



PRELIMINARY 2017 TTC AND WHEEL- TRANS OPERATING BUDGETS

Presentation to Board Budget Sub Committee: September 21, 2016

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WHAT I WILL COVER...



1. Measures taken to deliver the required 2.6% budget reduction target from approved 2016 subsidy
2. Summary of 2017 budget year-over-year pressures
3. Reductions identified to date to mitigate 2017 budget pressures
4. Next steps to close remaining 2017 budget gap



COUNCIL DIRECTED -2.6% BUDGET REDUCTION TARGET FROM APPROVED 2016 SUBSIDY



- TTC: \$12.8m (2.6% of \$494m)
- Wheel-Trans: \$3m (2.6% of \$117m)
- Total: \$15.8m



SUMMARY OF REDUCTIONS IDENTIFIED

- Removal of telephone land lines (\$0.3m)
- Workforce related reductions (\$0.8m)*
- Reduced overtime allowance (\$0.8m)*
- Reduced training and travel (\$0.5m)
- Reduced stand-by labour costs (\$0.6m)*
- Reduced materials and supplies requirements (\$1m)*
- Non-implementation of planned Sep 2016 service additions (\$1.5m)*
- Reduced healthcare costs (\$10.3m)*

- Total: % = \$15.8m

* Further detail on subsequent pages



WORKFORCE RELATED REDUCTIONS (\$0.8M)



- In 2017, there is an increase in capital work leading to greater use of operating maintenance personnel on capital projects



REDUCED OVERTIME (0.8M)



- Wage rates used to calculate overtime pay incorporate the wage increases included in the Collective Bargaining Agreements with the unions
- The April 1, 2017 increase factored in 2.25% for eligible employees
- While this cost increase is an unavoidable element of the CBA, the \$0.8M impact will be removed from the 2017 budget with an instruction to departments to absorb the increase





- The TTC designates certain positions for which employees are required to stand-by and remain available for work outside of their regularly scheduled working hours. Others may be called in to perform emergency work
- This arrangement is far more efficient than paying overtime or having staff attend work in the off-chance that they might be needed.
- The number of stand-by staff has been reduced.



MATERIALS AND SUPPLIES REQUIREMENTS (\$ 1 M)



- Up to date analysis and better controls enable us to project an increase in bus warranty recoveries (\$0.4M)
- Conversion of IT contracted resources to TTC employees (\$0.4M)
- Further reductions in furniture and office equipment (\$0.2M)





- The 2016 budgeted service level anticipated a ridership increase to a stretched target of up to 553m rides
- This was to be achieved via a series of increases in service hours across the system, including an incremental increase in September 2016
- The most recent forecast shows that current service level (545m rides) can accommodate the projected 2016 year-end ridership level
- Additional service planned for September is therefore not required.
- This will be kept under review



REDUCED HEALTHCARE COSTS (\$10.3M)



- We have revisited trends in these costs over the past several months. A downward shift is emerging, leading to a reduction in forecast cost.
- There is a strong correlation between this downward trend and the ongoing investigation into benefit fraud.
- While it is possible that this trend may not continue, we feel that a reduced allowance can be budgeted for 2017.
- This will be kept under close review



2017 YEAR-OVER-YEAR PRESSURES: CONVENTIONAL (MILLIONS)



	2016 BUDGET	PRELIMINARY 2017 BUDGET	CHANGE
Rides	553	545	(8)
Revenues - Passenger*	\$1,175	\$1,143	(\$32)
- Other	67	67	-
Total Revenues	\$1,242	\$1,210	(\$32)
Expenses	\$1,737	\$1,888	\$151
Total Subsidy Required	\$495	\$678	\$164
Total Subsidy Available	\$494	\$494	-
Draw from TTC Stabilization Reserve	\$1	-	(\$1)
Shortfall	-	\$184	\$184

*Based on current fare structure



2017 YEAR-OVER-YEAR PRESSURES: WHEEL TRANS (MILLIONS)



	2016 BUDGET	PRELIMINARY 2017 BUDGET	CHANGE
Rides	3.7	4.7	1.0
Revenues*	\$7.0	\$8.2	\$1.2
Expenses	\$123.7	\$155.7	\$32.0
Total Subsidy Required	\$116.7	\$147.5	\$30.8
Total Subsidy Available	\$116.7	\$116.7	-
Shortfall	-	\$30.8	\$30.8

* Based on current fare structure



YEAR-OVER-YEAR PRESSURES: SUMMARY (MILLIONS)



TTC year-over-year pressure	184
Wheel-Trans year-over-year pressure	<u>31</u>
Total pressure	215



WHERE THE PRESSURES COME FROM



Significant changes (relative to the approved 2016 TTC Operating Budget) accounting for the \$215 million budget pressure are:

<u>\$Millions</u>	
Lower Passenger Revenues and Average Fare Mix (Rides decrease from 553M to 545M)	32
Wheel-Trans Ridership Growth (incl AODA eligibility changes) – + 1M (28%) rides	31
PRESTO/Station Transformation	30
Collective Bargaining Agreement	25
Bus & Rail Vehicles Maintenance Requirements (incl hybrid bus batteries)	25
Energy (including Cap-and-Trade impact)	15
Employee Benefits	11
TYSSE opening	7
General inflationary increases on goods and services	4
Accident Claims & Insurance	4
Various other changes	<u>31</u>
Total	<u>215</u>



REDUCTIONS IDENTIFIED TO DATE TO CLOSE THE GAP



- PRESTO
 - later phasing out of legacy fare media (\$16M)
- ENERGY
 - lower diesel fuel costs (\$11M)
- Draw from TTC Stabilization Reserve (\$15.4M)
- Total: \$42.4M

Balance of \$215M remaining: \$172.6M





- Compile of a list of options to address the remaining year-over-year budget pressures to be included with the 2017 budgets when they are submitted to the TTC Board in the Fall
- Continue in-flight business process reengineering and modernization programs related to the TTC five year Corporate Plan that generate substantial savings/cost avoidance over coming years.

