STAFF REPORT
ACTION REQUIRED

2018 TTC and Wheel-Trans Operating Budgets

Date:	November 28, 2017
To:	TTC Board
From:	Chief Executive Officer

Summary

This report is seeking the approval of the 2018 TTC and Wheel-Trans Operating Budgets, which includes a request for an additional $36.9 million in TTC operating subsidy and additional $0.7 million in Wheel-Trans subsidy for a combined required subsidy increase of $37.6 million. The increase in subsidy requirement is based on a projected ridership of 539 million rides and reflects an overall reduction of 12 positions. This budget was endorsed by the TTC Budget Committee on November 17, 2017.

The $37.6 million subsidy request reflects a considerable reduction from the 2018 pressures originally identified at the start of the 2018 Budget process. In June, TTC initially reported an $86 million subsidy pressure to the City, comprised of $80 million for TTC and $6 million for Wheel-Trans. Extensive budget and line-by-line reviews have been conducted in the intervening time period that has reduced the combined subsidy pressure by nearly $50 million while:

- Maintaining 2017 service levels provided to customers
- Avoiding a fare increase
- Excluding a one-time draw from the TTC Stabilization reserve.

The 2018 Recommended Operating Budget incorporates the impacts from prior year decisions, as well as costs arising from legislative changes, which in total creates a $51.6 million subsidy pressure including:

- Operation of the Toronto York Spadina Subway Extension (TYSSE) - $25.3 million
- The reversal of the Stabilization Reserve draw - $14 million
- Continued implementation of PRESTO - $8.2 million
- Bill 148: payment of 2 Emergency Leave days - $4.1 million

All other pressures and changes included in the recommended budget net to a $14 million subsidy reduction.

This report outlines the budget pressures and the actions taken to implement reductions and efficiencies to minimize the subsidy requirement. Key budget risks, 2018 workforce requirements and preliminary outlooks for 2019 & 2020 are also incorporated into this report.

Pending TTC Board direction on time based transfers, this budget and staff recommendations exclude the impact of time based transfers. Part 4 of this report summarizes the impact of time based transfers on both the 2018 budget and the future year outlooks.

Recommendations

It is recommended that the Board:

1) Approve the 2018 TTC Recommended Operating Budget as detailed in this report, with gross expenditures of $1.819 billion, revenues of $1.235 billion and net subsidy requirement of $583.7 million, reflecting an additional $36.9 million operating subsidy requirement for TTC Conventional Service over the 2017 budgeted level;

2) Approve the 2018 Wheel-Trans Budget as detailed in this report, with gross expenditures of $152.0 million, revenues of $8.6 million and net subsidy requirement of $143.4 million, reflecting an additional $0.7 million subsidy requirement for Wheel-Trans service over the 2017 budgeted level;

3) Approve a 2018 year-end workforce complement of 14,984 positions as described in Appendix E; and

4) Forward this report to the City Budget Committee and the City Manager as the official 2018 Operating Budget submission for the Toronto Transit Commission.

Financial Summary

Budget Direction

City Council, on May 24, 2017, approved the report *EX25.18 2018 Budget Process – Budget Directions and Schedule*. In doing so, Council directed that all City Programs and Agencies prepare their 2018 net operating budgets equal to the 2017 Approved Net Operating Budget. This directive established a 2018 target for the TTC and Wheel-Trans Operating Budget of a subsidy increase of 0%.

The TTC Board at its meeting on November 21, 2016 also endorsed a fare freeze for 2018. These combined directions, coupled with an objective to preserve the level of service provided to TTC customers in 2017, effectively mandated no notable increase in TTC revenue streams, while requiring the TTC to absorb $51.6 million in cost pressures resulting from the impact of key prior year decisions and legislative changes.

Also consistent with budget guidelines established by the City's previous Deputy City Manager & Chief Financial Officer, the TTC's 2018 Operating Budget was developed without the inclusion of new/enhanced funding requests.

Budget Summary

Consistent with the direction from the TTC Board, the 2018 Budget will retain fares unchanged. In addition, staff have identified substantial reductions to offset 2018 cost pressures, without impacting service levels or standards. However the impact of key prior year decisions and legislative changes, as outlined in the table below, result in a need for a $37.6 million subsidy increase.

2018 Key Cost Drivers ($Millions)				
Description	**Gross**	**Revenue**	**Net***	**Pos.**
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

**Includes Recommended 2017 In-Year Adjustments (No net change to the 2017 Budget)

Excluding the impact of prior year decisions and legislative changes, the Recommended Budget would have reflected a $14 million subsidy reduction. To avoid both a fare increase and substantial service reductions while opening the TYSSE and implementing PRESTO, a combined City subsidy increase of $37.6 million is required.

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 $23.6 million.

For the 2018 Budget, TTC staff have not recommended a draw from the stabilization reserve. This year's change in approach 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 $51 million in proposed reductions (Conventional and Wheel-Trans) and 2018 expenditure provisions; and
- Avoids the 2019 Budget pressure that will arise from the use of this one-time funding source in 2018.

The Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Accessibility/Equity Matters

All expenditures required to meet the TTC's accessibility and equity requirements are provided for in these budgets.

Decision History

At its meeting on November 21, 2016, the TTC Board approved the 2017 TTC and Wheel-Trans Operating budgets and endorsed a fare freeze for 2018:
http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2016/November_21/Reports/Decisions/2017_TTC_and_Wheel_Trans_Operating_Budgets.pdf

At its meeting on May 24-26, 2017, City Council approved the 2018 Budget Process - Budget Directions and Schedule report, which mandated: "all City Programs and Agencies be directed to prepare their 2018 net operating budgets equal to the 2017 Approved Net Operating Budget."
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.18

At its meeting on November 17, 2017, the TTC Budget committee endorsed the 2018 TTC and Wheel Trans operating budgets, with a combined City operating subsidy requirement of $37.6 million and a 2018 year-end workforce complement of 14,984 positions.
http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Budget/2017/November_17/Reports/1_2018_TTC_and_Wheel-Trans_Operating_Budgets.pdf

PART 1: 2018 TTC OPERATING BUDGET

2018 Conventional Budget Pressures and Actions Taken

The 2018 recommended TTC Conventional operating budget includes an increased subsidy requirement of $36.9 million, comprised of $97.3 million in opening base pressures offset by $60.4 million in budget reductions and refined estimates. The $97.3 million in opening budget pressures are identified in the following table.

	Opening Pressure		
($M)	TTC Opening Pressures	Budget Reductions	Net Opening Pressure
Impacts of Major Customer Initiatives			
TYSSE	29.5		29.5
PRESTO	13.0		13.0
Impact of Major Customer Initiatives	42.5		42.5
Prior Year Impacts & Inflation			
Reversal of Stabilization Reserve	14.0		14.0
CBA to March 31, 2018	6.7		6.7
Annualization of faregate contract	1.8		1.8
Annualization of 2017 workforce and service changes	1.6		1.6
Benefit Inflation & Utilization	9.0		9.0
Material Price Increase (2%)	2.8		2.8
Utility Price Change	2.3		2.3
Diesel Price Change	1.5		1.5
Prior Year Impacts & Inflation	39.7		39.7
Legislative Change			
Bill 148 - Emergency Leave (Minimal costs)	4.1		4.1
Legislative Change	4.1		4.1
Operating Impact of Capital			
SAP: Managed Services, Licenses & Operational Support	2.1		2.1
Vision: Equipment Maintenance and Training Backfill Impacts	1.6		1.6
Vehicles Off Warranty & Pantograph Maintenance	3.7		3.7
Orion VII diesel retirements		(11.0)	(11.0)
Operation of additional LFLRVs		(1.6)	(1.6)
Lease savings - New Markham Road Facility		(1.0)	(1.0)
Total Operating Impacts of Capital	7.4	(13.6)	(6.2)
Other Base Changes			
Service commensurate with 539M rides	(2.4)		(2.4)
Vehicle Maintenance	2.0		2.0
Plant & Facility Maintenance	1.0		1.0
IT Licenses & Contracts	2.0		2.0
Employee Benefit Budget Reductions		(4.0)	(4.0)
All other Changes (Net)	2.0		2.0
Total Other Base Changes	4.6	(4.0)	0.6
Other Base Revenue Changes			
Passenger Revenue: Average Fare offsetting ridership decrease	(3.5)		(3.5)
Commuter Parking Revenue (excluding TYSSE lots)	2.5		2.5
Total Other Base Revenue Changes	(1.0)		(1.0)
TOTAL OPENING PRESSURE	97.3	(17.6)	79.7

<u>Budget Reductions and Efficiencies identified</u>

<u>Initial Reductions – Included in Original Submission</u>

In June 2017, a $79.7 million subsidy pressure was initially reported to the City for TTC Conventional service. As outlined in the table on the previous page, the $79.7 million pressure was comprised entirely of requirements related to TYSSE, PRESTO, impacts of prior year decisions and inflation.

The $79.7 million opening pressure had already included $17.6 million in budget reductions as outlined in the following table and described below:

Expenditure Reductions - Included in Original Submission	($M)
Retirement of Orion VII Diesel Bus Fleet	(11.0)
Reduction in Benefit Expenses	(4.0)
Conversion of 504, 505 and 512 to LFLRV operation	(1.6)
Malvern Site - No Interim Garage	(1.0)
Expenditure Reductions - Included in Original Submission	(17.6)

Retirement of Orion VII Diesel Bus Fleet
The retirement of the Orion VII diesel bus fleet is being made possible by leveraging the Public Transit Infrastructure Fund (PTIF) program to acquire additional buses. As the average age of the TTC bus fleet is reduced, with a considerable proportion under warranty, related bus maintenance costs will be reduced.

Reduction in Benefit Expenses
Based on early benefit cost trends (in particular for health and dental benefits claims), $4 million was removed from the 2018 budget.

Conversion of 504, 505, 512 to LFLRV Operation
The conversion of the 512, 505 and 504 streetcar routes to LFLRV operation will result in operating savings of $1.6 million as additional vehicles are delivered.

Malvern Site – No Interim Garage
Earlier this year, the TTC acquired a facility adjacent to the Malvern bus garage. This purchase alleviated the need for an interim bus garage, allowing $1 million to be removed from the budget and also avoided the annualization of this lease cost.

<u>Additional Reductions and Efficiencies Identified</u>

Following the June 2017 preliminary submission to the City, extensive budget and line-by-line reviews have been conducted that has reduced the TTC Conventional subsidy pressure by an additional $42.8 million. This was achieved through $31 million in base budget reductions, efficiencies and savings identified by the line-by-line review and $11.8 million in adjustments to the originally identified pressures. These reductions were identified and implemented while:

- Maintaining 2017 service levels provided to customers
- Avoiding a fare increase
- Not drawing upon the TTC Stabilization reserve

Items that resulted in additional budget reductions are identified in the following table and described in greater detail below.

Expenditure Reductions - Identified Following Original Submission	($M)
Vehicle and Facility Maintenance	(8.0)
Benefits	(5.7)
Diesel consumption rate and hedging	(5.5)
Accident Claims	(3.0)
Efficiency Savings	(3.0)
Streetcar Leslie Barns gapping - LRV delay	(1.4)
Utility Price Adjustments	(1.0)
VIP Program: Transition to MDP	(0.5)
All Other Changes	(2.9)
Expenditure Reductions - Identified Following Original Submission	(31.0)

Vehicle and Facility Maintenance:
A comprehensive review was completed of all vehicle and facility maintenance requirements with a number of adjustments made totalling $8 million including:

- Alignment of 2018 budget for hybrid bus battery replacements and facility maintenance requirements based on actual experience in 2017.
- Identification of budget savings made possible as a result of lower streetcar track maintenance requirements following recent installations and replacements.
- Reduced requirements related to various track and electrical contracts.
- Adjustments to T1 maintenance costs to reflect lower contract pricing and refinements to requirements.

Benefits:
Based on trends in benefit costs and actions taken to eliminate fraudulent claims, an additional $5.7 million was removed from the base budget.

Diesel:
A comprehensive review of diesel costs was undertaken, resulting in $5.5 million in savings through:

- Anticipated vehicle replacements in 2018, the new and remaining fleet is expected to be more fuel efficient than the existing fleet, resulting in anticipated consumption savings.
- The hedging of 84% of the 2018 diesel fuel requirements, at an average price below the 2017 budgeted price.

Accident Claims
As a result of a number of initiatives including, improved video evidence in certain cases, and the impact of previously enacted legislated reforms, accident claim cash payments have declined, resulting in a $3 million reduction in the budget.

Efficiency Savings
As a result of initiatives predominately undertaken in the Material and Procurement department efficiency savings are estimated at $3.0 million as follows:

- Increased use of blanket orders to achieve more competitive pricing on material requirements.
- Enhancements to aftermarket parts warranty programs to enable increased use of warranty claims when premature part failures occur.
- Improved core management processes to ensure that wherever possible part cores are returned to suppliers to yield savings on high dollar value part replacements.
- Comprehensive review of invoicing to ensure special terms secured through procurement process are reflected on supplier invoices.

Streetcar Leslie Barns gapping – LRV delay
As a result of the delay in LRV vehicle deliveries, the hiring of certain positions at Leslie Barns has been temporarily deferred. This will save $1.4 million in 2018, but will need to be added back to the budget for 2019.

Utility price adjustments
Updated price forecasts for utility costs have enabled a $1 million reduction in the budget**.**

VIP Program: Transition to MDP
Volume Incentive Plan (VIP) customers will be transitioned to the Metropass Discount Plan (MDP) Program in 2018. The VIP Program is not supported under PRESTO and as such this transition would need to occur when legacy fare media is eliminated upon full implementation of PRESTO. This transition is expected to generate an additional $0.5 million in passenger revenue.

Other
Other budget reductions identified and implemented were primarily based on 2017 year-to-date results for various material requirements.

Review of all 2018 budget pressures

In addition to reviewing the base budget for reductions, all 2018 forecasted pressures were reviewed for potential reductions, with the following items identified.

Expenditure Reductions - Identified Following Original Submission	($M)
Revised Forecasts/Cost Estimates	
PRESTO	(4.7)
TYSSE	(4.2)
Impact of Vehicles Coming off Warranty	(2.1)
Other Adjustments	(0.8)
Total Revised Forecast/Cost Estimate	(11.8)

PRESTO
Current adoption rates and transition plans for PRESTO were reviewed. Based on current PRESTO adoption rates and installation status it was determined that initially projected Q1 2018 pass adoption rates were unlikely to be achieved resulting in the deferral of $4.7 million in transaction costs from 2018 to 2019.

TYSSE
TYSSE cost estimates and requirements were reviewed. Reductions to preliminary cost estimates and the deferral of certain maintenance requirements will save $4.2 million in 2018.

Impact of Vehicles coming off warranty
Maintenance requirements for vehicles coming off warranty were reduced, primarily due to the exceptional service performance of the TR vehicles to date. In addition, estimates for LRV vehicle parts coming off warranty were adjusted.

TTC Conventional Subsidy Requirement

After the application of all budget reductions and pressure adjustments, the TTC Conventional Subsidy requirement is $36.9 million, which is summarized in the table on the next page.

TTC CONVENTIONAL SOURCES OF SUBSIDY REQUIREMENT ($M)	Expense	Revenue	Net	Complement
2017 Approved Budget (with in-year adjustment)	1,798.4	1,251.6	546.8	12,212
Impacts of Major Customer Initiatives				
TYSSE	21.3	(4.0)	25.3	26
PRESTO	8.3		8.3	(48)
Impact of Major Customer Initiatives	29.6	(4.0)	33.6	(22)
Prior Year Impacts & Inflation				
Reversal of Stabilization Reserve		(14.0)	14.0	
CBA to March 31, 2018	6.7		6.7	
Annualization of faregate contract	1.8		1.8	
Annualization of 2017 workforce and service changes	1.6		1.6	
Material Price Increase (2%)	2.8		2.8	
Benefits, Utilities & Diesel - net of budget reductions	0.2		0.2	
Prior Year Impacts & Inflation	13.1	(14.0)	27.1	
Legislative Change				
Bill 148 - Emergency Leave (Minimal costs)	4.1		4.1	
Legislative Change	4.1		4.1	
Operating Impact of Capital				
SAP: Managed Services, Licenses & Operational Support	2.1		2.1	5
Vision: Equipment Maintenance and Training Backfill Impacts	1.6		1.6	(5)
Vehicles Off Warranty & Pantograph Maintenance	1.6		1.6	6
Operating Impact of Capital reductions in preliminary submission	(13.6)		(13.6)	(35)
Total Operating Impacts of Capital	(8.3)		(8.3)	(29)
Other Base Changes				
Service commensurate with 539M rides	(2.4)		(2.4)	(40)
Other Base Changes, including reductions not reflected above	(15.7)	0.5	(16.2)	(46)
Total Other Base Changes	(18.1)	0.5	(18.6)	(86)
Other Base Revenue Changes				
Passenger Revenue: Average Fare offsetting ridership decrease		3.5	(3.5)	
Commuter Parking Revenue (excluding TYSSE lots)		(2.5)	2.5	
Total Other Base Revenue Changes		1.0	(1.0)	
TOTAL SUBSIDY REQUIREMENT - STAFF RECOMMENDED	20.4	(16.5)	36.9	(137)
2018 TTC Conventional Budget	1,818.8	1,235.1	583.7	12,075

Appendix A provides a table showing the breakdown of 2018 revenues and expenses compared with the 2017 budget.

An explanation of each of the key cost drivers is included in Appendix D.

An explanation of the operating budget complement change is included in Appendix E.

Option to Reduce Subsidy Requirement

While not recommended by staff, the TTC Board can amend the 2018 Budget to include a draw of $14 million from the TTC Stabilization Reserve, consistent with the 2017 approved Budget. This would reduce the 2018 TTC Conventional subsidy requirement to

$22.9 million as noted below, but also increase the 2019 subsidy pressure by a corresponding amount.

($M)	Net
TOTAL SUBSIDY REQUIREMENT - STAFF RECOMMENDED	36.9
Option to reduce subsidy: Stablization Reserve Draw	(14.0)
TOTAL SUBSIDY REQUIREMENT - WITH RESERVE DRAW	22.9

Ridership & Passenger Revenue

The budgeted ridership for 2018 is 539 million rides, representing a 3 million increase over the 2017 projection but a decrease of 4.8 million rides from the 2017 budget of 543.8 million. The 539 million ridership level includes 1.2 million rides associated with the TYSSE.

	2018 Budget	2017 PA	2017 Budget	Change vs PA	Change vs Budget
Ridership	539M	536M	543.8M	3M	(4.8M)
Passenger Revenue	$1,175.4M	$1,167.1M	$1,168.4M	$8.3M	$7M
Average Fare	$2.1807	$2.1774	$2.1486	0.3 cents	3.2 cents

Passenger revenue is expected to increase by $7 million, relative to the 2017 Budget. Approximately $3 million of this revenue increase is due to incremental rides associated with the TYSSE and the balance is due to an increase in average fare, offsetting the impact of the reduction in ridership. The ridership and passenger revenue trends are discussed in greater detail in Appendix C.

Service

Service to be operated in 2018 will be sufficient to accommodate an annual ridership level of 539 million rides within approved service standards.

The 2018 service budget represents a 0.15% increase in service hours compared to the 2017 Service Budget, primarily due to the net impact of the increase in subway service hours for the TYSSE extension offset by a reduction in bus service hours in the TYSSE area as approved by the TTC Board at its meeting on May 18, 2017.

The 2018 service budget has also incorporates adjustments to align the service budget to the actual service levels being operated, which were lower than the 2017 budgeted level primarily due to fleet restrictions. As a result, these adjustments incorporate a reduction in service hours for streetcar and a corresponding increase in service hours for bus replacement service.

The 2018 budgeted service level and key changes (excluding construction service) are summarized in the following table:

Annual Service Hour Summary				
	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				

PART 2: 2018 WHEEL-TRANS OPERATING BUDGET

The Wheel-Trans budget has a subsidy requirement of $0.7 million, which has been significantly reduced from the opening pressure of $7.3 million, as outlined in the following table. This reduction of $6.6 million was achieved through $2.5 million in base budget reductions and line-by-line reviews, with the balance of $4.1 million resulting from a revised ridership forecast.

($M)	WT Opening Pressures	Budget Reductions	Net Opening Pressure	Reduction in 2018 Ridership Forecast	Budget Reductions & Line-By-Line	Total Net Change
Prior Year Impacts & Inflation						
CBA to March 31, 2018	0.3		0.3			0.3
Benefit Inflation & Utilization	0.5		0.5		(0.5)	
Diesel Price Change	0.1		0.1		(0.4)	(0.3)
Prior Year Impacts & Inflation	0.9		0.9		(0.9)	
Operating Impact of Capital						
PRESTO fees	0.1		0.1			0.1
Maintenance reductions - new fleet					(0.3)	(0.3)
Total Operating Impacts of Capital	0.1		0.1		(0.3)	(0.2)
Other Base Changes						
Service requirements comensurate with demand	6.3		6.3	(4.1)		2.2
Functional Assessments and Appeals		(0.9)	(0.9)		(0.3)	(1.2)
Other Base Changes					(0.1)	(0.1)
Total Other Base Changes	6.3	(0.9)	5.4	(4.1)	(0.4)	0.9
TOTAL SUBSIDY REQUIREMENT	7.3	(0.9)	6.4	(4.1)	(1.6)	0.7

The 2018 Wheel-Trans Operating budget has been developed to address an increasing demand for service, prepare for evolving service delivery methods, and increase efficiency on Wheel-Trans Buses.

WT Ridership

	2018 Budget	2017 Projected	2017 Budget
Ridership in (‘000)	4,808	4,312	4,723
2018 Ridership increase relative to 2017		496	85
2018 Ridership percentage change relative to 2017		11.5%	1.8%

The 2018 Wheel-Trans budget incorporates an 11.5% growth rate between the 2017 year-end projected ridership of 4.3 million and the 2018 budgeted ridership of 4.8 million. The projected growth rate in 2018 is consistent with the growth rate experienced in 2017 after the implementation of the new eligibility criteria that commenced on January 1, 2017 based on added classifications of disabilities as required by AODA. This includes the requirement to assess any disability (including cognitive) as a possible impediment to riding the conventional system versus the previous model of a mobility disability being the only factor.

WT Cost Drivers and Efficiencies

The key cost driver for Wheel-Trans service has always been the continuously growing ridership levels. Actions are ongoing primarily through the Family of Services to mitigate the financial impact of growing ridership.

Relative to the 2017 budget, budgeted ridership is increasing 1.8%, while the subsidy requirement is increasing by only 0.5%. This has been accomplished through the budget reductions noted below.

Wheel-Trans Budget Reductions

Functional Assessment and Appeals

The former application process involved a full third party assessment and interview for each applicant. With the AODA-mandated expansion of the eligibility criteria effective January 1st, 2017, combined with the enhanced documentation requirements on the application form, it has been determined that an audit based approach is more cost effective, enabling Wheel-Trans to reduce costs by $1.2 million.

New vehicle fleet

65 new Promaster Mini-Buses are expected to be received by year-end 2018. These vehicles will be more suited to navigating smaller streets in Toronto than the current fleet and are expected to have lower operating costs compared to the existing Friendly Buses, saving $0.3 million.

Employee Benefits and Diesel

Consistent with the TTC Conventional Operating budget, the impacts of the diesel hedging and trends in benefit costs have also been proportionally reflected in the Wheel-Trans budget, saving $0.9 million.

Investing for future efficiencies

As described in Appendix E, the Wheel-Trans budget includes the addition of 17 positions. The additional resources will accommodate the 85,000 increase in budgeted ridership in 2018 and implement a new strategic approach to operations, to achieve operational efficiencies in the delivery of Wheel-Trans Bus service.

Appendix F shows the year-over-year changes in budgeted revenues and expenses, relative to 2017.

PART 3: PRELIMINARY 2019-2020 BUDGET OUTLOOKS

Preliminary subsidy requirement outlooks for TTC Conventional and Wheel-Trans service reflect an anticipated incremental base subsidy requirement of $54.8 million in 2019 and $13.3 million in 2020 as outlined in the table below. These outlooks do not include the impact of the Collective Bargaining Agreements which will be negotiated in 2018, or the impact of the Ridership Growth Strategy which is currently under development. Any direction resulting in future year pressures will need to be added to these outlooks. These outlooks also assume an inflationary fare increase in each year.

Outlooks: Base Incremental Subsidy Requirements	**($M)**	
TTC Conventional	**2019**	**2020**
Economic Factors (Energy, Benefits, Material Price Increase)	33.3	27.0
PRESTO Fees	31.3	1.7
Legacy Fare Media Elimination	(13.0)	
New Station Model	(4.1)	
One Person Train Operation	0.2	(12.4)
New Bus Garage/Maintenance Facilities	3.6	11.3
Deferral reversal (re LRV & TYSSE)	4.0	
Inflationary Fare Increase	(20.0)	(20.0)
All other changes (net)	9.3	(2.3)
Subtotal: TTC Conventional Base Subsidy Pressure	44.6	5.3
Wheel-Trans		
Economic Factors (Energy, Benefits, Material Price Increase)	1.3	0.7
Ridership Increase (11.5% in 2019, 10% in 2020)	11.1	10.7
Family of Services Efficiencies	(2.2)	(2.2)
All other changes (net)		(1.2)
Subtotal: Wheel-Trans Base Subsidy Pressure	10.2	8.0
Overall Combined Base Subsidy Pressure	**54.8**	**13.3**

On-Going Major Transformational Projects

Several transformative projects are ongoing, which will enhance customer service while generating costs savings and/or cost avoidance in future years. Key transformative projects which will be implemented over the next few years include:

- 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.

The financial impact of these transformational projects has been incorporated into the 2018 budget and the 2019 and 2020 Outlooks.

PART 4: IMPACT OF TIME BASED TRANSFERS

During the TTC Budget Committee meeting of November 17, 2017, staff were directed to report to the November 28, 2017 Special Board meeting on the implications of a time-based transfer on all routes in 2018.

This report on time-based transfer will be considered concurrently with the 2018 TTC Operating Budget, endorsed by the TTC Budget Committee on November 17, 2017.

Pending Board direction, the 2018 TTC Operating Budget does not currently include the financial impact of the proposed TTC fare policy change to adopt a Two-hour Transfer on PRESTO from August, 2018.

The report entitled, *Introducing a Two-Hour Transfer Policy* notes that a two-hour time based transfer would have a net cost of $11.1million in 2018 based on an implementation in August 2018, and a full year cost of $20.9 million resulting in annualized pressure of $9.4 million and $0.4 million in 2019 and 2020 respectively.

Implementing a Two-hour Transfer Policy will also necessitate an increase of approximately 850 weekly service hours. Of the approximately 850 additional weekly service hours required, 250 weekly hours can be accommodated within the existing TTC Operating Budget. The additional 600 weekly service hours will be implemented during 2019 and 2020 to support the ridership growth expected with two-hour transfer initiative. The annual cost for the increased service hours is approximately $3.6 million when fully implemented in 2020.

The table on the following page shows the financial impact of time based transfers as noted in the *Introducing a Two-Hour Transfer Policy* report.

TWO HOUR TIME BASED TRANSFER IMPACTS

TWO HOUR TIME BASED TRANSFER IMPACTS	2018	2019	2020
New Revenue Trips (M)	0.4	1.0	1.5
Revenues ($M):			
Existing Revenue Trips Paid-to-Free	($6.3)	($22.4)	($22.4)
New Revenue Trips	$1.2	$2.8	$4.2
Sub-Total	**($5.1)**	**($19.6)**	**($18.2)**
Expenses ($M):			
PRESTO Fees – Accelerated E-purse Adoption	$1.3	$0	$0
PRESTO Fees – Not Applicable to Free Rides	($0.3)	($0.9)	($0.9)
Increased Service Hours	$0	$1.8	$3.6
One-Time Operating Contribution to Capital*	$5.0	$0	$0
Sub-Total	**$6.0**	**$0.9**	**$2.7**
Net Subsidy Impact Requirement	**$11.1**	**$20.5**	**$20.9**

*Final amount is subject to interpretation of the TTC-Metrolinx Master Agreement and potential negotiation.

The following table highlights the impact that two-hour time based transfers will have on the 2018 incremental subsidy requirement, which will increase from $37.6 million to $48.7 million, subject to Board direction on this transfer policy.

2018 Operating Budget: Impact of Time Based Transfers ($Millions)

Description	Gross	Revenue	Net	Pos.	Conventional Ridership
2017 Combined TTC + WT Operating Budget	**1,955.5**	**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	**1,976.8**	**1,249.6**	**727.1**	**14,984**	**539.0**
Implementation of Time Based Transfers (May 2018)	6	-5.1	11.1		0.4
2018 TTC Conventional Operating Budget, Including Time- Based Transfers	**1,982.8**	**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%**

There will be a further incremental subsidy requirement of $9.4 million in 2019 and an additional $0.4 million in 2020, to arrive at the total annual net cost of the two-hour time based transfers of $20.9 million. The change in the 2019 and 2020 outlooks is summarized in the table on the next page:

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**
Note: Excludes Collective Bargaining Impacts and the impact of the Ridership Growth Strategy. Impact of Ridership Growth Strategy will be added following Board Direction.		

Contact

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Attachments:
- Appendix A: TTC 2018 Operating Budget
- Appendix B: Budget Risks
- Appendix C: TTC Ridership and Revenue Trends
- Appendix D: TTC Key Cost Drivers
- Appendix E: Workforce
- Appendix F: Wheel-Trans 2018 Operating Budget
- Appendix G: Long-Term Liability Reserve

APPENDIX A

TORONTO TRANSIT COMMISSION
2018 OPERATING BUDGET

($000s)

REVENUES	**2017 BUDGET**	**2018 BUDGET**	**2018 vs. 2017 BUDGET CHANGE**
Passenger Revenues	1,168,360	1,175,360	7,000
Outside City Services & Charters	15,598	7,574	(8,024)
Advertising	28,292	28,350	58
Rent Revenue	11,148	10,591	(557)
Commuter Parking	12,291	10,836	(1,455)
Other Income	1,933	2,369	436
TOTAL REVENUES	1,237,622	1,235,080	(2,542)
EXPENSES			
CEO's Office	18,560	19,184	624
People Group	36,157	38,470	2,313
Strategy and Customer Experience Group	20,808	21,855	1,047
Engineering, Construction and Expansion Group	4,352	4,664	312
Corporate Services Group	58,962	64,625	5,663
Operations Group	318,046	330,282	12,236
Service Delivery Group	765,558	752,010	(13,548)
Employee Benefits	302,100	305,405	3,305
Vehicle Fuel	82,889	75,908	(6,981)
Traction Power	58,884	64,184	5,300
Utilities	28,833	31,093	2,260
Depreciation	28,999	27,186	(1,813)
Taxes, Licences and Insurance	8,025	8,498	473
Accident Claim Payments/Contribution to Reserve	33,200	30,200	(3,000)
Non-Departmental Expenses/Cost Recoveries	33,109	45,257	12,148
TOTAL EXPENSES	1,798,482	1,818,822	20,340
Operating Subsidy Required	560,860	583,742	22,882
Operating Subsidy Available	546,846	546,846	-
Draw from TTC Stabilization Reserve	14,014	-	(14,014)
TTC CONVENTIONAL SURPLUS / (SHORTFALL)	-	(36,896)	36,896
WHEEL-TRANS SURPLUS / (SHORTFALL)		(746)	
TOTAL SURPLUS / (SHORTFALL)		(37,642)	

Note:

1. All figures by group are subject to refinement.
2. City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. Consistent with the practice since then, the budget of $40,300 for these non-cash expenses has been deducted to match the City's subsidy for the current year.
3. Refer to Appendix F for details of the Wheel-Trans shortfall.
4. Refer to Appendix G for details on the contribution to reserve.

APPENDIX B

BUDGET RISKS

Risks inherent to the 2018 Recommended Budget, as outlined below have been assumed based on recommended base budget reductions and revisions to forecast costs in an attempt to reduce the overall subsidy requirement.

- **Bill 148:** Impact of Bill 148 (Fair Workplaces, Better Jobs Act) incorporates impact of 2 paid emergency leave ($4.1 million) based on actual experience with unpaid days only. No provision has been made for any increased use of emergency leave, nor has any other impact for this sweeping legislation been incorporated into the budget at this time.

- **Pace of PRESTO adoption rates:** Currently assuming gradually increasing adoption rates, averaging 45% throughout the year and reaching 100% (excluding cash) adoption by year-end. Any earlier shift (increasing the average adoption rate over the course of the year) will result in higher PRESTO transaction fees. Every 2% increase in average adoption rates will result in additional 2018 transitional costs of $1.1 million.

- **Impact of Average Fare:** A 3.2 cent increase in average fare, based on the experience in 2017, has been incorporated into the 2018 budget to offset the impact of a reduction in passenger rides. As pass products become increasingly available on PRESTO, the improvement in the average fare experienced to date, may not continue to trend. Each 1 cent reduction in average fare results in a budget pressure of $5.4 million.

- **Accident Claims:** Based on the cash payment experienced in 2017, a $3 million reduction was made to the accident claims budget. However, this budget is now close to $4 million below the appointed actuary's estimate of expected accident claim cash payments in 2018. This particular risk is mitigated through the Long-Term Liability Reserve discussed in appendix G.

- **LRV deliveries:** The budget assumes that a sufficient number of LRV vehicles will be received from Bombardier to convert the 504, 505 and 512 routes to full LRV operation. In the event that Bombardier fails to deliver on its commitment, additional operating expenses will be incurred as more vehicles will be required to service these routes than currently budgeted.

- **Material Expenditure Budgets:** Through line-by-line reviews, $11.2 million in material expenses were removed from the base budget. This will impact the TTC's ability to absorb the cost of any unexpected maintenance or repair requirements.

- **Diesel consumption:** Based on vehicle specifications $3.6 million was removed from the diesel budget to reflect anticipated improvements in diesel consumption upon the delivery of new buses. Depending on actual consumption the savings achieved may vary.

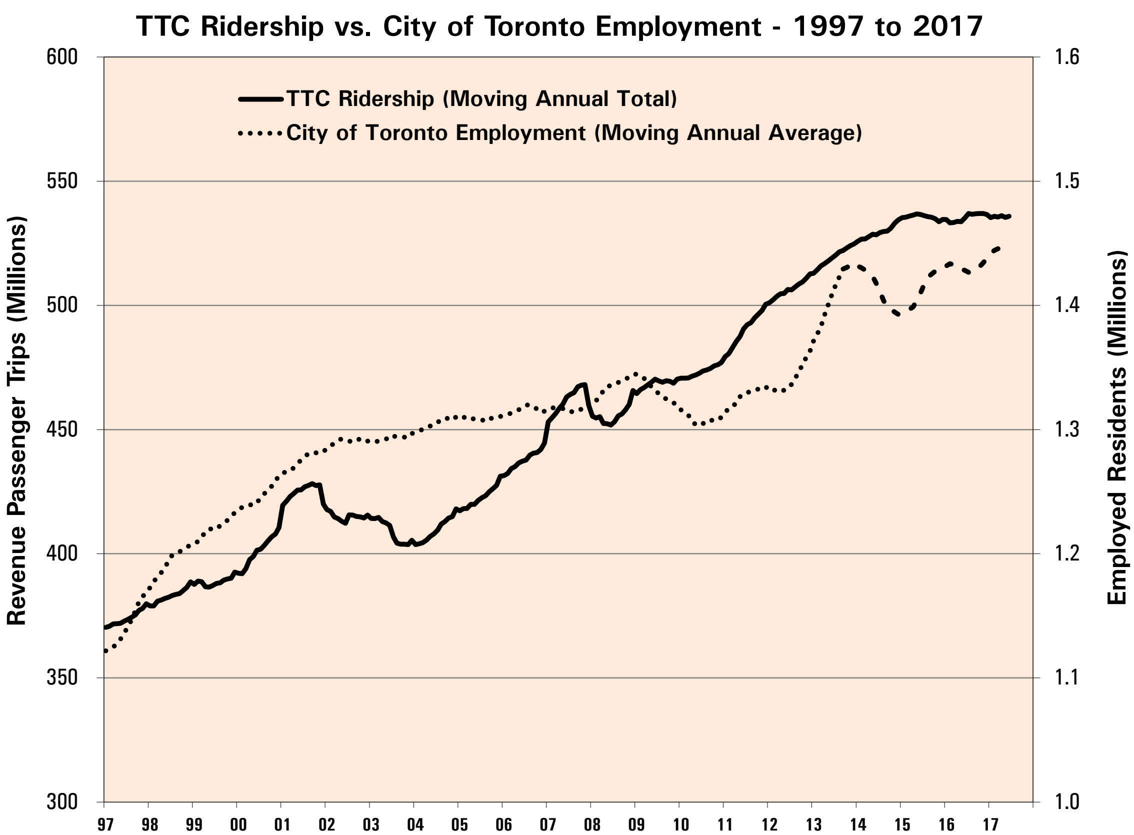
- **Benefits:** $10 million has been removed from the budgets based on current trends. Should future spending rates vary from these trends the actual savings achieved may vary.

- **Wheel-Trans Ridership:** Upgrades to reservations systems and the introduction of a wireless solution for booking trips will improve customer service performance by reducing wait times and call abandonment rates. This in turn can result in an increase in ridership demand, which has not been incorporated into the ridership growth forecast. Each 1% increase in Wheel-Trans demand can increase expenses by approximately $1 million.

TTC Conventional: Ridership and Revenue Trends

The starting point for the TTC operating budget process is the ridership forecast for the upcoming year. Ridership is affected by a combination of factors including employment levels, demographics, retail trade activity, travel and tourism patterns, service levels, transit fares, income levels, gasoline/automobile prices, and vehicle parking availability and rates. Some factors affect ridership in the longer-term such as demographics and income level. Other factors such as energy prices, employment levels, tourism, retail trade, and significant world events can have both short and long-term ridership consequences. Other than service levels and fares, key variables that impact ridership are largely beyond the control of the TTC.

Historically, City of Toronto employment levels have had the most significant impact on ridership, as can be seen in the following chart:



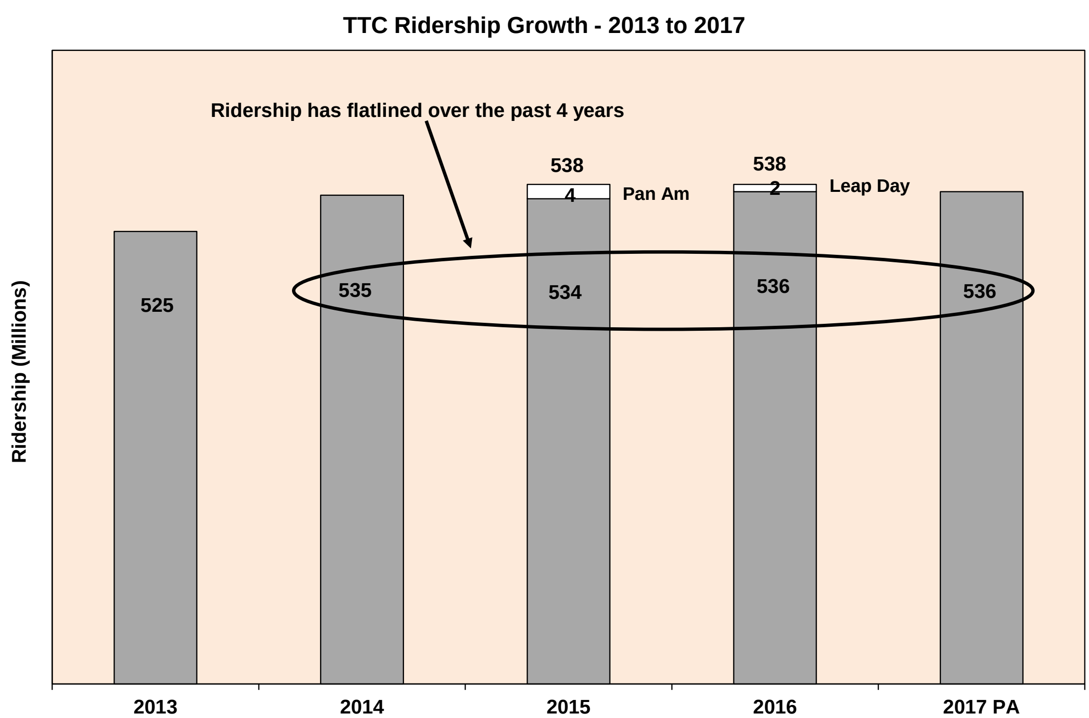
The chart illustrates the close relationship between City of Toronto employment and TTC ridership for the past two decades.

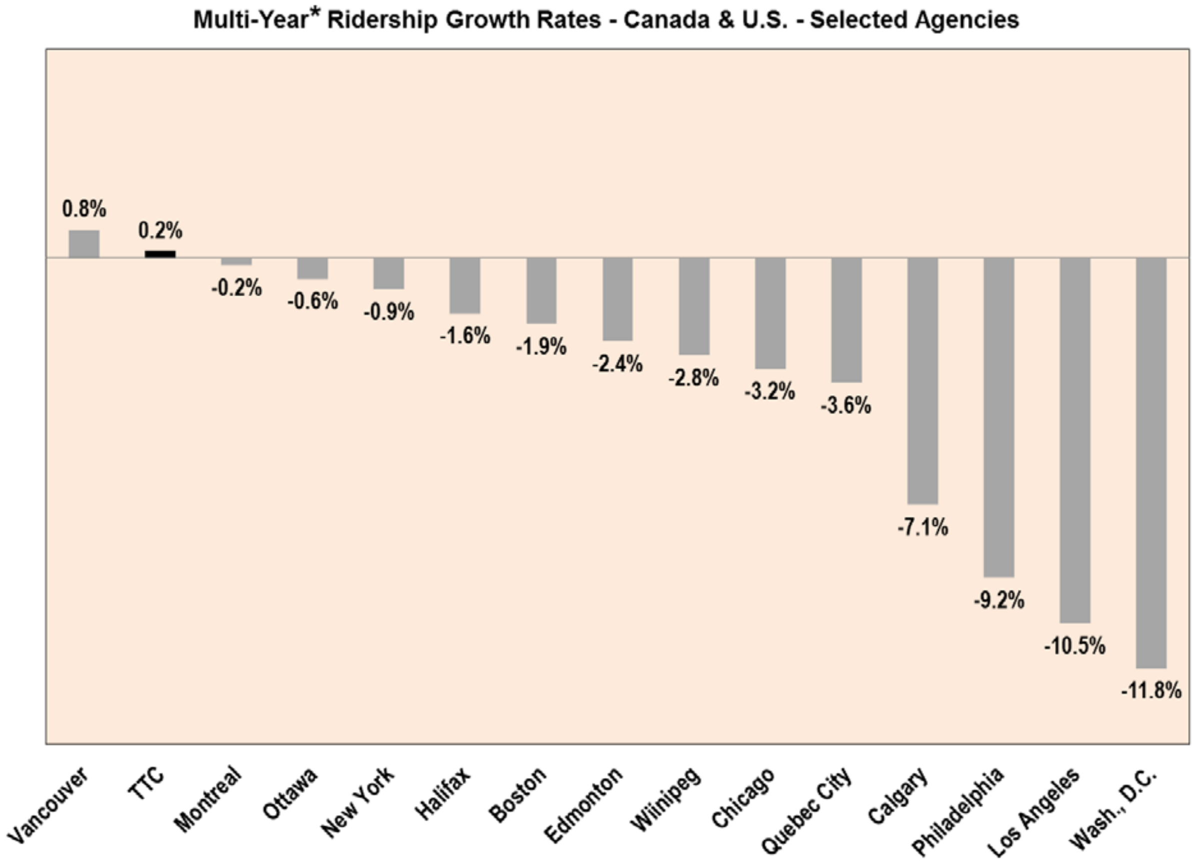
In recognition of the employment-ridership relationship, the TTC uses economic forecasts for the Toronto Census Metropolitan Area (CMA) that are produced by the Conference Board of Canada (CBoC) to establish its ridership forecasts. These forecasts, which include predicted growth in employment, Gross Domestic Product (GDP), population, and inflation, are subject to ongoing refinement by the CBoC. This is illustrated in the following table, which compares the CBoC's three most recent economic forecasts for 2018:

TORONTO CMA ECONOMIC FORECASTS FOR 2018			
MEASURE	AS AT WINTER 2017	AS AT SPRING 2017	AS AT AUTUMN 2017
Employment	+2.2%	+2.3%	+1.1%
GDP	+2.5%	+2.5%	+2.5%
Population	+1.5%	+1.4%	+1.5%
CPI	+1.9%	+2.0%	+2.0%

Of note is that employment growth has been lowered significantly in the most recent forecast. The predicted growth of 1.1% is reflective of the average annual employment growth of 1.4% from 2014 to 2017, which, in turn, was much lower than the average annual growth of 2.4% from 2010 to 2013.

The slowing employment growth rates are mirrored in the TTC's ridership growth. From 2010 to 2014, average annual TTC ridership growth was 2.7%. With a 2017 probable ridership of 536 million, TTC ridership will have grown by only 0.2% from 2015 to 2017. The following chart illustrates the minimal growth in TTC ridership since 2014 (the data have been normalized by excluding the Pan Am free rides allowance in 2015 and the extra calendar day in 2016):





Based on the above-noted employment and ridership growth trends, 2018 TTC ridership is projected to be 539 million. This represents a small growth of 3 million rides (+0.6%) from the predicted 2017 year-end ridership of 536 million. Half of the increase of 3 million rides is expected to come from new incremental ridership of 1.2 million generated by the Toronto-York Spadina Subway Extension (TYSSE) and 0.3 million new rides generated by the TTC-GO Co-Fare initiative. Excluding these components, the remaining 1.5 million rides represent a very marginal growth rate of +0.3%.

The total projected ridership growth of 0.6% for 2018 is reasonably conservative, particularly in comparison to the ridership budgets in 2016 and 2017. A 0.6% growth rate in 2018 is viewed as being achievable in the context of both the development of a TTC Ridership Growth Strategy throughout 2018 and recently emerging ridership trends in the GTHA. Most municipal transit agencies in the GTHA, which are affected by many of the same general economic and demographic factors as the TTC, are exhibiting some ridership growth in 2017; the unweighted average ridership growth for six GTHA agencies year-to-date in 2017 is 1.8% versus flatlined (-0.1%) growth in 2016.

The following table illustrates the budget reduction of 5 million rides from 2017 to 2018. Also illustrated is the projected ridership variance between the 2017 budget and the 2017 probable of 8 million rides (-1.5%). This variance is mainly attributable to employment growth in 2017 now being expected to be lower than originally forecasted by the CBoC, continuing negative growth in Adult Metropass sales, and a lag effect in achieving new ridership from service enhancements.

MILLIONS	2017 BUDGET	2017 PROBABLE	2018 BUDGET	2018 BUDGET vs. 2017 BUDGET
RIDERSHIP	543.8	536	539	(4.8)

Appendix D

TTC Conventional: Key Cost Drivers

TYSSE

The first full year of TYSSE will result in a $25.3 million pressure comprised of:

TYSSE Subsidy Pressure	**($M)**
Net Expense Increase	21.3
Revenue reduction – Outside City Services	8.0
Passenger Revenue Increase – 1.2M new rides expected	(3.0)
Increase in Commuter Parking revenue – new lots	(1.0)
Total TYSSE Subsidy Pressure	**25.3**

The $21.3 million 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.

PRESTO

PRESTO payments have been enabled on all TTC buses, streetcars and subway stations. The 5.25% fee on PRESTO transactions is now being paid and will increase as more customers adopt this new payment method. An additional $8.3 million is budgeted for fees, which will reach a total of $25.6 million in 2018, based on projected adoption timing, which anticipates full adoption (excluding cash) by year-end 2018. Fess are expected to be approximately $55 million in 2019 – the first full year with PRESTO fully implemented and adopted.

Reversal of stabilization reserve draw

The 2017 TTC Operating Budget included a $14 million one-time draw from the TTC Stabilization Reserve, which would have exhausted the reserve. As this was a one-time measure in 2017, a resulting $14 million subsidy requirement exists.

Bill 148 – Emergency Leave

The Ontario Government is currently considering and is expected to approve Bill 148 known as the Fair Workplaces, Better Jobs Act. Amongst the provisions included in the legislation is to pay employees for the first 2 emergency leave days taken in a year. Currently any emergency leave taken is unpaid leave. $4.1 million is required based on actual emergency leave experience to date. No provision has been made for any increased use of emergency leave, nor has any other impact for this sweeping legislation been incorporated into the budget at this time.

2018 Workforce Complement

The 2017 Toronto Transit Commission approved complement as approved by City Council on February 15, 2017 was 14,581 positions. Since then one in-year adjustment has been made and another is under consideration.

In-Year Adjustments

At the City Council meeting on November 7, 2017, City Council approved the addition of 1 temporary capital position associated with the management of Relief Line funding under the PTIF program.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.3

At the November 13, 2017 TTC Board meeting, the TTC Board considered a report for a 2017 in-year workforce adjustment for Collectors, increasing the approved complement by 414 positions.
http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2017/November_13/Reports/14_TTC_2017_Operating_Budget_Adjustment.pdf

2018 Complement

Based on this adjusted 2017 complement, the TTC approved complement will decrease by 12 positions or 0.1% from 14,996 to 14,984 as shown in the table below:

2017 Approved Complement (As approved by City Council February 15, 2017)	14,581
In Year Adjustment – Relief Line PTIF Funding (November 7, 2017 City Council meeting)	1
In-Year Adjustment - Collectors (November 13, 2017 Board meeting)	414
2017 Adjusted Complement	**14,996**
TTC Conventional – Operating Positions	(137)
Wheel-Trans Operating positions	17
Positions required for capital program delivery	108
2018 Requested Complement	**14,984**

Actual workforce strength will not normally exceed the monthly workforce budget except in the case of the Operator complement. In order to ensure that the service budget can be achieved, an annual hiring plan and training program is developed for Operators which takes into account projected requirements as a result of service changes, retirements, resignations or other turnover. An extended period of time is required in order to identify, pre-screen, hire, train and, qualify new Operators to ensure availability to meet the projected workforce requirement. As a result, the annual budget provides for these pre-hires, however, the year-end budgeted workforce remains unchanged. Failure to pre-hire would increase the risk that service would not be met, resulting in significant negative implications for customers and the Commission. Staff are proceeding with the hiring plan consistent with the increased service requirements incorporated within the 2018 operating budget.

The requested complement is allocated to the 3 budgets as follows:

Budget	**2017***	**2018**	**Change**
Operating	12,212	12,075	(137)
Wheel-Trans	571	588	17
Capital	2,213	2,321	108
Total	**14,996**	**14,984**	**(12)**

*Includes in-year adjustment

TTC Operating Complement

The reduction of 137 operating positions is comprised of the following and explained in greater detail below.

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**

TTC Station Collectors – (51) positions

The reduction of 51 collector positions includes the 26 collector positions that were added back to the 2017 approved complement through the in-year adjustment discussed above. As the installation of remaining faregates and PRESTO equipment in TTC subway stations is completed, it is anticipated that 51 collectors will no longer be required as of November 2018.

Eglinton Crosstown Bus Augmentation – (48) positions

This reduction is comprised of 39 operator positions and 9 instructor positions. The 39 operator positions are being removed from the budget as the initial Operator estimate incorporated in the 2017 budget was higher than what was ultimately required and implemented.

The 9 instructor positions related to training the additional operators required for the Eglinton Crosstown Bus Augmentation service are no longer required as the initial staffing of this service has now been completed.

Base Service – (40) net positions
40 operator positions are being deleted, to align the workforce budget with service levels actually being operated as a result of streetcar fleet restrictions and current ridership levels.

Retirement of Orion VII diesel Bus Fleet – (19) positions
19 positions no longer required due to retirement of Orion VII Diesel Bus Fleet.

LFLRV Streetcars (Operation) – (16) positions
16 Operator positions will be deleted once the 512 St. Clair, 504 King and 505 Dundas routes are fully converted to LFLRV operation due to the higher carrying capacity of the new vehicles.

New Systems: VISION/SAP
A net of 5 positions will be deleted as the VISION system is implemented. The VISION system will enhance route management to improve on-time performance and reliability. Complement requirements to maintain the system will be more than offset through complement deletions as a result of the gradual phase out of support for the legacy CIS system.

5 positions are required for SAP requirements in the newly formed Employee Service Centre.

TYSSE – 26 positions
26 positions required for the maintenance of subway track and signals and other building and facility maintenance on the Line 1 extension.

Maintenance for new LFLRVs – 6 positions
Maintenance required for the new pantographs on the LFLRVs will result in a need for 6 positions.

Impact of PRESTO/Legacy Fare Media – 3 positions (net)
This net increase of 3 positions is comprised of:
51 Revenue Operations positions required to be added back in 2018 due to the delay of the legacy fare media phase-out as it was anticipated PRESTO would be completed by end of 2017. It is anticipated that these positions will be permanently deleted in early 2019.
The above requirement will be offset through the deletion of 48 positions previously related to PRESTO equipment front line maintenance. This maintenance work is the responsibility of PRESTO which was previously contracted to the TTC.

Implementation of cost saving opportunities - 2 positions
To implement initiatives related to efficiency opportunities, 2 positions are required. The first involves enhancements to aftermarket parts warranty programs to enable increased use of warranty claims when premature part failures occur. The other position is needed for a

comprehensive review of invoicing to ensure special terms secured through procurement process are consistently reflected on supplier invoices. The expected results from these initiatives have been incorporated into the budget reductions in the 2018 budget.

Wheel-Trans Complement

The increase of 17 Wheel-Trans positions is comprised of the following:

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**

The additional resources will accommodate the 85,000 increase in budgeted ridership in 2018 and implement a new strategic approach to operations, to achieve efficiencies in the delivery of Wheel-Trans Bus service. With these new resources, Wheel-Trans will increase zone bus service and ride sharing, as well as schedule backfill trips efficiently onto buses, efficiently move and schedule Family of Services trips, provide same-day on-demand service, and update business practices in order to produce a more efficient schedule. As a result, Wheel-Trans expect to experience a lower bus cost per trip going forward.

Capital Budget Complement

The Capital Budget year-end workforce will increase by 108 positions as shown in the following table:

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**

APPENDIX F

2018 WHEEL-TRANS OPERATING BUDGET
($000s)

	2017 BUDGET	2018 BUDGET	BUDGET CHANGE
PASSENGER REVENUE	8,491	8,631	140
EXPENSES			
SERVICE COSTS			
CONTRACTED TAXI SERVICE	**71,866**	**71,319**	**(547)**
BUS SERVICE			
Operators	26,260	27,202	942
Divisional Staff	588	590	2
Mobile Supervision	1,128	1,309	181
Dispatch	3,695	4,208	513
Equipment Maintenance	14,451	14,830	379
Vehicle Fuel	2,795	2,966	171
TOTAL BUS SERVICE	**48,917**	**51,105**	**2,188**
TOTAL SERVICE COSTS	**120,783**	**122,424**	**1,641**
ADMINISTRATION			
Senior Manager's Office	1,149	1,211	62
Reservations	2,832	2,840	8
Taxi Administration	270	250	(20)
Customer Service	5,423	3,697	(1,726)
TOTAL ADMINISTRATION	**9,674**	**7,998**	**(1,676)**
ACCIDENT CLAIM PAYMENTS/RESERVE CONTRIBUTION	850	850	-
NON-DEPARTMENTAL COSTS	4,368	4,788	420
LAKESHORE GARAGE COSTS	1,274	1,285	11
EMPLOYEE BENEFITS	14,220	14,710	490
TOTAL EXPENDITURES	**151,169**	**152,055**	**886**
OPERATING SUBSIDY REQUIRED	**142,678**	**143,424**	**746**
NET OPERATING SUBSIDY AVAILABLE	**142,678**	**142,678**	
WHEEL-TRANS SURPLUS/(SHORTFALL)	**-**	**(746)**	**(746)**

Note:

1. City Council's approval of the 2006 TTC and Wheel-Trans operating budgets included the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. Consistent with the practice since then, the budget of $1,900 for these non-cash expenses has been deducted to match the City's subsidy for the current year.

7 2. Refer to Appendix G for details on the contribution to reserve.

Long-Term Liability Reserve

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, this budget incorporates authorization to contribute up to the full accident claims budget ($30.2 million for TTC and $0.85 million for Wheel-Trans) to the Long Term Liability Reserve Fund (XR1728). This reserve was created in 2014 specifically for TTC accident claim requirements. TTC and Wheel-Trans will then be authorized to draw from this reserve as required to support actual accident claim payments at the time of settlement as summarized in the table below.

Long Term Liability Reserve (In $000s)	Reserve / Reserve Fund Number	2018 $
Projected Beginning Balance	XR1728	10,884.0
Proposed Contribution - TTC		30,200.0
Proposed Contribution Wheel-Trans		850.0
Opening Balance + 2018 Authorized Contributions*		**41,934.0**

*Draws, equivalent to 2018 actual accident claim cash payments will be made from this balance.