



STAFF REPORT ACTION REQUIRED

Presentation: 2016 TTC Operating Budgets Update

Date:	September 15, 2015
To:	TTC Budget Committee
From:	Chief Executive Officer

Summary

A presentation entitled: 2016 TTC Operating Budgets Update will be submitted to the Budget Committee for discussion.

Contact

Michael A. Roche
Head of Finance & Treasurer
Phone: 416-393-3654
E-Mail: michael.roche@ttc.ca



2016 TTC OPERATING BUDGETS UPDATE

September 15, 2015



2016 TTC OPERATING BUDGETS UPDATE

2016 TTC OPERATING BUDGET (Millions)

	2015 BUDGET	PRELIMINARY 2016 BUDGET	CHANGE
Rides	545	555	10
Revenues - Passenger	\$1,140	\$1,155	\$15
- Other	67	67	-
Total Revenues	\$1,207	\$1,222	\$15
Expenses	\$1,690	\$1,791	\$101
Total Subsidy Required	\$483	\$569	\$86
Total Subsidy Available	\$474	\$474	-
Draw from TTC Stabilization Reserve	\$9	-	(\$9)
Shortfall	-	\$95	\$95



2016 TTC OPERATING BUDGETS UPDATE

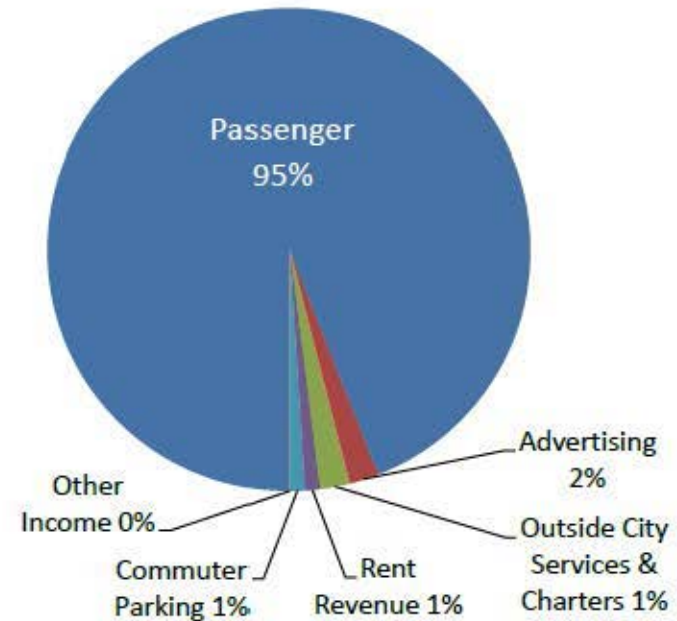
ANNUAL RIDES (M)	2015 BUDGET	2015 PROBABLE	2016 FORECAST
Base	535	545	540
Major Factors:			
Economic Growth	+7	-1	+8
Service Enhancements	+2	0	+5
Fare Increase	-2	-1	0
Metropass Trip Rate	+3	0	0
Calendarization / Leap Year	-1	0	+1
Other*	<u>+1</u>	<u>-3</u>	<u>+1</u>
Sub-Total	<u>+10</u>	<u>-5</u>	<u>+15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

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



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%
<i>Total</i>	1,222	





2016 TTC OPERATING BUDGET

REVENUE CHANGES: +\$15M

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

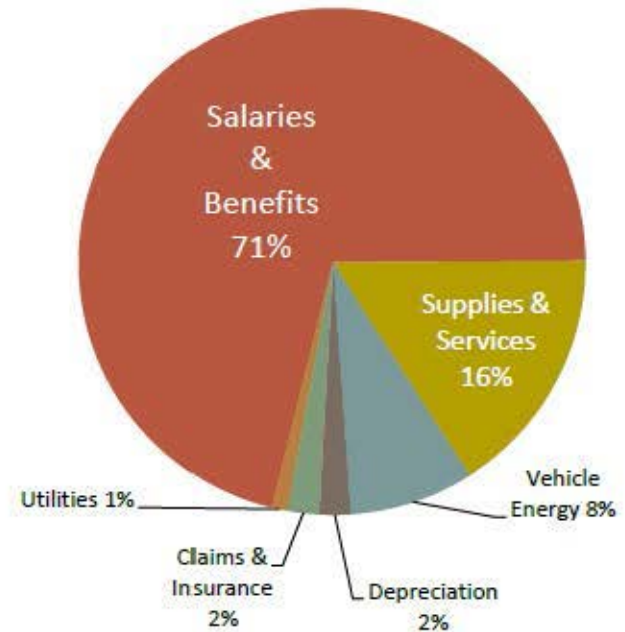
* Based on existing fare structure and based on 2015 projection of 540M rides. As of August 2, 2015, 2015 ridership projection is 538.5M.





COMPONENTS OF EXPENSES (\$Millions)

Salaries & Benefits	1,272	71%
Supplies & Services	279	16%
Vehicle Energy	144	8%
Claims & Insurance	35	2%
Depreciation	34	2%
Utilities	27	1%
Total	1,791	



2016 TTC OPERATING BUDGETS UPDATE

EXPENDITURE CHANGES: +\$101M

•Annualization of Prior Year Actions/Decisions:	
• Service – maintain existing, annualize current, growth to 555M	\$46M
• Leasing Requirements	17M
• CBA	10M
• Reliability Centred Maintenance	8M
• POP Fare Inspectors – Deferred from 2015	2M
• Annualization of 2015 workforce changes	<u>5M</u>
•Total Annualization of Prior Year Actions/Decisions:	<u>88M</u>
•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:	<u>24M</u>
•Presto Commissions	4M
•Diesel Hedging	(13M)
•Other	<u>(2M)</u>
•TOTAL	<u>\$101M</u>





Further Examination Required

- Leasing Requirements
- Departmental Non-Labour
- Other Employee Costs



Subsidies

- Least-subsidized mass transit in North America
- Need long-term funding
 - Like “Users’ Fair Share” formula of the 70s & 80s

2016 TTC OPERATING BUDGETS UPDATE

Subsidy/Rider Comparisons

Transit * System	OPERATING SUBSIDY (\$M)	REVENUE/ COST RATIO	REVENUE TRIPS (M)	SUBSIDY/RIDER
York Region	99	38%	23	\$4.34
Durham Region	43	33%	11	\$4.06
Los Angeles	968	27%	339	\$2.94
Brampton	54	47%	19	\$2.80
Philadelphia	557	35%	222	\$2.58
Washington, D.C.	730	51%	314	\$2.39
Mississauga	80	49%	36	\$2.23
Boston	485	44%	253	\$1.98
Edmonton	167	44%	87	\$1.92
Chicago	701	45%	377	\$1.91
Hamilton	37	48%	22	\$1.69
Ottawa	161	46%	98	\$1.65
Vancouver	376	44%	230	\$1.63
Calgary	173	52%	107	\$1.61
New York	3,545	53%	2,385	\$1.53
Montreal	505	47%	417	\$1.21
TTC	483	71%	545	\$0.89

*TTC 2015 budget, Canada 2013, US 2013 figures





PERFORMANCE

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

2016 TTC OPERATING BUDGETS UPDATE

TTC is one of only 2 subways outside of Asia and South America that covers its own operating costs

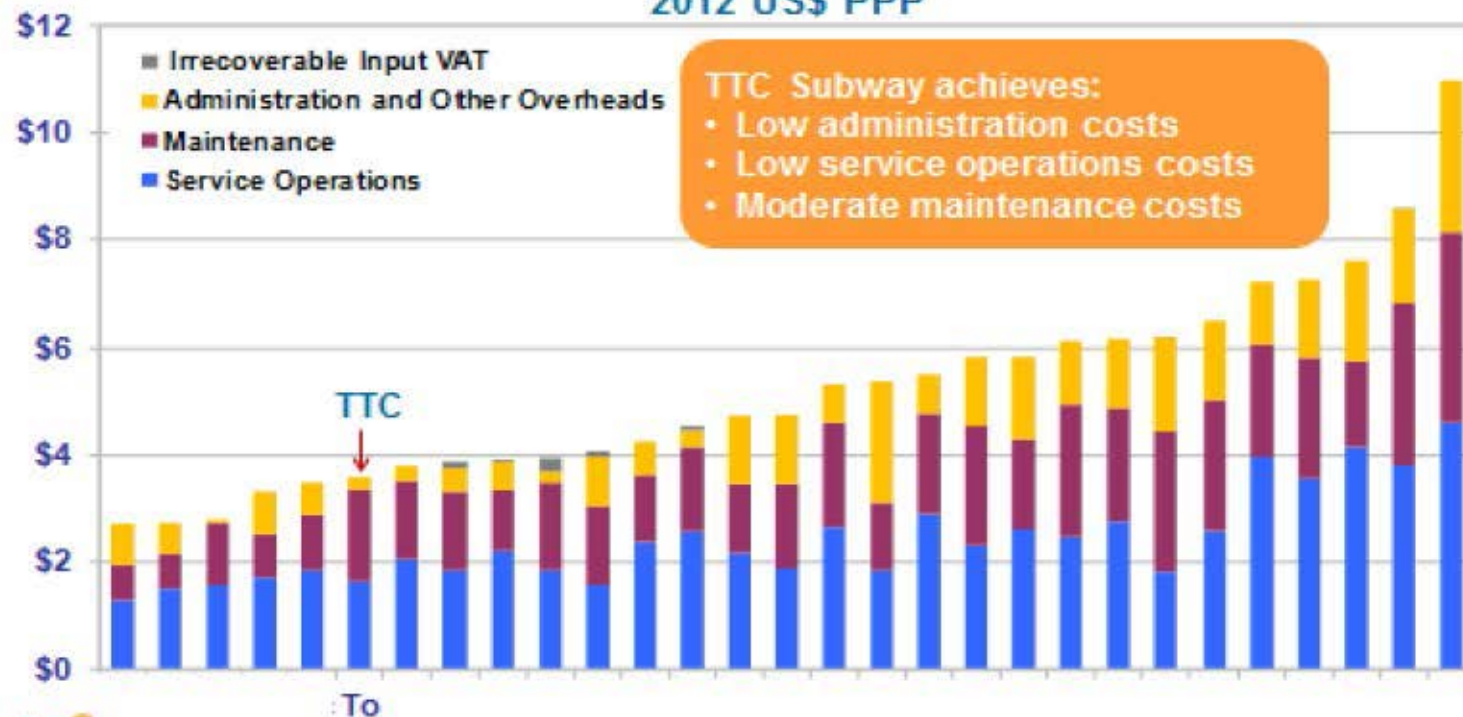
Total Subway Commercial Revenue Over Operating Cost (2012)



2016 TTC OPERATING BUDGETS UPDATE

TTC subway operating costs are low by international standards

Operating Cost per Revenue Car Kilometre (2012)
2012 US\$ PPP



2016 TTC OPERATING BUDGETS UPDATE

TTC subway labour productivity is exceptionally high

Car Kilometres per Total Own Staff and Contractor Staff Hours (2012)





Expenditures: Efficiencies to date

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



2% Efficiency Target

- Diesel hedging - \$13M reduction from 2015 Budget
- Examining Departmental Non-Labour
- Rollout of LRVs



Future Issues: Efficiency Opportunities

- Presto fee offsets: Handling/Collecting of legacy fare media
- One Person Train Operation (2016 pilot)
- Low-Floor Light Rail Vehicles (current to 2019)
- Automatic Train Control (Line 1 then Line 2)
- Computer Aided Dispatch/Automatic Vehicle Location (2020)
- SAP (2019)
- Future articulated bus purchases (under review)

Operating budget impacts need to be updated and reviewed.



Future Issues: Additional Costs

- TYSSE first year of operation (2018)
- Full implementation of Presto and related Presto fees (2017)
- Construction impacts from major City/TTC/Metrolinx projects (ongoing)
- Energy prices (ongoing)
- Bus Facility Constraints (current)
- Transit Fare Equity Policy (to Council in 2015)
- CBA negotiations (2018)
- Service Initiatives not included in base budget (2016 and ongoing)
- AODA (2017)

2016 TTC OPERATING BUDGETS UPDATE

OPERATING WORKFORCE CHANGES @ Dec. 31, 2016:

Service Related:

• Interim 50-bus Garage	29
• Ridership Growth to 555M & Maintain Existing Service Levels	119
• POP Fare Inspectors – Deferred from 2015	20
• Leslie Barns	4
	<u>172</u>

Other:

• New LRVs	(13)
• Streetcar Reliability	(37)
• Dedicated Watchpersons	21
• Training (primarily 3-year Operator Recertification)	9
• Other	4
	<u>(16)</u>

•Sub-total	156
•3 RD Party Recovery (net)	10
<u>TOTAL OPERATING WORKFORCE INCREASE*</u>	<u>166</u>

CAPITAL WORKFORCE INCREASE 81

WHEEL-TRANS WORKFORCE INCREASE 3

TOTAL WORKFORCE INCREASE* 250

*Excludes 2016 Service Initiatives

2016 TTC OPERATING BUDGETS UPDATE



CAPITAL WORKFORCE CHANGES @ Dec. 31, 2016:

• Bus Overhaul Program (6 year)	26
• Toronto Rocket Overhaul	22
• Toronto Rocket – Completion of Testing, Inspection & Modifications	(14)
• Scarborough Subway	18
• Legislative Requirements (Support external stop announcements – AODA)	9
• Fire Prevention Systems	5
• IT Systems (SAP, CAD/AVL, Workcar Software Integration)	4
• LRVs – Inspection & Commissioning	4
• Support ALRV Life Extension Overhaul	2
• <u>Other net workforce changes</u>	<u>5</u>
<u>TOTAL CAPITAL WORKFORCE INCREASE</u>	<u>81</u>

2016 TTC OPERATING BUDGETS UPDATE

2017 PROJECTED EXPENDITURE CHANGES: +\$150M

• Presto Fees (offsetting savings under review)	\$49M
• CBA	25M
• 250 Bus Interim Garage	16M
• Energy	15M
• Service – maintain existing, annualize current, growth to 562M	12M
• TYSSE	11M
• Other Employee Costs	11M
• Workforce Changes	10M
• Maintenance material (new fleet)	9M
• Accident Claims & Insurance	4M
• Material Price Inflation	4M
• Other	2M
• Contribution to Capital	(5M)
• One-person train operation	<u>(13M)</u>
TOTAL	<u>\$150M*</u>

*Excludes impact of any 2016/2017 service initiatives

2016 TTC OPERATING BUDGETS UPDATE

2018 PROJECTED EXPENDITURE CHANGES: +\$70M

• TYSSE	\$20M
• Energy	14M
• Other Employee Costs	11M
• Service – maintain existing, annualize current, growth to 569M	10M
• CBA (to March 31, 2018 only)	7M
• Presto Fees/Faregates (offsetting savings under review)	6M
• Workforce Changes	5M
• Maintenance material (new fleet)	5M
• Material Price Inflation	5M
• Accident Claims & Insurance	4M
• Other	1M
• One-person train operation	<u>(18M)</u>
TOTAL	<u>\$70M*</u>

*Excludes impact of any 2016/2017/2018 service initiatives

*Excludes impact of 2018 CBA agreement

2016 TTC OPERATING BUDGETS UPDATE

2016 WHEEL-TRANS OPERATING BUDGET (Millions)

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

2016 TTC OPERATING BUDGETS UPDATE



WHEEL-TRANS 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>

2016 TTC OPERATING BUDGETS UPDATE



2017 WHEEL-TRANS PROJECTED EXPENDITURE CHANGES: +\$11M

• Service (demand increase - 7%)	\$5M
• Anticipated taxi meter rate increase (10%)	3M
• CBA	1M
• Other (diesel, employee benefits, Presto)	<u>2M</u>
TOTAL	<u>\$11M</u>

2016 TTC OPERATING BUDGETS UPDATE



2018 WHEEL-TRANS PROJECTED EXPENDITURE CHANGES: +\$7M

• Service (demand increase - 6.5%)	\$5M
• Other (diesel, employee benefits, Presto)	<u>2M</u>
TOTAL	<u>\$7M</u>