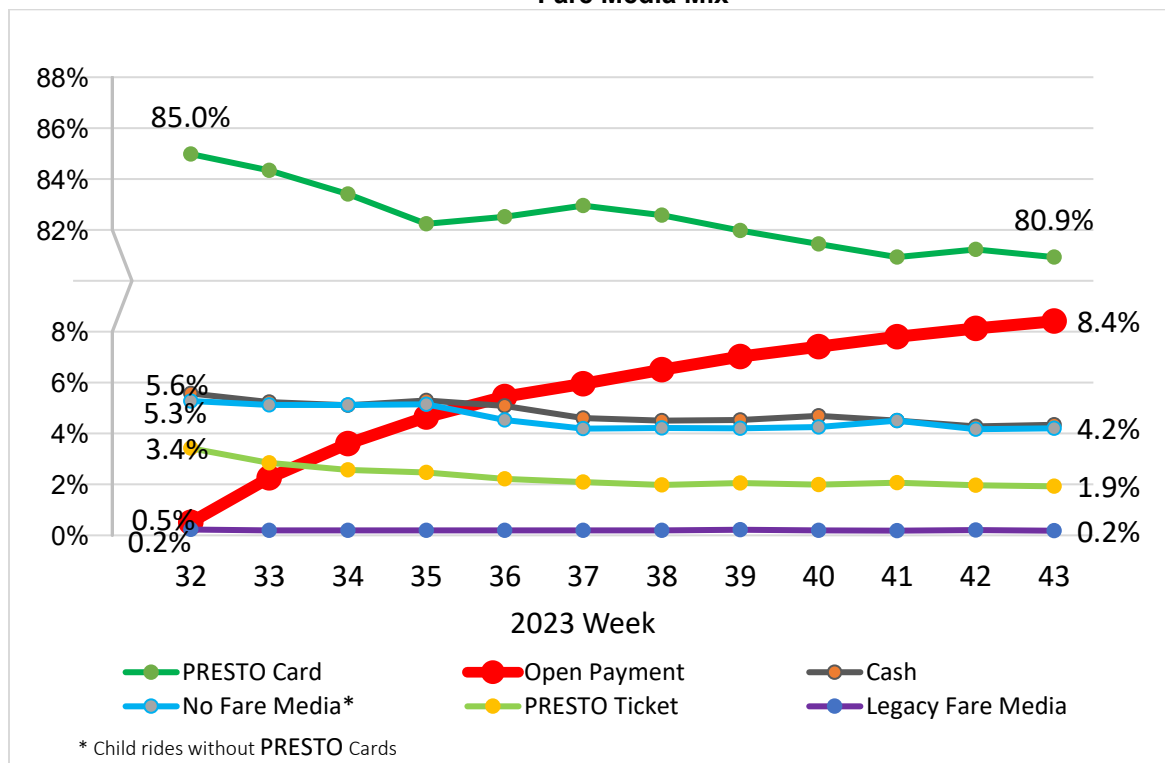


How are Customers Paying?

The PRESTO Open Payment option for transit riders was launched at the TTC on August 15, allowing customers to tap their credit or debit cards to pay for adult single-use fares, including cards on a smartphone or smartwatch across the entire TTC network, including the Conventional and Wheel-Trans fleets. As of November 14, riders can also load their PRESTO card in Google Wallet, providing riders with a digital version of their PRESTO card that can be used on an Android smartphone or Wear OS smartwatch.

As seen in Chart 20, the adoption of Open Payment continues to grow and for the week ending October 28 (week 43), 0.70 million rides, representing 8.4% of weekly rides were paid using the Open Payment method. As riders transitioned to Open Payments, the percentage of rides from PRESTO cards, PRESTO tickets, cash and legacy token and tickets has resulted in a corresponding decrease. The largest transition to Open Payments came from the PRESTO card, with the percentage of weekly rides paid with the PRESTO card decreasing from 85.0% at the launch of Open Payments to 80.9% for the week ending October 28. The revenue media split between PRESTO and other fare media (cash, tickets, tokens) was approximately \$73.5 million for Period 10 – representing a PRESTO ridership adoption rate of 91.2% – and \$4.6 million from other media for Period 10.

**Chart 20
Fare Media Mix**



Implications for 2024

TTC Conventional ridership stabilized by fall 2023, with future ridership growth restricted by hybrid work policies. The TTC is expecting ridership levels experienced in fall 2023 to be maintained, with ridership growth expected to be gradual throughout 2024, driven only by an anticipated 1% to 2% population growth expected in the city of Toronto. Hybrid work practices are expected to stay at fall 2023 levels throughout 2024, averaging approximately 2.5 days per week in-office, as informed by an employer survey conducted in mid-2023. Attendance levels at events and in-person class settings for post-secondary institutions and schools are also expected remain at current levels. As such, 2024 budgeted ridership is expected to grow from 78% of pre-COVID levels at the start of 2024 to 80% at the end of the year. This results in 422.4 million revenue rides budgeted for the year, representing an annualized average recovery rate of 79% of pre-COVID levels and annual 2024 budgeted TTC Conventional passenger revenue of \$998.2 million (\$953.8 million net of PRESTO fees). In summary, forecasted 2024 TTC Conventional passenger revenue assumes:

- Ridership patterns have stabilized with no further COVID recovery expected.
- Maintain similar behaviour of office workers, with in-office days staying at fall 2023 levels, averaging approximately 2.5 in-office days a week.
- A gradual ridership increase from an anticipated 1% to 2% population increase in the city of Toronto.
- Discretionary travel, including attendance at special events, similar to pre-COVID levels.

- In-person class settings at post-secondary institutions and schools comparable to 2023 levels

Appendix B1: TTC Conventional Operating Budget by Functional Area

TORONTO TRANSIT COMMISSION 2024 OPERATING BUDGET			
(\$000s)	2023 BUDGET	2024 BUDGET	2023 vs. 2024 BUDGET CHANGE
REVENUES			
Passenger Revenues	931,437	998,206	66,769
Outside City Services & Charters	8,882	9,025	143
Advertising	24,820	26,030	1,210
Rent Revenue	12,998	11,935	(1,062)
Commuter Parking	6,017	7,498	1,481
Other Income	28,533	34,301	5,767
Reserve Draws	52,585	66,476	13,890
Provincial Funding - New Deal		175,300	175,300
TOTAL REVENUES	<u>1,065,272</u>	<u>1,328,770</u>	<u>263,498</u>
EXPENSES			
Departmental Expenses			
CEO's Office	33,068	33,073	4
Corporate Affairs	2,236	2,425	189
Corporate Services	98,137	103,313	5,176
Diversity & Culture	12,357	13,577	1,220
Innovation & Sustainability	3,142	5,264	2,122
People Group	43,964	48,279	4,314
Strategy & Customer Experience	82,197	87,798	5,601
Engineering, Construction & Expansion	6,747	7,451	703
Operations & Infrastructure	298,797	314,562	15,765
Transportation & Vehicles	924,938	985,497	60,560
Corporate Budgets			
Employee Benefits	420,024	462,284	42,260
Vehicle Fuel	102,931	101,087	(1,845)
Traction Power	48,759	51,228	2,469
Utilities	30,874	32,965	2,090
Depreciation	24,145	23,850	(295)
Taxes, Licences and Insurance	17,293	20,461	3,168
Accident Claim Payments	20,000	20,000	0
Contribution to Reserve: Accident Claims	17,000	17,000	0
Contribution to Reserve: Proceeds on Sale of Buses	0	2,706	2,706
Contribution to SFDA: Fair Pass Program Expansion	2,000	0	(2,000)
Non-Departmental Expenses	26,284	27,169	886
PRESTO Commissions	39,651	44,382	4,731
TOTAL EXPENSES	<u>2,254,544</u>	<u>2,404,370</u>	<u>149,825</u>
Operating Funding Required	<u>1,189,272</u>	<u>1,075,600</u>	<u>(113,672)</u>
Notes:			
1. All figures by group are subject to refinement.			
2. At May 17-19, 2005 City Council meeting, Council approved the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. In addition, as part of City Council's approval of the 2010 TTC and Wheel-Trans operating budgets a long-term receivable for non-cash accident claim expenses was also established. Consistent with these approvals and practice since then, the budget for these non-cash expenses are not included in the current year net funding requirement from the City and the actual non-cash costs incurred will be added to the respective long-term receivable balances.			
3. Refer to Appendix B2 for details of the Wheel-Trans shortfall & Appendix E for details on the contribution to reserve.			

Appendix B2: Wheel-Trans Operating Budget by Functional Area

WHEEL-TRANS SERVICE 2024 OPERATING BUDGET			
(\$000s)	2023 BUDGET	2024 BUDGET	2023 vs. 2024 BUDGET CHANGE
REVENUES			
Passenger Revenues	6,497	7,328	832
Accident Claim Payments/Contribution from Reserve	590	590	0
TOTAL REVENUES	<u>7,087</u>	<u>7,918</u>	<u>832</u>
EXPENSES			
Contracted Taxi Service	50,127	64,550	14,424
Operators	32,373	33,995	1,622
Divisional Staff	724	678	(45)
Mobile Supervision	803	819	15
Dispatch	5,983	6,390	407
Equipment Maintenance	13,618	13,628	10
Senior Manager's Office	1,511	1,713	202
Reservations	3,919	5,166	1,247
Taxi Administration	303	317	15
Customer Service	1,685	2,297	612
Lakeshore Garage Costs	1,006	1,014	7
Employee Benefits	18,706	20,340	1,634
Vehicle Fuel	4,311	4,445	134
Utilities	793	755	(38)
Accident Claim Payments/Contribution to Reserve	590	590	0
Non-Departmental Expenses	6,960	6,873	(87)
TOTAL EXPENSES	<u>143,410</u>	<u>163,569</u>	<u>20,159</u>
Operating Funding Required	<u>136,323</u>	<u>155,651</u>	<u>19,328</u>
Notes:			
1. All figures by group are subject to refinement.			
2. At the May 17-19, 2005 City Council meeting, Council approved the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. In addition, as part of City Council's approval of the 2010 TTC and Wheel-Trans operating budgets a long-term receivable for non-cash accident claim expenses was also established. Consistent with these approvals and practice since then, the budget for these non-cash expenses are not included in the current year net funding requirement from the City and the actual non-cash costs incurred will be added to the respective long-term receivable balances.			
3. Refer to Appendix E for details on the contribution to reserve.			

Appendix C: 2024 Workforce Complement

TTC Conventional and Wheel-Trans Operating Complement

The Operating Budget year-end workforce will increase by 367 positions, as summarized in the following table and detailed below:

Summary of Changes in Operating Budget Complement	
	Total
2023 Approved Complement	14,055
Base Requirements:	
Operating Impacts of Capital	38
Aging Fleet & Infrastructure	11
All Other Base Changes	(45)
Subtotal: Base Requirements	4
Efficiencies	
Absence Management	(24)
Other Efficiencies	(4)
Implementation of AG Recommendations	(6)
Subtotal: Efficiencies	(34)
Base Subtotal, BEFORE Service Restoration, Expansion, Safety & Wellbeing	(30)
Service Demand	
TTC Service Restoration to 95%	202
TTC Service Restoration to 97% to address Traffic Congestion	130
Service to Mitigate Construction Impact (City & MX projects)	(24)
Wheel-Trans Service Demand	82
Subtotal: Service Demand	390
Transit Expansion & Conversion	
Line 5 - Eglinton Crosstown LRT	10
Line 6 - Finch West LRT	23
Line 3 - SRT	(39)
Subtotal: Transit Expansion & Conversion	(6)
New & Enhanced Priority Actions	
Community Safety, Security & Well-Being	-
People Strategy	8
Service Support	4
Other Council-Approved Priorities	1
Subtotal: New & Enhanced Priority Actions	13
Subtotal 2024 Operating Budget Workforce Request	367
Total 2024 Operating Budget Authorized Complement	14,422

Capital Complement

In order to ensure the TTC has the capacity to successfully deliver its capital program, a total of 176 capital positions, to be funded from the 2024 Capital Budget and third-party recoveries, will be added to the TTC's capital complement in 2024, as detailed below:

2023 TTC Capital Complement	2,910
Bus Shuttle Requirments to facilitate closures to complete capital work	
Operators	51
Supervisors	3
Direct Project Work	
Bridges & Tunnels	3
Bus / Subway Overhaul Program	18
Corporate Services	8
Engineering and Construction Projects	8
Enterprise Asset Management	4
Line 1 & 2, Bloor Yonge Capacity Enhancements	2
Major Capital Programs: Building Capacity	15
New Technology & Innovation (SAP-ERP)	8
Renewal Energy Program	11
Streetcar Overhaul Program	26
Vehicle Procurement	6
All Other Changes (Net)	13
2024 Total Capital Complement Change	176
2024 TTC Capital Complement	3,086

Appendix D: Long-Term Liability Reserve and TTC Stabilization Reserve

The Long-Term Liability Reserve is projected to have a 2023 closing balance of \$35.8 million. While long-term accident claim requirements are generally constant, annual variations in cash payments exist based on timing uncertainty associated with actual accident claim payments.

To manage annual variation in accident claim expenses while ensuring a constant annual budgeted reserve contribution and consistent with prior years, this budget incorporates authorization to contribute up to \$17.6 million (\$17.0 million for TTC and \$0.59 million for Wheel-Trans) to the Long-Term Liability Reserve Fund (XR1728) in 2023.

The TTC and Wheel-Trans are then authorized to draw from this reserve as required to support actual accident claim payments at the time of settlement. For 2023, \$20.6 million (\$20.0 million for TTC and \$0.59 million for Wheel-Trans) are projected.

TTC Stabilization Reserve

This reserve was created to stabilize the funding of the TTC's operating expenditures over time and is projected to have a 2023 closing balance of \$99.9 million.

The 2024 budget includes \$43.0 million of planned TTC Stabilization Reserve draws, which excludes \$17.5 million reserved for Emergency items and insurance deductible. Of the planned Reserve draw, \$25 million is to limit the amount of the TTC fare increase and partially mitigate the substantial inflationary pressures, \$6 million to address one-time base budget requirements, and remaining \$12.1 million to address one-time costs associated with Transit Expansion. Base requirements include the cost of supplemental service to mitigate the impact of construction on bus service capacity during LRT construction, one-time costs associated for upcoming collective bargaining for ATU Local 113, temporary backfill resources to facilitate safety-related training updates, and consulting resources for the Risk Mitigation Plan for the Fare Collection Strategy.

Projected reserve balances are outlined on the following page.

TTC Reserves: Continuity Schedule

(In \$000s)	Reserve Fund Number	2024	2025	2026
		\$	\$	\$
Long Term Liability Reserve				
Projected Opening Balance	XR1728	35,814.0	32,814.0	29,814.0
Budgeted Contribution		17,590.0	17,590.0	17,590.0
Projected Accident Claim Payments		(20,590.0)	(20,590.0)	(20,590.0)
Subtotal Net Budgeted Contributions & Draws		(3,000.0)	(3,000.0)	(3,000.0)
Projected Closing Balance		32,814.0	29,814.0	26,814.0
TTC Stabilization Reserve				
Projected Opening Balance	XR1056	99,908.0	39,457.2	12,354.0
CEO Authority - Emergency		(15,000.0)	(15,000.0)	(15,000.0)
Insurance Deductible		(2,500.0)	(2,500.0)	(2,500.0)
Subtotal Reserve Commitments		(17,500.0)	(17,500.0)	(17,500.0)
Adjusted Opening Balance		82,408.0	21,957.2	(5,146.0)
Budgeted Contribution - Proceeds on Disposal of Buses		2,706.0	396.8	
One-Time Draws				
LRT Construction Disruption Service		(2,550.6)		
2024 One-Time Negotiations, Consulting, CUTA		(4,115.3)		
2023 Time-Limited New & Enhanced		(1,859.6)		
LRT Start-Up One-Time Costs		(12,131.3)		
Reserve Draw Balancing Action		(25,000.0)	(10,000.0)	
Subtotal Net Budgeted Contributions & Draws		(42,950.8)	(9,603.2)	-
Projected Closing Balance		39,457.2	12,354.0	(5,146.0)

Note: TTC Stabilization Reserve balance will show negative in 2026. TTC is working with the City of Toronto to develop a strategy that will address the funding needs of the reserve commitments.

Appendix E: 2024-2033 Capital Budget and Plan Summary

Programs (\$ millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2033
Infrastructure Related Programs:											
<i>Tracks:</i>											
1.1 Subway Track	33.089	34.064	34.624	34.112	33.346	33.481	34.719	33.000	33.549	34.000	337.984
1.2 Surface Track	40.741	71.171	88.800	85.376	77.239	34.554	36.001	36.001	36.000	45.000	550.883
<i>Signals, Electrical, Communications:</i>											
2.1 Traction Power	29.207	29.171	27.125	26.628	28.115	28.822	29.875	23.790	21.676	31.889	276.298
2.2 Power Distribution	7.423	7.693	10.603	17.832	31.284	34.643	13.753	9.751	10.400	8.257	151.639
2.3 Communications	15.207	13.791	19.651	17.228	17.248	15.928	13.456	11.687	10.887	11.246	146.329
2.4 Signal Systems	21.613	22.257	26.629	17.303	7.940	7.367	7.269	12.854	13.216	10.332	146.780
2.4 YUS/BD Resignalling	18.288	31.865	57.154	69.262	69.700	60.630	78.157	81.690	80.469	83.270	630.485
<i>Buildings and Structures:</i>											
3.1 Finishes	22.179	34.410	24.930	19.598	13.505	10.616	9.103	11.305	13.900	12.868	172.414
3.2 Equipment	68.871	70.935	67.104	60.228	44.657	28.290	24.265	22.660	24.368	25.135	436.513
3.3 Yards & Roads	11.679	13.498	15.740	6.976	15.455	21.977	15.401	1.424	15.358	15.622	133.130
3.4 Bridges & Tunnels	44.204	55.693	61.220	61.077	52.006	37.458	39.693	46.938	48.219	49.783	496.291
3.9 Fire Ventilation Upgrade	23.669	29.271	30.804	27.637	41.891	46.104	51.990	48.318	40.607	25.947	366.238
3.9 Easier Access Phase III	114.927	152.436	121.807	101.448	34.454						525.072
3.9 Sheppard Subway	0.200	0.200	3.005								3.405
3.9 Leslie Barns	0.173	1.287	2.831	2.409							6.700
3.9 Toronto Rocket (Subway Car) Yard & Storage Track Accommodation	6.983	48.230	22.996	13.434	22.999						114.642
3.9 McNicoll Bus Garage	0.332	1.610	1.825	0.625							4.392
3.9 Line 1 Capacity Enhancement	17.592	50.039	123.726	217.185	205.149	111.408	84.550	62.740	48.074	108.317	1,028.780
3.9 Line 2 Capacity Enhancement	10.734	27.128	72.209	66.036	144.333	148.835	143.253	130.944	79.754	49.685	872.911
3.9 Corporate Initiatives	6.750	7.750	8.250	9.000	10.000	10.250	10.250	10.500	11.000	11.000	94.750
3.9 Yonge-Bloor Capacity Improvement	13.723	19.603	39.922	82.428	102.618	140.448	194.778	247.797	189.383	152.176	1,182.876
3.9 Other Buildings & Structures	75.569	119.987	180.268	121.554	75.509	58.482	1.400	0.657	5.481	5.723	644.630

Programs (\$ millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2033
Tooling, Machinery and Equipment											
5.1 Shop Equipment	10.052	11.479	2.976	2.252	2.388	1.437	1.573	1.535	1.583	2.051	37.326
5.2 Revenue & Fare Handling Equipment	1.250	1.200	1.200	1.200	1.200	1.200	1.700	1.700	1.700	1.700	14.050
5.3 Other Maintenance Equipment	3.627	2.023	1.445	1.055	0.983	1.067	1.146	1.148	1.161	0.957	14.612
5.4 Fare System	3.830	2.414	2.500								8.744
Environmental Issues											
6.1 Environmental Program	9.177	14.486	18.315	18.236	12.552	8.583	9.307	7.900	6.200	6.000	110.756
6.1 Safety Program	0.977	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	9.977
Computer Equipment & Software											
7.1 IT Systems/Infrastructure	87.025	87.120	78.817	78.890	18.001	16.774	16.249	14.182	18.117	16.522	431.697
Other:											
9.1 Furniture & Office Equipment	0.050	0.260	0.150	0.100	0.227	0.050	0.075	0.270	0.050	0.050	1.282
9.2 Service Planning	17.849	22.235	26.836	29.455	9.960	3.810	3.602	3.100	3.300	3.300	123.447
Subtotal - Infrastructure Related Programs	716.991	984.307	1,174.462	1,189.562	1,073.762	863.214	822.566	822.892	715.449	711.829	9,075.034
Vehicle Related Programs:											
4.11 Purchase of Buses	200.175	456.427	25.053								681.655
4.11 Purchase of Wheel Trans Buses	15.787	9.609	2.056								27.452
4.12 Purchase of Subway Cars	2.239	80.155	52.478	38.811	15.611	170.132	133.763	162.825	153.199	109.591	918.804
4.13 Bus Overhaul	70.604	31.845	6.305	2.762	47.579	81.379	81.336	73.042	77.591	75.988	548.431
4.15 Streetcar Overhaul	37.445	18.878	10.022	1.320	5.500	7.529					80.694
4.16 Subway Car Overhaul	38.295	46.602	32.986	31.923	37.837	67.963	65.103	63.382	46.604	29.492	460.187
4.18 Purchase of Streetcars	217.762	90.920	16.345								325.027
4.21 Purchase Non-Revenue Vehicles	16.481	24.044	10.528	8.080	10.278	2.701	2.705	2.706	1.939		79.462
4.22 Rail Non-Revenue Vehicle Overhauls	2.152	3.369	4.394	5.657	5.274	4.198	3.626	1.925	1.607	1.641	33.843
4.23 Purchase Rail Non-Revenue Vehicle	0.717	3.448	4.291	4.940	5.558	9.898	12.871	8.403	5.512	2.585	58.223
Subtotal - Vehicle Related Programs	601.657	765.297	164.458	93.493	127.637	343.800	299.404	312.283	286.452	219.297	3,213.778
TOTAL - BASE PROGRAM	1,318.648	1,749.604	1,338.920	1,283.055	1,201.399	1,207.014	1,121.970	1,135.175	1,001.901	931.126	12,288.812

Programs (\$ millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2033
Transit Expansion Programs:											
SRT Bus Replacement Infrastructure	7.016	22.189									29.205
Waterfront Transit	0.657	0.603	2.922	1.000	12.000	9.077	4.300				30.559
Toronto-York Spadina Subway Extension (TYSSE)	42.348	6.797									49.145
TOTAL - TRANSIT EXPANSION PROGRAM	50.021	29.589	2.922	1.000	12.000	9.077	4.300				108.909
TOTAL - BASE & EXPANSION	1,368.669	1,779.193	1,341.842	1,284.055	1,213.399	1,216.091	1,126.270	1,135.175	1,001.901	931.126	12,397.721

Appendix F: 2024 to 2033 Capital Funding Summary

FUNDING SOURCE	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2033
2024-2033 Budget Submission	1,368,669	1,779,193	1,341,842	1,284,055	1,213,399	1,216,091	1,126,270	1,135,175	1,001,901	931,126	12,397,721
Provincial Gas Tax Subsidies	93,976	93,976	93,976	93,976	93,976	93,976	93,976	93,976	93,976	93,976	939,755
Provincial Subsidies - PTIF 2	4,597	6,567	13,374	27,614	34,377	47,050	65,251	75,565	55,247	50,979	380,620
Provincial Subsidies - Streetcar Program	80,871	33,482	-	-	-	-	-	-	-	-	114,353
204 LRV Funding	-	-	-	-	-	-	-	-	-	-	-
Total Provincial Subsidies	179,444	134,025	107,349	121,589	128,353	141,025	159,226	169,540	149,222	144,954	1,434,728
Federal Gas Tax Subsidy	181,706	181,706	181,706	181,706	181,706	181,706	181,706	181,706	181,706	181,706	1,817,060
Federal Subsidy - ZETF	32,540	208,281	11,053	-	-	-	-	-	-	-	251,874
Federal Subsidy - Streetcar Program	68,207	39,206	11,702	13,167	9,891	-	-	-	-	-	142,173
Federal Subsidy - PTIF 2	5,078	7,253	14,771	30,499	37,969	51,966	72,068	83,460	61,019	56,305	420,387
Total Federal Subsidies	287,530	436,446	219,232	225,372	229,566	233,672	253,774	265,166	242,725	238,011	2,631,494
TTC Internal - Depreciation	62,967	64,738	37,310	24,917	23,451	14,164	14,119	13,154	14,391	11,793	281,005
Development Charges	203,255	277,721	280,256	253,507	215,934	46,016	28,485	20,365	14,007	9,215	1,348,761
MX Recovery	4,195	7,607	-	-	-	-	-	-	-	-	11,802
Other - IESO	723	300	-	-	-	-	-	-	-	-	1,023
Other - Pattison	113	113	-	-	-	-	-	-	-	-	226
NR Canada	203	-	-	-	-	-	-	-	-	-	203
Total Other Funding	271,455	350,479	317,566	278,425	239,385	60,180	42,604	33,519	28,398	21,008	1,643,020
Debt	26,132	17,504	7,092	4,144	5,072	3,789	336,673	347,851	345,000	350,000	1,443,256
Debt Recoverable	547,165	840,739	690,602	654,525	611,024	777,426	333,993	319,098	236,556	177,152	5,188,280
Capital Finance Reserve	30,651	-	-	-	-	-	-	-	-	-	30,651
TYSSE Reserve	26,292	-	-	-	-	-	-	-	-	-	26,292
Total City Funding	630,240	858,243	697,694	658,669	616,096	781,214	670,666	666,949	581,556	527,152	6,688,479
TOTAL FUNDING	1,368,669	1,779,193	1,341,842	1,284,055	1,213,399	1,216,091	1,126,270	1,135,175	1,001,901	931,126	12,397,721

Appendix G: 2024-2033 Capital Budget and Plan Summary by Major Project Portfolio

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024 - 2033 Total
Streetcar, Bus and Wheel Trans Portfolio											
TTC Streetcar Program											
Streetcar - Purchase (up to 60 cars)	217,762	90,920	16,345	-	-	-	-	-	-	-	325,028
Hillcrest Maintenance & Storage Facility	1,571	23,788	44,550	42,255	28,522	-	-	-	-	-	140,686
Russell Yard & Carhouse Modifications	10,292	17,682	41,642	39,180	28,910	12,743	-	-	-	-	150,449
SRT Line 3											
SRT Bus Replacement Infrastructure	7,016	14,500	-	-	-	-	-	-	-	-	21,516
Green Bus Program											
Hybrid Bus - Purchase	167,689	5,144	-	-	-	-	-	-	-	-	172,832
eBus - Purchase (existing 60)	150	-	-	-	-	-	-	-	-	-	150
eBus - Purchase (ZETF 340)	30,518	451,284	25,053	-	-	-	-	-	-	-	506,854
eBus- Purchase _ (next 60 + Future)	1,819	-	-	-	-	-	-	-	-	-	1,819
eBus Charging System - Purchase	64	52	6	-	-	-	-	-	-	-	122
eBus Charging Systems - ZETF	43,037	22,767	-	-	-	-	-	-	-	-	65,805
Wheel Trans											
Gasoline Wheel-Trans Bus - Purchase	15,443	2,417	1,173	-	-	-	-	-	-	-	19,033
Electrical Wheel-Trans Buses Purchases	344	7,192	883	-	-	-	-	-	-	-	8,418
Wheel-Trans 10 Yr Transformation Prgm	3,547	4,459	8,124	-	-	-	-	-	-	-	16,130
Subtotal: Streetcar, Bus and Wheel Trans Portfolio	499,251	640,204	137,776	81,435	57,432	12,743	-	-	-	-	1,428,842
Subway Portfolio											
Bloor Yonge Capacity Improvements											
Bloor-Yonge Capacity Enhancements	13,723	19,603	39,922	82,428	102,618	140,448	194,778	247,797	189,383	152,176	1,182,877
Line 1											
Subway Cars Addtns - Purch (Growth)	683	24,837	16,257	12,031	4,816	52,717	41,442	50,452	47,008	33,835	284,079
Line 1 Capacity Enhancement	17,592	50,039	123,726	217,185	205,149	111,408	84,550	62,740	48,074	108,317	1,028,779
YUS ATC Resignalling	7,222	4,776	3,776	21,367	-	-	-	-	-	-	37,141
Line 2											
Subway Cars Repl - Purchase (T1 Repl)	1,556	55,318	36,221	26,780	10,796	117,415	92,320	112,374	106,191	75,756	634,727
Line 2 Capacity Enhancement	10,734	27,128	72,209	66,036	144,333	148,835	143,253	130,944	79,754	49,685	872,912
Line 2 ATC Resignalling	11,065	27,090	53,378	47,895	69,700	60,630	78,157	81,690	80,469	83,270	593,345
Subway: Buildings & Structures											
Easier Access Phase III	73,680	85,756	35,202	15,103	4,726	-	-	-	-	-	214,467
Warden Station Redevelopment	19,954	32,405	47,143	55,850	12,743	-	-	-	-	-	168,096
Islington Station Redevelopment	21,293	34,274	39,461	30,495	16,985	-	-	-	-	-	142,508
Fire Ventilation Upg & 2nd Exits Program	5,366	9,900	14,551	16,071	34,192	39,442	40,585	27,052	20,348	14,944	222,449
Subway Station Second Exits	18,303	19,371	16,253	11,566	7,699	6,662	11,405	21,266	20,259	11,003	143,788
Stations Transformations	4,098	5,235	-	-	-	-	-	-	-	-	9,333
Subtotal: Subway Portfolio	205,270	395,732	498,100	602,806	613,757	677,557	686,492	734,314	591,486	528,985	5,534,498

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024 - 2033 Total
Network Wide Portfolio											
TTC Presto Project	3,830	2,414	2,500	-	-	-	-	-	-	-	8,744
VISION - CAD/AVL System	10,667	4,139	-	-	-	-	-	-	-	-	14,806
SAP - ERP Implementation	25,791	37,619	37,707	53,850	-	-	-	-	-	-	154,967
Subtotal: Network Wide Portfolio	40,288	44,172	40,207	53,850	-	-	-	-	-	-	178,517
Major SOGR Projects											
Subway/SRT Track Rehabilitation Prgm	27,220	27,653	28,624	28,112	27,346	27,481	28,719	27,000	27,000	27,500	276,655
Tangent Surf Track Replacement Program	27,685	35,444	40,595	43,121	48,717	34,554	36,001	36,001	36,000	45,000	383,117
Station Finish Renewal	15,081	18,227	6,934	-	-	-	-	-	-	-	40,243
Roofing Rehabilitation Program	3,537	8,819	14,239	16,705	11,001	8,223	6,657	8,805	11,113	9,996	99,096
Elevator Overhaul Program	812	4,423	6,419	8,987	7,784	5,558	6,264	6,646	3,529	4,028	54,451
Escalator Replacement Program	4,740	8,251	7,950	5,901	1,163	-	-	-	7,930	8,231	44,166
On-Grade Paving Rehabilitation Program	10,799	12,861	13,993	6,418	14,887	21,398	14,811	822	14,700	14,994	125,682
Structure Rehabilitation Program	18,657	19,554	19,995	20,755	20,974	21,551	21,493	21,000	20,000	21,085	205,064
Toronto Rocket/T1 Rail Yd Accommodation	6,983	48,230	22,996	13,434	22,999	-	-	-	-	-	114,642
Bus Rebuild	61,111	28,845	3,441	1,182	46,186	81,078	81,034	72,769	77,318	75,715	528,679
Bus - Midlife Overhaul	2,123	2,123	2,124	782	677	-	-	-	-	-	7,829
New LRVs Overhaul	30,970	7,373	-	-	4,130	7,500	-	-	-	-	49,973
Streetcar - Midlife Overhaul	612	-	-	-	-	-	-	-	-	-	612
TR Subway SOGR Program	18,970	23,571	10,997	10,642	7,439	37,217	32,993	32,162	30,062	29,492	233,544
TR Subway - Midlife Overhaul	1	-	-	-	-	-	-	-	-	-	1
T1 Vehicle SOGR Program	17,022	21,245	21,990	21,281	30,398	30,746	32,111	31,220	16,542	-	222,555
Subtotal: Major SOGR Projects	246,323	266,621	200,297	177,320	243,700	275,306	260,082	236,424	244,194	236,041	2,386,309
Total Major Projects	991,132	1,346,730	876,380	915,411	914,890	965,606	946,574	970,739	835,680	765,026	9,528,166
% of Total Budget	72%	76%	65%	71%	75%	79%	84%	86%	83%	82%	77%
Total 10 Year Budget	1,368,669	1,779,193	1,341,842	1,284,055	1,213,399	1,216,091	1,126,270	1,135,175	1,001,901	931,126	12,397,721

Appendix H – PSAS Compliance

TTC's current operating and capital budgeting processes is in accordance with the Canadian public sector accounting standards ("PSAS") recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada (CPA Canada), with some exceptions, as noted below.

Exceptions – Operating Budget:

The operating budget for TTC Conventional and Wheel-Trans Services consists of revenues and expenses in accordance with PSAS with the exception of the following:

- Post-Retirement Medical and Dental: City Council approved TTC's budget strategy to fund current health and dental claims for providing post-retirement benefits to pensioners on a cash basis
 - Any expenses related to the change in liability as required by PSAS are deferred and funded in the future when the benefit is realized.
- City Special Costs: Under PSAS, the TTC is unable to recognize these costs in its financial statements as the contracts are held by the City of Toronto.
 - These costs are reflected in TTC's operating budget as it relates to facilitating TTC operations
- Reserve Draws and Contributions: Reserve draws and contributions are reflected in TTC's operating budget and are not recognized as revenue nor are they expenses as per PSAS given the reserves are held with the City of Toronto.
- Accident Claims: In the operating budget, the TTC Board and City Council approves a contribution up to the budgeted amount to the long-term liability reserve fund and draw from this reserve as required. Any expenses related to the change in liability due to actuarial fluctuations as required by PSAS are deferred and funded through long-term subsidy.

Exceptions – Capital Budget

The capital budget consists of additions or expenditures incurred for the period which are directly related to the acquisition, construction, betterment, or development of TTC's capital to comply with PS 3150 - Tangible Capital Assets with the exceptions of:

- Holdbacks and Legal Liabilities: The capital budget reflects the expected change in construction related expenses such as holdbacks or legal liabilities. However, these are recognized on the balance sheet as a future

payable and subsidy receivable that will be collected in the year that the vendor is paid.

- Acquisition of Land: Property acquired by the City of Toronto to facilitate TTC operations are included as part of the capital budget. The TTC is unable to recognize these assets under PSAS as the legal title are held by City of Toronto.
- Other expenses: Specific expenditures such as environmental expenses are funded through the capital budget and is recognized as an expense in the TTC financial statement when incurred. Any changes to the future environmental costs recognized will result into a corresponding change in the capital subsidy receivable.

The additions or expenditures incurred for the period are amortized using a straight-line method (first and last year of asset life at half year) based on the estimated useful lives of major asset categories from their effective service date in accordance with the Public Sector Accounting Standard.

Effective January 1, 2023, the TTC is adopting PS 3280 Asset Retirement Obligations (ARO), which requires anticipated costs to satisfy the legal obligations upon asset retirement to be recorded on the financial statements when the assets are acquired. No changes to the existing funding arrangements is anticipated from the adoption of the ARO standard as obligations related to asset retirement are budgeted and funded as the work is planned and completed, respectively. The approach is anticipated to continue given the long-term nature of tangible capital assets as future estimated asset retirement costs may or may not materialize at end of its useful life.