



2018 TTC AND WHEEL-TRANS OPERATING BUDGETS

November 28, 2017





Agenda

- 1) Budget Overview
- 2) 2018 Ridership
- 3) Final Remaining Pressure
- 4) Budget Reductions
- 4) Key Cost Drivers
- 5) Stabilization Reserve Draw
- 6) Operating Position Changes
- 7) Expense Risks
- 8) Outlooks
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2018 OPERATING BUDGET



2018 Budget Overview			
Description (\$M)	Gross	Revenue	Net
TTC CONVENTIONAL	1,818.8	1,235.1	583.7
WHEEL-TRANS	152.1	8.6	143.5
COMBINED 2018 BUDGET*	1,970.9	1,243.7	727.2
CHANGE FROM 2017	21.2	-16.4	37.6
% Change from 2017	1.1%	-1.3%	5.2%
*Excludes: Provision for CBA after March 31, 2018 and assumes no draw from the stabilization reserve.			

- INCLUDES SIGNIFICANT INVESTMENTS
 - \$30 million in funding for Operation of new 6 stop Line 1 Extension:
 - ✓ \$25M net impact in 2018 + \$5M in 2017 base budget
 - \$25 million in funding for Modernization: Transition to PRESTO:
 - ✓ \$8M net impact in 2018 + \$17M in 2017 base budget
- NO FARE INCREASE
- ALL SERVICE LEVELS MAINTAINED
- INCLUDES 11.5% WHEEL-TRANS RIDERSHIP GROWTH RATE
- \$51M IN BASE BUDGET REDUCTIONS AND NET REDUCTION OF 12 POSITIONS

NOTE: ALL INFORMATION EXCLUDES IMPACT OF TIME BASED TRANSFERS. THE \$11.1M 2018 IMPACT TO BUDGET DISCUSSED SEPARATELY IN THIS PRESENTATION (SUBJECT TO BOARD APPROVAL).





2018 Ridership

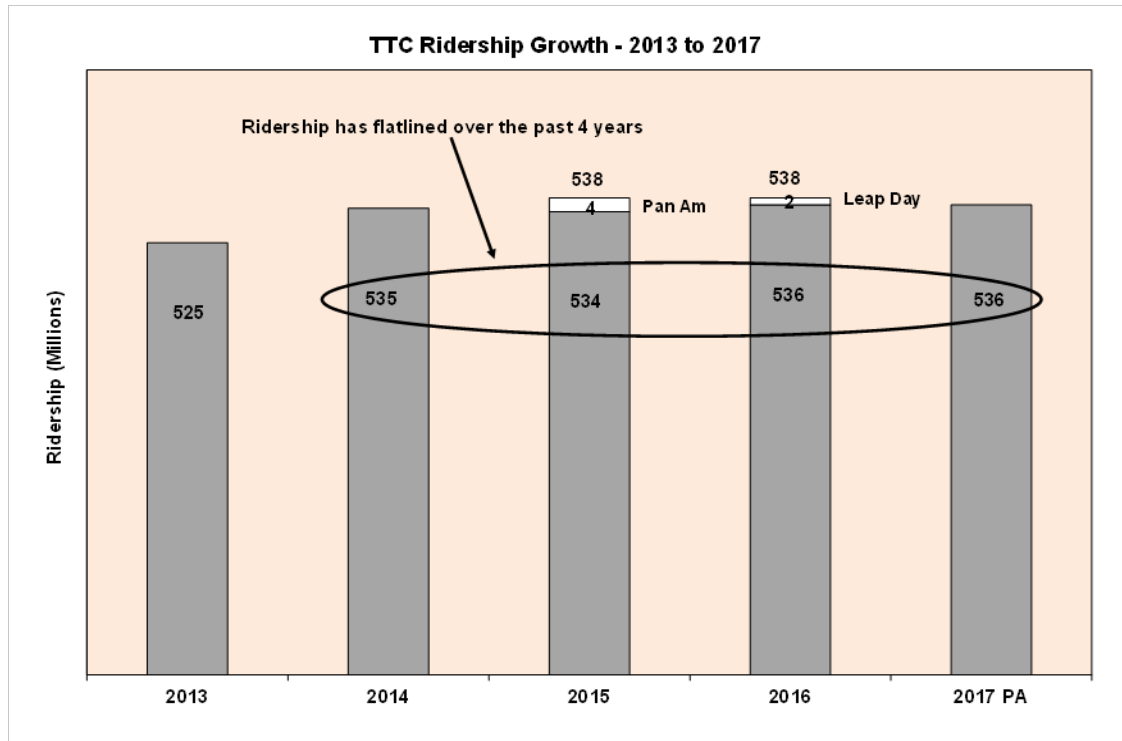
- The 2018 Budget is based on a forecast of **539 million rides**, reflecting changes from 2017 as follows:
 - Actual year over year ridership: Forecast **growth of 3.0 million rides or 0.5%** above projected 2017 year-end ridership of 536 million rides
 - Budget to Budget ridership: **Reduction of 4.8 million rides or 0.8%** below the 2017 budgeted ridership of 543.8 million rides
- The following reflect key 2018 ridership drivers included in the forecast:
 - Economic (employment, GDP) growth 4.8M
 - Impact of Service improvements (including GO Co-Fare) 2.1M
 - Increase in Child rides 1.5M
 - TYSSE - new ridership 1.2M
 - Reversal – PRESTO device reliability 0.5M
 - Increased Subway closures (0.5M)
 - Elimination of Public Transit Tax Credit (0.7M)
 - Decreasing Metropass/Day Pass sales (2.8M)
 - Metropass trip rate reduction (3.1M)





2018 Ridership

- As reflected in the below table ridership has been relatively static since 2014.

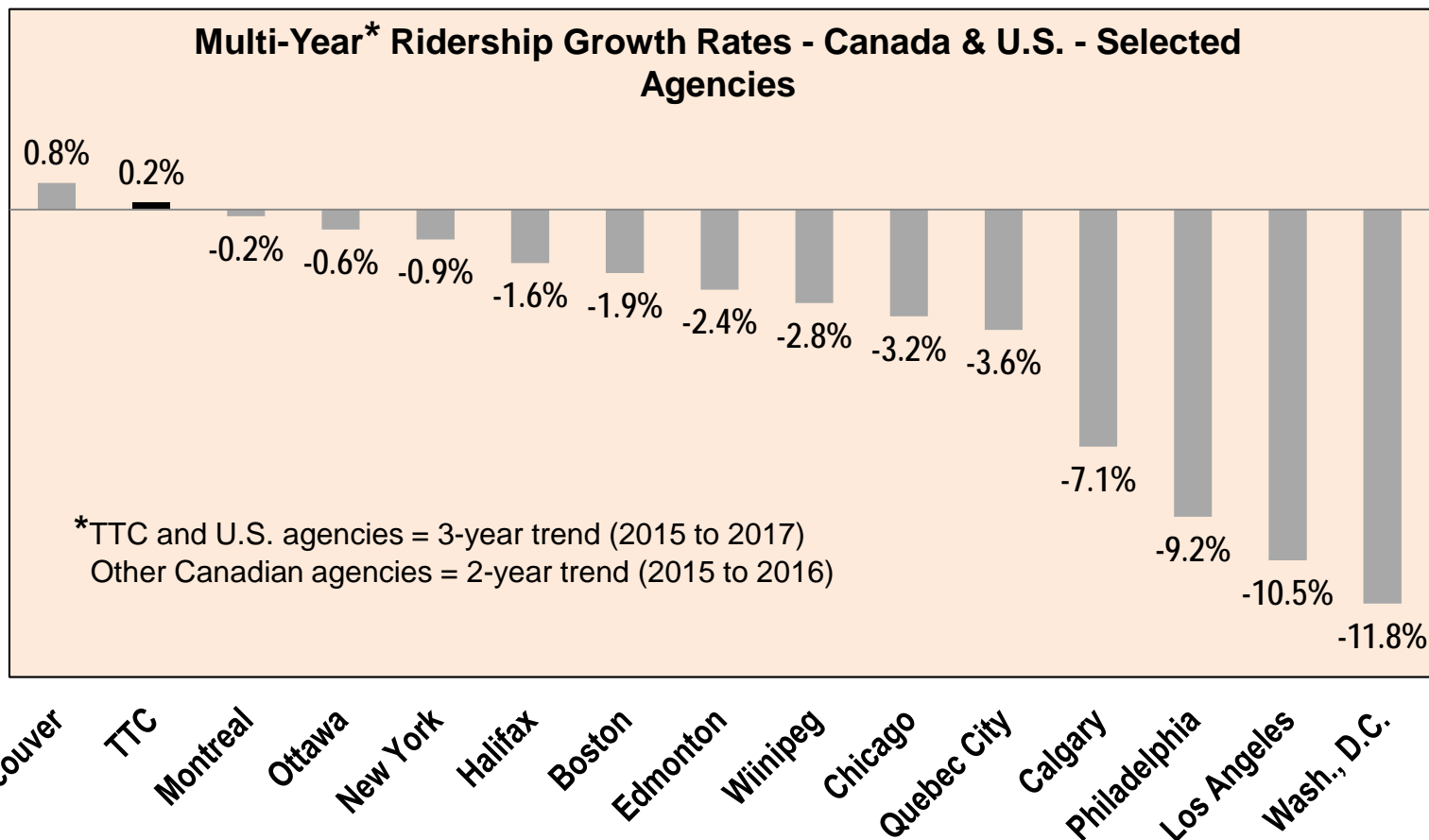


- A ridership growth strategy is being finalized and will be presented to the Board in an upcoming meeting
 - Future year ridership projections will be adjusted based on Board directions.



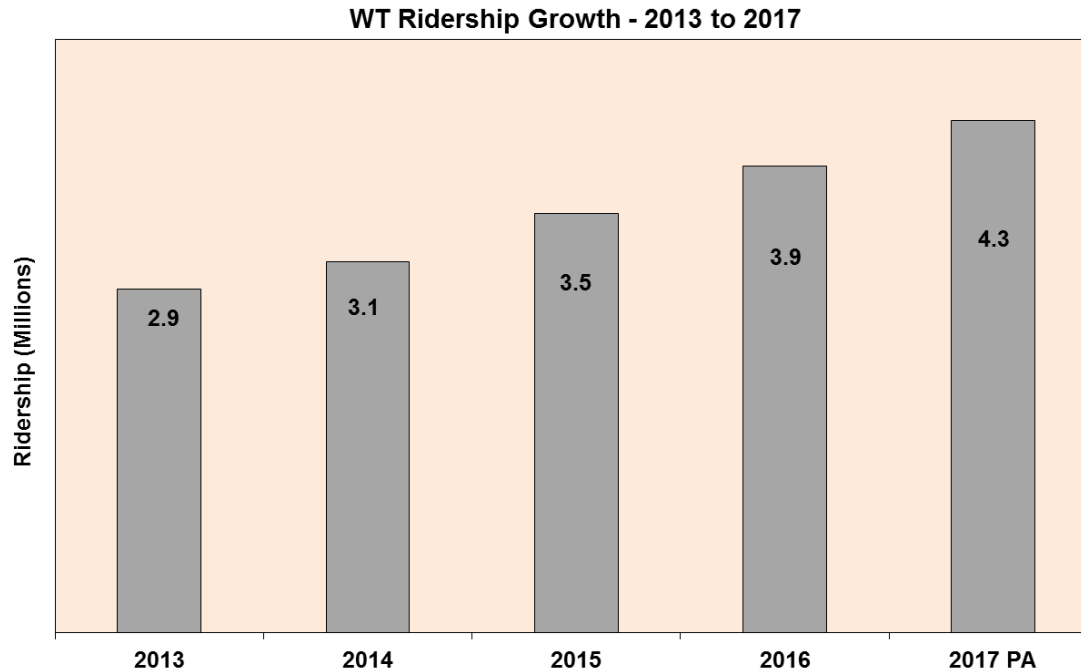
Ridership Trends

- The following table demonstrates current ridership trends across North America:





Wheel-Trans Ridership



- Experienced consistent 8-13% growth 2014-2016.
- 2017 actual growth consistent with 2014-2016 experience.
- Applied same trend to 2018 (11.5% growth).





Remaining Pressure – Final

\$Millions		June 12 Preliminary Submission to City	Final November 17, 2017	Change from Preliminary Submission
2017 Approved Net Budget		689.5	689.5	689.5
TTC Expenditure Change*		62.7	20.4	-42.3
TTC Revenue Change		-3.0	-2.5	0.5
Stabilization Reserve Impact**		-14.0	-14.0	-0.0
TTC Pressure		79.7	36.9	-42.8
WT Pressure		6.4	0.7	-5.7
Total 2018 Pressure		\$ 86.1	37.6	-48.4
		% 12.5%	5.4%	-7.0%

*Excludes a provision for CBA from April 1, 2018 accounted for in the City's Non-Program Budget

**Excludes a draw from the TTC Stabilization Reserve

Note:

- Reflects a **1% increase** from the **2017 Gross Expenditure** Budget of \$1.956 billion
- **\$48.4 million in expenditure reductions** resulting from actions taken following Preliminary Submission

Excludes:

- Fare increase
- Service Reductions
- One-time draw from the TTC Stabilization Reserve (**Pressure would be reduced to \$23.6 million** if a draw was taken, consistent with the 2017 Budget)



2018 OPERATING BUDGET

Description (\$000s)	2018 Operating Budget Reductions			Total Net Change	
	TTC Gross	TTC Revenue	WT Gross & Net	TTC & TW	Position
Revised Forecast/Cost Estimate					
PRESTO	(4,700.0)			(4,700.0)	
TYSSE	(4,189.0)			(4,189.0)	
Impact of Vehicles Coming off Warranty	(2,100.0)			(2,100.0)	
WT Ridership			(4,100.0)	(4,100.0)	
Other Adjustments	(800.0)			(800.0)	
Total Revised Forecast/Cost Estimate	(11,789.0)		(4,100.0)	(15,889.0)	
Base Budget Reductions					
Expenditure Reductions - Included in Original Submission					
Retirement of Orion VII Diesel Bus Fleet	(11,000.0)			(11,000.0)	(19.0)
Benefits	(4,000.0)			(4,000.0)	
LFLRV Streetcars (Operation)	(1,600.0)			(1,600.0)	(16.0)
Malvern Site - No Interim Garage	(1,045.0)			(1,045.0)	
Functional Assessments and Appeals			(900.0)	(900.0)	
Sub-Total Expenditure Reductions - Included in Original Submission	(17,645.0)		(900.0)	(18,545.0)	(35.0)
Expenditure Reductions - Identified Following Original Submission					
Base Budget Reductions					
Benefits	(5,700.0)		(500.0)	(6,200.0)	
Diesel - Consumption Rate	(3,600.0)		(200.0)	(3,800.0)	
Diesel (Hedging)	(1,900.0)		(200.0)	(2,100.0)	
Streetcar Way Design Changes	(500.0)			(500.0)	
T1 Speed Control System	(800.0)			(800.0)	
Line-By-Line Reductions					
Hybrid Batteries - Reduced replacement requirement	(4,500.0)			(4,500.0)	
Departmental Non-Labour Reductions	(5,100.0)		(300.0)	(5,400.0)	
Natural Gas price adjustment	(1,000.0)			(1,000.0)	
WT Functional Assessments & Appeals			(300.0)	(300.0)	
Accident Claims	(3,000.0)			(3,000.0)	
Streetcar Leslie Barns gapping - LRV delay	(1,400.0)			(1,400.0)	
Efficiency Savings					
Increased Use of Blanket Orders	(1,000.0)			(1,000.0)	
Core Management Process Improvements	(500.0)			(500.0)	
Aftermarket Warranty Program	(690.0)			(690.0)	1.0
Accounts Payable/Diesel Purchases	(800.0)			(800.0)	1.0
Revenue Changes					
VIP Program: Transition to MDP		500.0		(500.0)	
Sub-Total Expenditure Reductions - Identified Following Original Submission	(30,490.0)	500.0	(1,500.0)	(32,490.0)	2.0
Total Base Budget Reductions	(48,135.0)	500.0	(2,400.0)	(51,035.0)	(33.0)
Total Budget Reductions & Revised Cost Estimates	(59,924.0)	500.0	(6,500.0)	(66,924.0)	(33.0)



2018 OPERATING BUDGET

Key Cost Drivers

2018 Key Cost Drivers (\$Millions)				
Description	Gross	Revenue	Net*	Pos.
2017 Approved Net Budget	1,955.5	1,265.9	689.5	14,582
In-Year Adjustment				414
2017 Approved Budget	1,955.5	1,265.9	689.5	14,996
TYSSE	21.3	-4.0	25.3	26
Presto Fees	8.2		8.2	
Reversal of Stabilization Reserve Draw		-14.0	14.0	
Bill 148 - Min. Emergency Leave Impact	4.1		4.1	
Total Key Prior Year & Legislative Changes Impacts	33.6	-18.0	51.6	26
% Change from 2017	1.7%	-1.4%	7.5%	0.2%

Net Other 2018 TTC Budget Changes	38.3	1.2	37.1	-5
2018 Operating Budget Reductions	-50.6	0.5	-51.1	-33
2018 TTC Budget Changes (Excluding Key Prior Years & Legislative Change Impacts)	-12.3	1.7	-14.0	-38
% Change from 2017	-0.6%	0.1%	-2.0%	-0.3%

Total TTC 2018 Operating Budget	1,976.8	1,249.6	727.1	14,984
Change from 2017	21.3	-16.3	37.6	-12
	1.1%	-1.3%	5.5%	-0.1%

*Provisional funding for the upcoming CBA is included in the City's Non-Program Budget

- **\$51.6 million** in 2018 pressures result from key prior year decisions:
 - TYSSE - \$25.3M
 - Presto - \$8.2M
 - Stabilization Reserve - \$14.0M
 - Bill 148 (Prov.) - \$4.1M
- **\$51.1 million in net reduction**, equivalent to a 7.4% reduction to the 2017 Budget.
 - Consistent with Board direction **not to increase fares**; and objective to **maintain service levels**
- **Overall reduction of \$14.0M or 2.0% and 38 positions** excluding the impacts of key prior year decisions.
- Net reduction of 12 positions reflecting **a decrease of 120 operating position** offset by an increase of 108 temporary positions supporting capital delivery.





Stabilization Reserve Draw

2018 Recommended Operating Budget (\$Millions)				
Description	Gross	Revenue	Net	Pos.
Total TTC 2018 Operating Budget	1,976.8	1,249.6	727.1	14,984
Change from 2017	21.3	-16.3	37.6	-12
	1.1%	-1.3%	5.5%	-0.1%

Opportunity for Additional Net Reductions				
Stabilization Reserve Draw Consistent with 2017 Budget		14.0	-14.0	
2018 TTC Budget Changes (If Board or Council Directs a Reserve Draw)	21.3	-2.3	23.6	-12
% Change from 2017	1.1%	-0.2%	3.4%	-0.1%

- The 2018 Budget does **not include** a draw from the TTC Stabilization reserve.
- If staff were directed to include a draw consistent with the 2017 Budget, the subsidy requirement would be **reduced to \$23.6M.**

- A one-time draw from the reserve was recommended by staff as part of the 2017 Budget process, the change in approach in 2018 is based on the following:
 - Ensures the reserve balance is available to mitigate against potential in-year funding shortfalls and/or to support one-time operational requirements
 - The reserve will be available to address potential risks inherent to the 2018 operating budget arising from \$51M in proposed reductions (Conventional and Wheel-Trans) and 2018 expenditure provisions.
 - Use of this one-time funding source will create a pressure for the 2019 Budget





Operating Position Changes

2018 Position Changes	
2017 Approved Operating Complement	14,582
In-Year Adjustment (Station Collectors)	414
2017 Adjusted Operating Complement	14,996
TTC Station Collectors	-51.0
Wheel-Trans Operating Positions	17.0
Remaining TTC Operating Position Changes	-112.0
2018 Complement Change (Excluding TYSSE & Capital Positions)	-146.0
TYSSE	26.0
2018 Complement Change (Excluding Capital Positions)	-120.0
Added Temp. Pos. to Support Capital Delivery	190.0
Deleted Temp. Pos. that Supported Capital Delivery	-82.0
2018 Total Complement Change	-12.0

*Detailed position changes are available in the appendix.

Note:

- **Reduction of 146 positions** prior to TYSSE impact and temporary position additions to support the delivery of capital projects.
- In-Year Adjustment required to ensure approved complement reflects actual complement
 - **414 Station Collectors understated** following 2017 Budget reduction based on assumed full PRESTO implementation by year-end 2017.



TYSSE

TYSSE - NET BUDGET IMPACTS				
(\$Millions)				
Description	2017 Base	2018 Change	2019 Outlook	Total
Net Expenditure Increase	5.3	21.3	3.3	29.9
Revenue Reduction - Outside City Services	0.3	8		8.3
Passenger Revenue		-3	-0.3	-3.3
Commuter Parking		-1		-1
Overall Incremental Subsidy Pressure	5.6	25.3	3.0	33.9

Expenditure increase includes funds required for:

- An additional 96,000 hours of service to operate the TYSSE
- Operating upto an additional 10 trains to service the extension
- The operation and maintenance of 6 new subway stations
- The maintenance of 17.2 kilometers of revenue service track
- Required traction power & utilities to operate the extension
- Operation of 3 new parking lots with 2,800 available spaces
- Offset by savings from the changes to surrounding bus routes as approved by the TTC Board on May 18, 2017.



SERVICE HOUR SUMMARY

Annual Service Hour Summary				
Description	Bus	Streetcar	Subway*	Total
2017 Service Budget**	7,054,800	1,133,100	1,015,600	9,203,500
2018 Service Changes				
TYSSE (including contract impact)	(87,400)		96,100	8,700
Streetcar fleet restrictions	90,900	(67,000)		23,900
New LRVs 504,505,512		(17,500)		(17,500)
12 additional streetcars – never implemented		(11,200)		(11,200)
All other changes (net)	16,000	(3,100)	(2,500)	10,400
Subtotal 2018 Service Changes**	19,500	(98,800)	93,600	14,300
2018 Service Budget**	7,074,300	1,034,300	1,109,200	9,217,800
* Includes SRT				
** Excludes Construction Service				

- 14,300 increase in service hours compared to the 2017 Service Budget.





Expense Risks - 2018 Budget

Inherent risk built into the 2018 Operating Budget in an effort to adhere to Council expectations to minimize the operating pressure.

- PRESTO adoption rates
 - Higher adoption rates will result in increased PRESTO transaction fees (***Every 2% increase in annual PRESTO adoption rates will increase transition costs in 2018 by \$1.1 million***)
- Wheel-Trans Ridership Growth
 - 11.5% growth anticipated reflecting a significant reduction from early estimates of 15% - 20% (***1% increase in annual growth costs \$1M, assumes serviced by contractors & excludes Capital impact***)
- Budget includes minimal provision (**\$4.1M**) for impact of Bill 148 “Fair Workplace Better Jobs Act.” Based on information available to date, potential cost/productivity loss of \$17.6 million.
- Additional Base Budget reductions based on 2017 actuals, potential pressure if current experience doesn’t continue into the 2018, including:
 - Higher Average Fare of 3.2 cents (***\$17M Impact***)
 - Reduced Benefits costs (***\$9.7M Impact***)
 - Reduced Non-Labour budget based on line by line review (***\$10.4M Impact***)
 - Reduced Diesel consumption rates based on new vehicle (***\$3.7M Impact***)
 - Reduced Accident Claims budget (***\$3M Impact***)





2019 & 2020: OUTLOOKS

Future Year Outlooks: Base Incremental Subsidy Requirements (\$Millions)	Net Impact	
	2019	2020
TTC Conventional		
Economic Factors (Energy, Benefits, Material Price Increase)	33.3	27.0
PRESTO Fees	31.3	1.7
Legacy Fare Media Elimination	(13.0)	
One Person Train Operation	0.2	(12.4)
New Bus Garage/Maintenance Facilities	3.6	11.3
Inflationary Fare Increase	(20.0)	(20.0)
All other changes (net)	9.2	(2.3)
Subtotal: TTC Conventional Base Subsidy Pressure	44.6	5.3
Wheel-Trans Base Subsidy Pressure	10.2	8.0
Overall Combined Base Subsidy Pressure	54.8	13.3
Note: Excludes Collective Bargaining Impacts and the impact of the Ridership Growth Strategy. Impact of Ridership Growth Strategy will be added following Board Direction.		

Future Year Impacts of Transformational Projects:

- Automatic Train Control/Implementation of One-Person Train Operation
- New Stations Model
- Wheel-Trans Family of Services
- VISION system to modernize the management of the bus and streetcar system
- SAP to modernize financial and human resources practices.



2018 OPERATING BUDGET



2018 Operating Budget: Impact of Time Based Transfers					
(\$Millions)					
Description	Gross	Revenue	Net	Pos.	Conventional Ridership
2017 Combined TTC + WT Operating Budget	1,955.4	1,265.9	689.5	14,996	543.8
Changes detailed in 2018 Operating Budget Report	21.3	-16.3	37.6	-12	-4.8
2018 Combined Operating Budget, Excluding Time- Based Transfers	1,976.7	1,249.6	727.1	14,984	539.0
Implementation of Time Based Transfers (August 2018)	6.0	-5.1	11.1		0.4
2018 TTC Conventional Operating Budget, Including Time- Based Transfers	1,982.7	1,244.5	738.2	14,984	539.4
Change from 2017 (With Time Based Transfers)	27.3	-21.4	48.7	-12	-4.4
	1.4%	-1.7%	7.1%	-0.1%	-0.8%

2019 & 2020 Outlooks: Impact of Time Based Transfers		
(\$Millions)		
Description	2019	2020
Overall Combined Incremental Subsidy Pressure (As detailed in Part 3 of this report)	54.8	13.3
Implementation of Time Based Transfers (incremental impact)	9.4	0.4
Overall Combined Incremental Subsidy Pressure (Including Time-Based Transfers)	64.2	13.7





Appendices

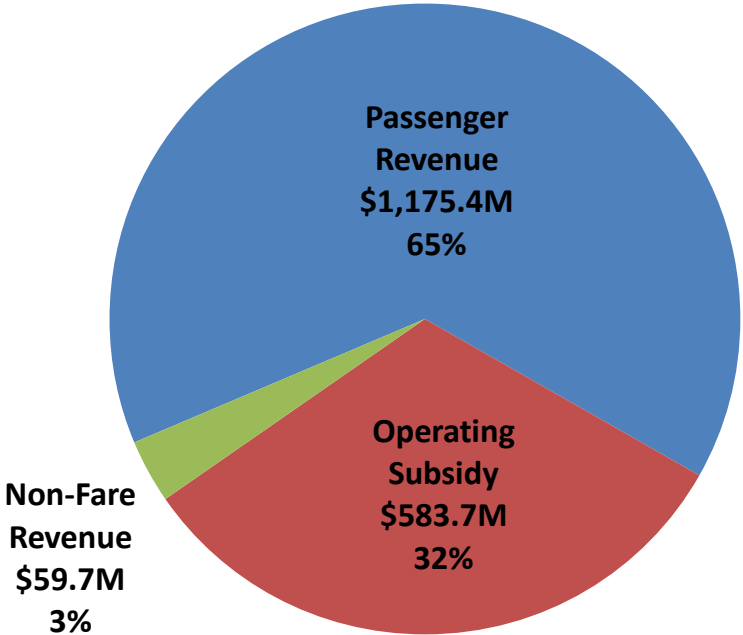
1. 2018 Revenue
2. 2018 Expenditures
3. TTC Operating Net Variance 2012 – 2017
4. 2018 Fare Schedule
5. TTC Operating Subsidy 2010 – 2018
6. Operating Subsidy Comparison
7. Complement Changes



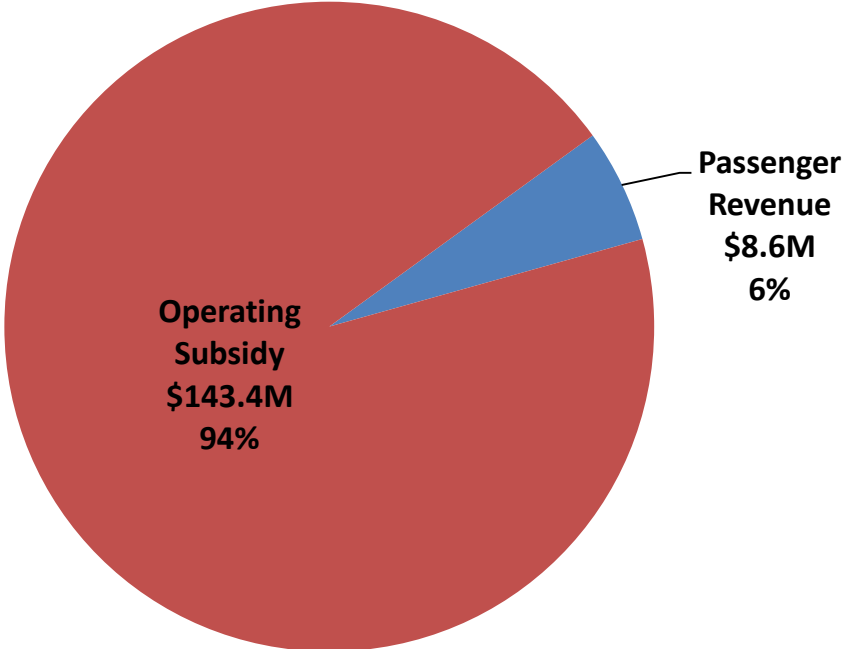


2018 Revenue

TTC Conventional



Wheel-Trans



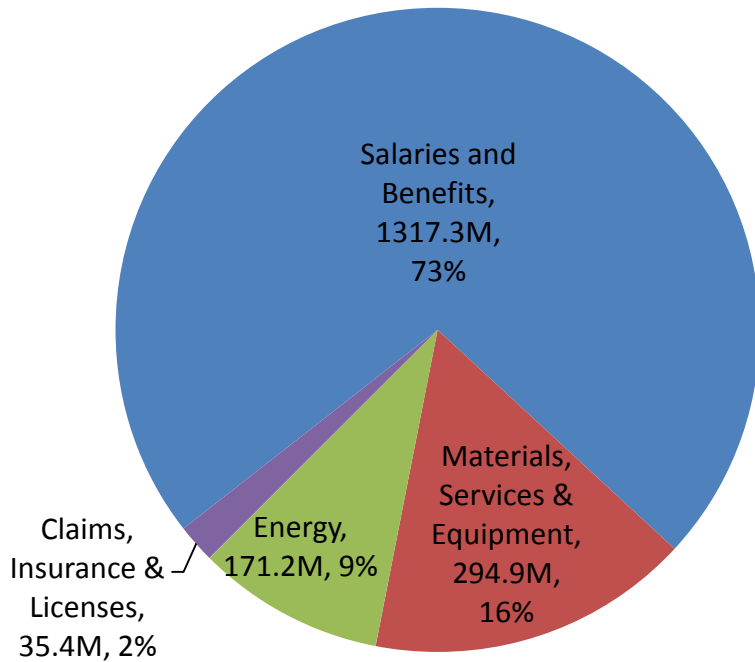
Passenger Revenue & Operating Subsidy account for virtually all revenue sources.



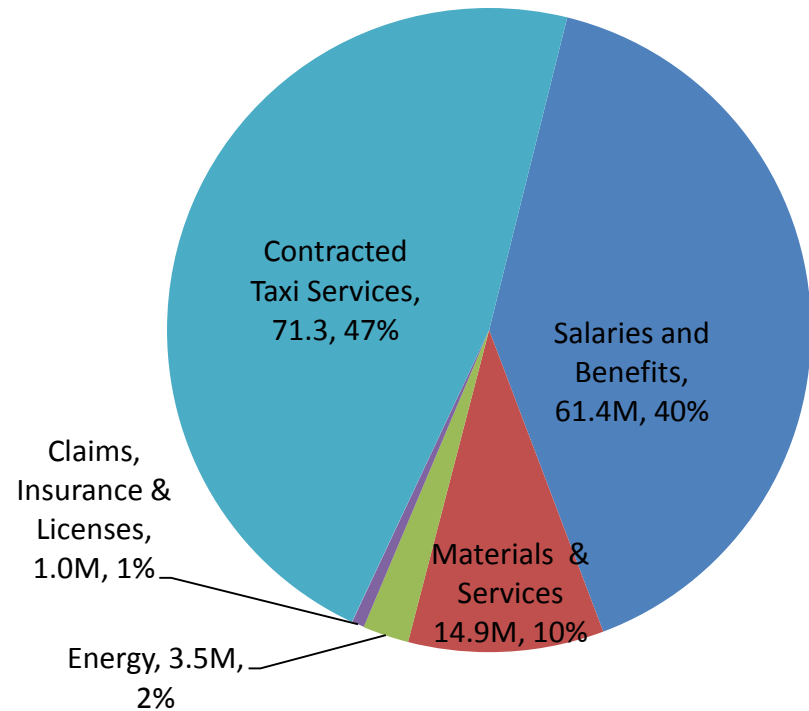


2018 Expenses

TTC Conventional



Wheel-Trans



TTC Operating Net Variance

Annual Net Variance (\$Millions)		Budget	Actual	Over / (Under)	%
2012	TTC - Conventional	411.0	370.0	-41.0	-10.0%
	TTC - Wheel Trans	96.8	95.1	-1.8	-1.8%
	TTC Combined	507.8	465.1	-42.8	-8.4%
2013	TTC - Conventional	411.0	365.0	-46.0	-11.2%
	TTC - Wheel Trans	96.8	95.1	-1.7	-1.8%
	TTC Combined	507.8	460.1	-47.7	-9.4%
2014	TTC - Conventional	440.1	393.1	-47.0	-10.7%
	TTC - Wheel Trans	106.8	103.1	-3.8	-3.5%
	TTC Combined	546.9	496.2	-50.8	-9.3%
2015	TTC - Conventional	473.7	463.6	-10.1	-2.1%
	TTC - Wheel Trans	108.8	110.9	2.1	1.9%
	TTC Combined	582.5	574.5	-8.0	-1.4%
2016	TTC - Conventional	493.6	485.9	-7.7	-1.6%
	TTC - Wheel Trans	116.7	118.4	1.7	1.5%
	TTC Combined	610.3	604.3	-6.0	-1.0%
2017 Projected	TTC - Conventional	546.8	511.7	-35.1	-6.4%
	TTC - Wheel Trans	142.7	128.4	-14.3	-10.0%
	TTC Combined	689.5	640.1	-49.4	-7.2%



2018 OPERATING BUDGET



2018 FARE SCHEDULE		
	Current Fare	
<u>Adult</u>		
-Cash	\$3.25	
-Token	\$3.00	
-PRESTO E-Purse	\$3.00	
-Weekly Pass	\$43.75	
-Regular Metropass	\$146.25	
-VIP Tier 1 (50 - 249)	\$131.75	*
-VIP Tier 2 (250 - 499)	\$130.25	*
-VIP Tier 3 (500+)	\$128.75	*
-MDP	\$134.00	
-Post-Secondary Metropass	\$116.75	
<u>Senior/Student</u>		
-Cash	\$2.10	
-Ticket	\$2.05	
-PRESTO E-Purse	\$2.05	
-Weekly Pass	\$34.75	
-Regular Metropass	\$116.75	
-MDP	\$107.00	
<u>Child</u>		
-Cash	\$0.00	
-Ticket	\$0.00	
-PRESTO E-Purse	\$0.00	
<u>Other</u>		
-Day Pass/Family Pass	\$12.50	
-GTA Weekly Pass	\$63.00	
-Downtown Express Sticker	\$43.00	
*VIP program to transition to MDP effective September 2018.		





TTC Conventional Operating Subsidy

	Subsidy Budget	Ridership Budget	Subsidy/Rider	Subsidy/Rider In \$2017
2010	\$430M	462M	\$0.93	\$1.09
2011	\$429M	487M	\$0.88	\$1.01
2012	\$411M	503M	\$0.82	\$0.91
2013	\$411M	528M	\$0.78	\$0.86
2014	\$440M	540M	\$0.81	\$0.88
2015	\$483M	545M	\$0.89	\$0.94
2016	\$494M	553M	\$0.89	\$0.93
2017	\$547M	544M	\$1.01	\$1.01
2017 Projected	\$512M	536M	\$0.96	\$0.96
2018	\$583.7	539M	\$1.08	\$1.08





Operating Subsidy Comparison

Transit System	Operating Subsidy	R/C	Rides	Subsidy/Rider
TTC	\$512M	71%	536M	\$0.96
Montreal	\$488M	56%	416M	\$1.17
New York	\$4,194M	50%	2,395M	\$1.75
Boston	\$577M	41%	252M	\$2.29
Chicago	\$813M	42%	344M	\$2.37
Philadelphia	\$594M	35%	217M	\$2.73
Washington	\$877M	45%	260M	\$3.37
Los Angeles	\$1,220M	22%	296M	\$4.12

TTC (2017 Projected), Montreal (2016), US (2016 in \$US)





Complement Changes: TTC Conventional

2017 TTC Operating Complement (Including in-year adjustment)	12,212
Station Collectors – Reduced requirements due to PRESTO	(51)
Eglinton Crosstown Bus Augmentation	(48)
Service alignment to 2017 actual service level	(40)
Retirement of Orion VII Diesel Bus Fleet	(19)
LFLRV Streetcars (Operation)	(16)
VISION	(5)
TYSSE	26
Pantograph Maintenance for New LFLRV	6
SAP	5
Other Impacts of PRESTO/Legacy Fare Media	3
Implementation of Cost Saving Opportunities	2
Total TTC Conventional Operating Complement Decrease	(137)
2018 TTC Operating Complement	12,075





Complement Changes: Wheel-Trans

2017 Wheel-Trans Complement	571
Operators	10
Dispatchers	4
Service Support	3
Supervisors	2
Manager – Wheel-Trans Transformation	1
Bus Maintenance requirements	(3)
Total Wheel-Trans Complement Increase	17
2018 Wheel-Trans Complement	588





Complement Changes: TTC Capital

2017 TTC Capital Complement	2,213
Project Management Office	23
Replacement of Wood Ties	17
Support for Scarborough Relief Line, Yonge North, Metrolinx, etc.	15
New Stations Model	12
SAP Enterprise Resource Planning System	11
Subway Infrastructure: State of Good Repair	11
T1 Rebuild Program	9
Cost Saving Opportunities (Contractor Conversions)	8
Easier Access Program	6
Operations Engineering Requirements	6
Corporate Network Upgrade	5
Wheel-Trans Transformation Program	5
Additional LFLRVs (net)	4
CCTV Camera Installation	4
Toronto York Spadina Subway Extension	(27)
All Other Changes (Net)	(1)
2018 Total Capital Complement Change	108
2018 TTC Capital Complement	2,321

