



## **STAFF REPORT ACTION REQUIRED**

### **Presentation: Preliminary 2016 TTC Operating Budgets**

<b>Date:</b>	July 30, 2015
<b>To:</b>	TTC Budget Committee
<b>From:</b>	Chief Executive Officer

### **Summary**

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A PowerPoint presentation entitled: Preliminary 2016 TTC Operating Budgets is submitted to the Budget Committee for discussion.

### **Contact**

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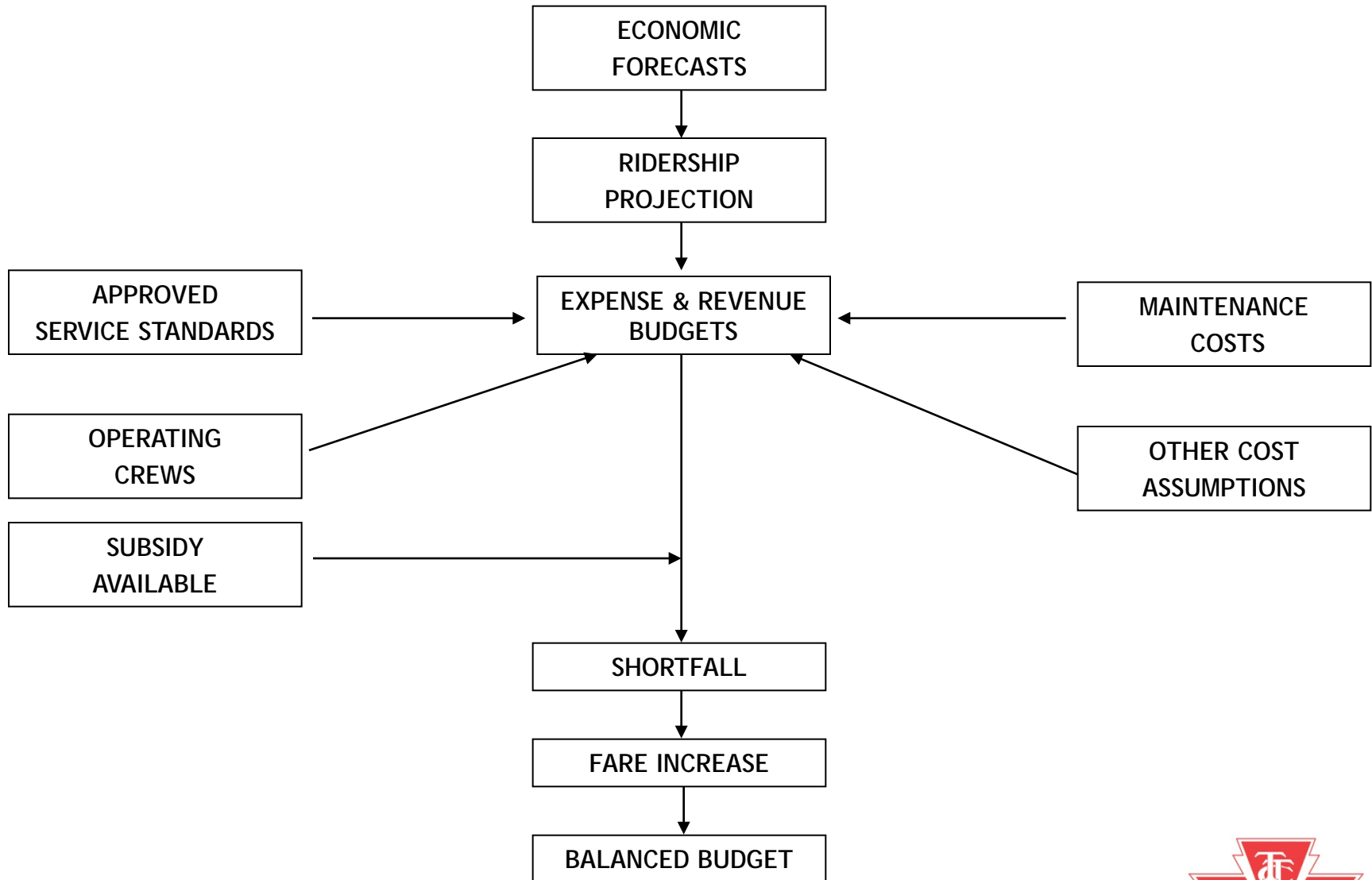
# PRELIMINARY 2016 TTC OPERATING BUDGETS

July 30, 2015





## Constructing the Operating Budget





## TTC Operating

- **Ridership forecast**
  - Economic Growth (GDP)
  - Employment Growth
  - Service levels
  - Fuel prices
  - Historical trends



# PRELIMINARY 2016 TTC OPERATING BUDGETS



- Conference Board of Canada (CBOC) employment and GDP forecasts are used to calculate economic-related ridership growth.
- CBOC forecasts are subject to ongoing refinement.
- Toronto's economy is expected to grow in 2016.

INDICATOR	AUTUMN 2014 OUTLOOK (2015 BUDGET)	SPRING 2015 OUTLOOK (2016 BUDGET)	TREND
Employment Growth	2.3%	2.5%	Green
GDP Growth	2.8%	3.2%	Green
CPI	2.2%	2.2%	Yellow
Rides Effect	+ 7M	+ 8M	Green



# PRELIMINARY 2016 TTC OPERATING BUDGETS

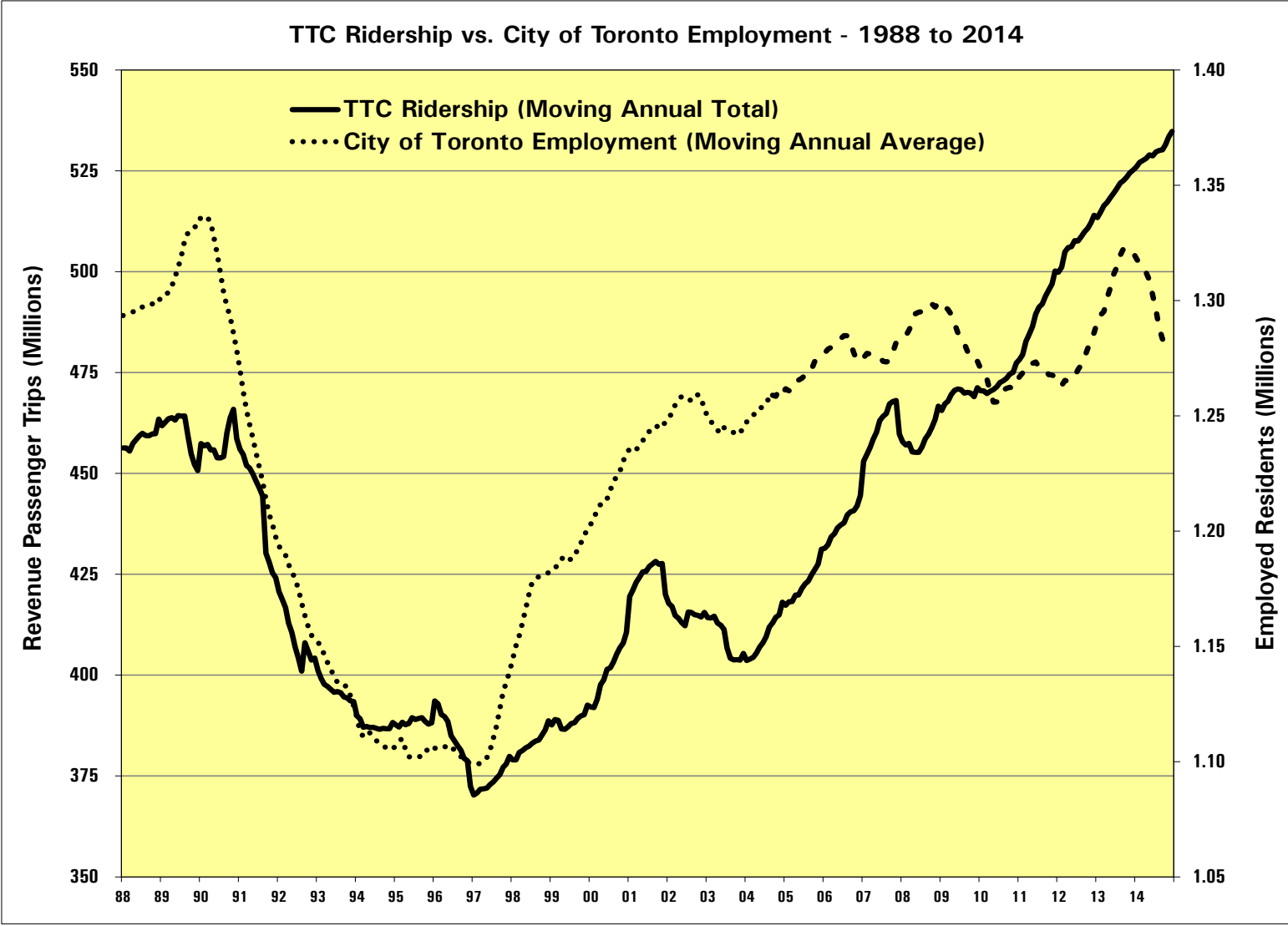


ANNUAL RIDES (M)	2015 BUDGET	2015 PROBABLE	2016 FORECAST
<b>Base</b>	<b>535</b>	<b>545</b>	<b>540</b>
<b>Major Factors:</b>			
Economic Growth	+ 7	-1	+ 8
Service Enhancements	+ 2	0	+ 5
Fare Increase	-2	-1	0
Metropass Trip Rate	+ 3	0	0
Calendarization / Leap Year	-1	0	+ 1
Other*	<u>+ 1</u>	<u>-3</u>	<u>+ 1</u>
<b>Sub-Total</b>	<u>+ 10</u>	<u>-5</u>	<u>+ 15</u>
<b>Total</b>	<b>545</b>	<b>540</b>	<b>555</b>

\*Other: weather, planned subway closures, bus spares ratio, etc.



# PRELIMINARY 2016 TTC OPERATING BUDGETS





## Ridership → Passenger Fares

- Passenger fares make up about 95% of all TTC revenues
  - Half of rides taken using monthly passes
- Setting fare levels is an important policy decision for the TTC Board







## Non-Passenger Revenues

- Only 5% of total, mostly set
  - Advertising, Gateway, WIFI
    - All long-term contracts
  - Some potential in future for retail
    - Not much new in 2016





## SERVICE

- Based on existing approved service standards
- Commensurate with 2016 ridership projection of 555M
- Incorporates impact of high-level of city street construction
- Includes annualization of 2015 service improvements





## Service → Operator & Maintenance Budget

- Operators
  - based on service to be operated
  - strive for lowest total labour bill
- Maintenance
  - increasing bus spares ratio to facilitate reliability centred maintenance
  - running maintenance based on mileage operated
  - stations etc. – based on hours of operation and shift coverage
- Energy Costs
  - Diesel fuel, traction power, natural gas
- Other
  - Accident claims, administration, customer service





## Enhancements in 2016 Budget

- LRV roll-out ongoing
- PRESTO continued implementation
- Service to handle 555 million riders





## 2016 TTC OPERATING BUDGET (Millions)

	2015 BUDGET	PRELIMINARY 2016 BUDGET	CHANGE
<b>Rides</b>	545	555	10
<b>Revenues - Passenger</b>	\$1,140	\$1,155	\$15
<b>- Other</b>	67	67	-
<b>Total Revenues</b>	\$1,207	\$1,222	\$15
<b>Expenses</b>	\$1,690	\$1,795	\$105
<b>Total Subsidy Required</b>	\$483	\$573	\$90
<b>Total Subsidy Available</b>	\$474	\$474	-
<b>Draw from TTC Stabilization Reserve</b>	\$9	-	(\$9)
<b>Shortfall</b>	-	\$99	\$99





## 2016 TTC OPERATING BUDGET

- The 2016 Outlook included in the 2015 Budget approved by City Council on March 10/11, 2015 identified an anticipated \$71 million shortfall for the 2016 TTC Operating Budget

- This included:

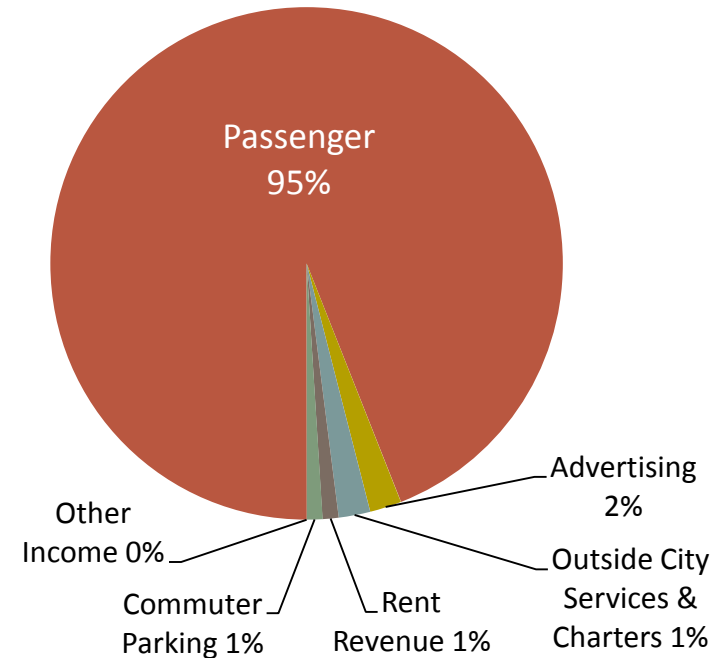
• Expenditure Increases		\$118M
• Revenue Increases	\$17	
• 2016 Fare Increase	<u>\$30</u>	<u>\$ 47</u>
2016 Shortfall		<u><u>\$ 71M</u></u>





## 2016 BUDGET – SOURCES OF REVENUE (\$Millions)

Passenger	1,155	95%
Advertising	28	2%
Outside City Services & Charters	17	1%
Rent Revenue	11	1%
Commuter Parking	9	1%
Other Income	2	0%
<b>Total</b>	<b>1,222</b>	





## 2016 TTC OPERATING BUDGET

### REVENUE CHANGES + \$15M:

- Passenger Revenues: \* + \$15M
- Advertising: + \$2M
- Outside City Services: -\$1M
- Commuter Parking: -\$1M

**\*Based on existing fare structure**







## PASSENGER REVENUES

- Passenger revenues are a function of ridership volume, fares and fare mix
- Discounted fare products (metropasses, tickets, tokens) reduce the average fare
- For the first half of 2015 there has been a shift away from regular priced to discounted fare media and less use of cash
- As a result the average fare has been about 2 cents lower than anticipated (which would equate to an \$11 million loss of revenue)
- For purposes of the 2016 budget, a 1 cent reduction has been assumed
- Staff continue to monitor ridership volumes and the fare mix





## PASSENGER REVENUES

- + 10M riders above 2015 budget (from 545M to 555M)
- 1 cent lower average fare due to ongoing changes in mix of fare media

### Revenues

- Ridership impact
    - 10M rides × \$2.08 average fare + \$21M
  - Price / fare mix impact
    - Lower average fare – \$ 6M
- + \$15M

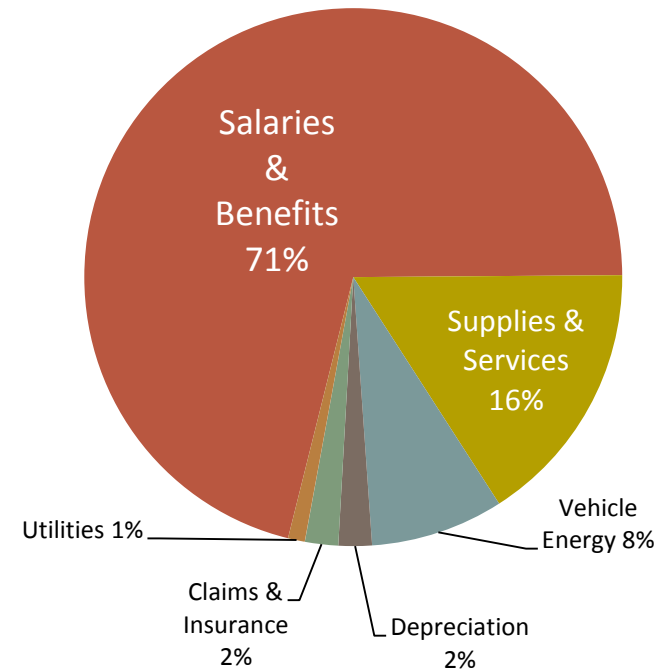
Note: 2015 Budget: 545M  
 2015 Projection: 538M to 540M





## COMPONENTS OF EXPENSES (\$Millions)

Salaries & Benefits	1,270	71%
Supplies & Services	280	16%
Vehicle Energy	149	8%
Claims & Insurance	35	2%
Depreciation	34	2%
Utilities	27	1%
<i>Total</i>	<b>1,795</b>	





## **EXPENDITURE CHANGES: + \$105M**

### **Annualization of Prior Year Actions/Decisions:**

- |  |           |
|--|-----------|
| • Service – maintain existing, annualize current, growth to 555M | \$45M     |
| • Leasing Requirements   | 17M       |
| • CBA  | 10M       |
| • Reliability Centred Maintenance                                | 8M        |
| • POP Fare Inspectors – Deferred from 2015                       | 2M        |
| • Annualization of other workforce changes                       | <u>5M</u> |

**Total Annualization of Prior Year Actions/Decisions:** **87M**

### **Inflationary Increases:**

- |  |           |
|--|-----------|
| • Other Employee Costs                                   | 10M       |
| • Traction Power & Utilities (Hydro, Natural Gas, Water) | 7M        |
| • Accident Claims & Insurance                            | 4M        |
| • Material Price Inflation                               | <u>3M</u> |

**Total Inflationary Increases:** **24M**

**Diesel Hedging** (8M)

**Other** **2M**

**TOTAL** **\$105M**





## SERVICE: \$45M

- Commission approved service standards
- Service Budget:
  - annualization of 2015 service levels, including off-peak service enhancements introduced in 2015
  - plan to accommodate 555M riders
  - maintain existing service levels
  - includes additional service for City construction





## LEASING REQUIREMENTS: \$17M

- Interim 50-Bus and 250-Bus Garage requirements (divisional capacity constraints)
- New Southeast Warehouse
- Carl Hall Replacement Warehouse
- Additional Office Space





## COLLECTIVE BARGAINING AGREEMENT: \$10M

- Full year's effect of April 1, 2015 wage increase
- April 1, 2016 wage increase





## RELIABILITY CENTRED MAINTENANCE: \$8M

- Enhancement to bus maintenance program
- Replace parts before failure
- Improve customer service and experience







## POP FARE INSPECTORS: \$2M

- 20 Fare Inspectors deferred from 2015 budget
- Required to support all door boarding on streetcar routes





## **ANNUALIZATION OF 2015 WORKFORCE CHANGES: \$5M**

Includes:

- Fare Inspectors
- Station Supervisors
- Route Supervisors
- Various Maintenance Personnel





## OTHER EMPLOYEE COSTS: \$10M

- Based on preliminary estimates of workforce and labour budget
- About one-half required for contractual/legislated contributions:
  - Pensions (TTC and CPP)
  - Employers Health Tax
  - Ontario Health Premium
  - Employment Insurance
- 3.5% estimate at this time
- Will be refined as workforce and labour budget is finalized





## TRACTION POWER & UTILITIES: \$7M

- Traction Power
- AC Power
- Natural Gas
- Water

→ Reflects City forecasted rates





## ACCIDENT CLAIMS: \$4M

- Based on Q2 2015 actuarial projection





## MATERIAL PRICE INCREASES

**\$3M**

- 2% inflation based on City guideline





## DIESEL FUEL: (\$8M)

- Reflects 60% hedging of 2016 requirements at 86.28 cents per litre
- Ongoing monitoring together with City staff & industry consultant



## OTHER: \$2M

- \$5M Presto Fees
- \$2M Dedicated Watchpersons
- \$1M Depreciation
- \$1M Toronto Rocket Off Warranty
- \$1M Bus Service Line primarily for 50 new buses
- \$1M IT Maintenance Contracts
- (\$9M) Reduction in contribution to capital re: purchase of 50 new buses







## WORKFORCE CHANGES @ Dec. 31 2016:

### Service Related:

• Interim 50-bus Garage	30
• Ridership Growth to 555M	91
• Maintain existing service levels	20
• POP Fare Inspectors – Deferred from 2015	20
• Leslie Barns	<u>4</u>
	<b><u>165</u></b>

### Other:

• New LRVs	(11)
• Streetcar Reliability	(37)
• Dedicated Watchpersons	21
• Training (primarily 3-year Operator Recertification)	9
• Other	<u>4</u>
	<b><u>(14)</u></b>

### Sub-total

**151**

### 3<sup>RD</sup> Party Recovery (net)

**10**

### TOTAL

**161**

Note: 2015 Budget commitment to identify 25 workforce reductions still TBD.





## Future Pressures

- TYSSE Opening
- Full implementation of Presto
- Construction impacts from major City/TTC/Metrolinx projects
- Energy prices
- AODA
- Bus Facility Constraints
- Transit Fare Equity Policy (to Council in 2015)
- CBA negotiations in 2018





# 2016 WHEEL-TRANS OPERATING BUDGET (Millions)

	2015 BUDGET	PRELIMINARY 2016 BUDGET	CHANGE
<b>Rides</b>	3.2	3.7	0.5
<b>Revenues</b>	\$6.2	\$6.9	\$0.7
<b>Expenses</b>	\$115.3	\$124.7	\$9.4
<b>Total Subsidy Required</b>	\$109.1	\$117.8	\$8.7
<b>Total Subsidy Available</b>	\$108.8	\$108.8	-
<b>Draw from TTC Stabilization Reserve</b>	\$0.3	-	(\$0.3)
<b>Shortfall</b>	-	\$9.0	\$9.0

\* Previous 2016 Pro Forma noted \$7M shortfall.





## Wheel-Trans Operating Budget

- Ridership growth @ 13.7% - almost twice the growth rate of prior years
- AODA: 0.5% average unaccommodated rate
- Comparable cost implications as TTC Operating Budget
- Revenue only covers about 5% of costs





## EXPENDITURE CHANGES: + \$9.4M

• Service to accommodate 3.7M rides	\$8.1M
• AODA Mandated Eligibility	0.9M
• CBA	0.6M
• Other Employee Costs	0.5M
• Diesel	(0.6M)
• Other	<u>(0.1M)</u>
	<u>\$9.4M</u>





## Wheel-Trans Summary

- Demand growing very quickly
  - Will continue as population ages
  - Some shift to regular system
  - Revenue only covers 5% of expenses
- 3 additional Reservationist positions requested for 2016 to reduce call abandonment rate
- Impact of AODA
  - no funding from Province

