



2023 TTC Conventional and Wheel-Trans Operating Budgets

Date: January 9, 2023
To: TTC Board
From: Chief Financial Officer

Summary

This report presents the recommended 2023 Operating Budget for the Toronto Transit Commission (TTC) and seeks the Board's approval of a combined operating budget for TTC Conventional and Wheel-Trans Services in support of delivering conventional and accessible transit in the City of Toronto as well as to fund new investments to enhance system safety, cleanliness and accessibility.

The recommended 2023 Operating Budget will also fund the costs to mobilize, operate and maintain Line 5 and Line 6 as well as bus replacement costs for the planned closure of Line 3. This report also seeks the Board's approval for a 10 cent fare increase on adult and youth single fares only, while holding seniors, pass users and fair pass riders at 2020 rates, effective April 3, 2023. This would mark the first increase in fares in 3 years.

The recommended 2023 Operating Budget totals \$2.380 billion in gross expenditures and \$1.055 billion in revenues, requiring \$1.325 billion in net funding to fully fund TTC's current services, new transit expansion services and COVID impacts for 2023.

- Operating funding for bus, streetcar, subway and Wheel-Trans services, inclusive of new investments for system safety, cleanliness and accessibility total \$2.286 billion gross and \$886.5 million net, representing a \$10.4 million or 1.2% increase over the 2022 approved Operating Budget
- Transit Expansion and Conversion costs for Line 5, Line 6 and incremental costs for the Line 3 Bus Replacement Plan total \$84.1 million gross and \$72.2 million net in 2023, requiring a \$42.6 million or 4.7% increase over 2022 approved funding; and,
- Ongoing COVID impacts totalling \$366.4 million net, due to projected lost passenger, ancillary revenues as well as continued safety response expenses; for which continued COVID relief funding is required, as the magnitude of this ongoing financial impact is beyond the City's financial capacity to fund.

Overall, the 2023 Operating Budget accommodates significant inflationary cost pressures and costs of Transit Expansion and Conversion, including costs to mobilize and operate Line 5 and Line 6 as well as incremental costs of the Line 3 Bus Replacement Plan which will be implemented upon the planned closure of the SRT in the fourth quarter of 2023. As well, to facilitate investments in enhanced system safety, cleanliness and accessibility, as well as to partially mitigate the impact of high diesel prices, a 10 cent fare increase, on adult and youth single fares only, while holding seniors, pass users and fair pass riders at 2020 rates, will be effective April 3, 2023.

In 2022, TTC ridership experienced a substantial recovery rising from 37% of pre-pandemic levels system-wide in January to 69% in December. However, the continuation of work-from-home and hybrid work arrangements are constraining further ridership recovery. While modest ridership recovery has continued in the fall of 2022, the pace of ridership recovery has slowed and current forecasts indicate that ridership will be 75% of pre-COVID levels by year-end 2023.

To align service to changes in customer demand, service hours will be 91% of pre-pandemic levels but will be higher than the forecasted 75% ridership recovery level in 2023. This is necessary to account for City-wide transit coverage, increasing traffic congestion, and to ensure sufficient capacity to support the upper range of forecasted customer demand, in the event it occurs.

The realigned service plan protects periods of service, and network coverage on all routes. Schedules will be adjusted to reflect actual operating conditions and will improve service reliability for customers. Service hours will be adjusted to match capacity with demand, while maintaining an equity lens. The route-by-route adjustments will be determined by applying the pre-COVID peak vehicle crowding standard, and modifying the pre-COVID off-peak vehicle crowding standard. Customer impacts will be mitigated by the implementation of the On-Time Performance action plan and by an increase in spare operators available to backfill for unplanned absences.

The 2023 Operating Budget includes \$4.4 million in new investments to fund System Safety and Cleanliness initiatives that will fund 10 Streets to Homes outreach workers, 25 more Special Constables and introduction of mid-day streetcar cleaning on major routes. A further \$2.7 million will be invested in System Accessibility initiatives including targeted service improvements in Neighbourhood Improvement Areas and a contribution to the Social, Development, Finance and Administration (SFDA) Division to facilitate the expanded eligibility for the Fair Pass program to include Toronto residents at 75% of the Low Income Measure or below.

Prior to accounting for the Transit Expansion costs and the continued financial impact from COVID-19, the 2023 Operating Budget for conventional and Wheel-Trans transit service has a net funding requirement of \$76.6 million. This is

comprised of \$7.1 million to fund the new investments noted above and \$69.5 million in budget service cost pressures net of the service plan realignment, primarily driven by significant inflationary impacts.

To address the \$76.6 million net funding requirement, the 2023 Operating Budget includes \$22.5 million in efficiency measures, which do not impact service for customers; \$16.1 million in additional passenger revenue from the planned fare increase and \$11.9 million in other base revenue changes. These actions combined, reduce the net funding requirement to \$26.1 million, prior to Transit Expansion and COVID impacts. With the available increase in City funding for the base budget limited to \$10.4 million, a \$15.7 million draw from the TTC Stabilization reserve, is recommended to limit the amount and scope of the fare increase and to mitigate the significant inflationary pressures.

While the approved operating complement will be reduced by 306 positions, 236 positions will be added for Transit Expansion and Conversion requirements, 71 will be added to maintain service capacity on routes impacted by Metrolinx and city construction projects, and 35 positions will be added to deliver the new System Safety, Cleanliness and Accessibility initiatives. These changes result in an increase in the operating complement of 36 positions overall.

Inclusive of \$415.2 million received and committed for 2022, the TTC will receive a total of \$1.8 billion in COVID relief funding since April 2020 through the Safe Restart Agreement. This support recognizes the importance of public transit as an essential service and the critical role it plays in Toronto's environmental, social and economic well-being, particularly in post-COVID recovery. COVID financial impacts projected at \$366.4 million are expected to continue into 2023 primarily due to lost passenger and ancillary revenues as revenue ridership is expected to reach 75% of pre-COVID levels due to shifting patterns in commuter behaviour from a hybrid work model.

Continued relief funding from other orders of government will be required to address the anticipated 2023 COVID-19 financial impact. Discussions between the City, TTC and the other orders of government continue in order to secure funding relief to offset the remaining 2022 unfunded COVID impact of \$125.3 million, the 2023 projected impact of \$366.4 million as well as to seek more stable and predictable funding long term.

Looking forward, budgetary pressures of \$111.0 million in 2024 and \$44.0 million in 2025 are forecasted before any provision for an increase in service above 2023 budgeted levels is made. Furthermore, the impact of collective bargaining agreements past the March 31, 2024 expiry date of the current agreement with ATU 113 is also excluded.

The 2024 and 2025 Outlook includes:

- Incremental costs of \$45.3 million in 2024 for Transit Expansion and Conversion costs to annualize the operation of Eglinton LRT, Finch LRT, and Line 3 Bus Replacement Plan;
- Base budget increases of \$65.7 million in 2024 and \$44.0 million in 2025 driven by:
 - The reversal of the planned 2023 stabilization reserve draw in 2024;
 - Operating costs associated with the delivery of the 60 car accessible streetcar order and completion of IT projects.
 - Continuation of anticipated inflationary impacts on material and service contracts as well as the legislated Canada Pension Plan contribution changes.

Separately, the COVID-19 financial impact is expected to continue impacting the TTC. Even despite ridership recovery efforts, if frequency of commuters' days in office do not change, revenues may not return to pre-COVID levels in the near term, leading to a need for continued COVID relief or strategy for other predictable funding sources. Order of magnitude impacts, of \$350.0 million in 2024 and \$335.0 million in 2025 are forecasted.

These impacts are comparable to the anticipated 2023 impact, as ridership recovery is expected to plateau in the absence of an increase of in office work or other notable shifts in mode share as compared to other forms of transportation. When the currently anticipated ongoing impacts of COVID-19 are combined with forecasted budget increases, an additional \$461.0 million would be required in 2024 and \$379.0 million in 2025. A multi-year, multi-pronged funding strategy will be required to address what appears to be a mid-term systemic revenue shortfall. At the same time, the TTC will continue its ridership recovery efforts with a focus on improving service reliability and customer satisfaction.

The City and TTC are continuing discussions with the other orders of government to address COVID impacts over the short to mid-term as well as the need for stable and predictable long term funding. The COVID experience has clearly exposed the high dependency on the farebox as a key vulnerability that will challenge the TTC's ability to provide safe, reliable transit service and put at risk the critical role it plays in the City and Region's economic recovery, vitality and well-being.

Recommendations

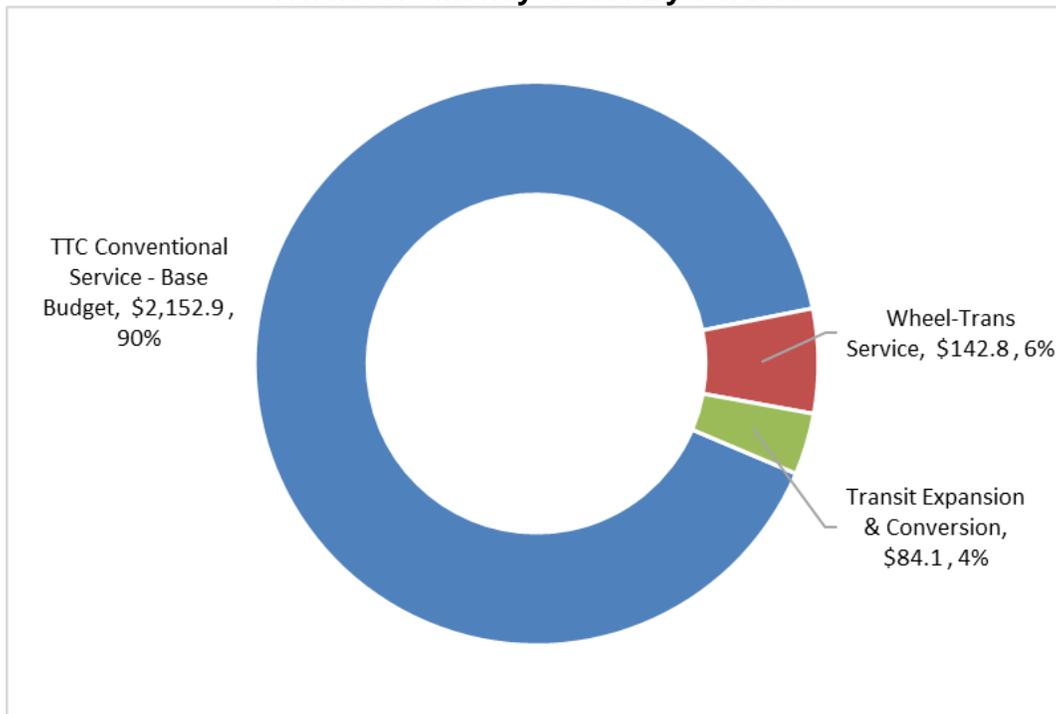
It is recommended that the TTC Board:

1. Approve the recommended 2023 TTC Conventional Operating Budget of \$2.237 billion in gross expenditures, \$1.048 billion in revenues and a net funding requirement of \$1.189 billion, inclusive of the \$366.0 million TTC Conventional COVID-19 financial impact, as detailed in this report.
2. Approve the recommended 2023 Wheel-Trans Budget of \$142.8 million in gross expenditures, \$6.5 million in revenues and a net funding requirement of \$136.3 million, inclusive of the \$0.4 million Wheel-Trans COVID-19 financial impact, as detailed in this report.
3. Request the Provincial and Federal governments to continue to invest in public transit by:
 - a. Providing relief to offset the financial impacts of COVID-19 recovery, which are estimated to be \$366.4 million in 2023, with forecasted impacts expected into 2024 and 2025; and
 - b. Continuing to work with the TTC and the City of Toronto to develop a long-term sustainable funding model for public transit.
4. Approve a 10-cent fare increase, on adult and youth single fares only, excluding fares for seniors, fair pass riders and all passes, as described in this report and outlined in Appendix C, effective April 3, 2023 generating \$16.1 million in passenger revenues, net of PRESTO commissions.
5. Approve a 2023 year-end workforce complement of 16,787 positions, reflecting an increase of 36 operating positions and an increase of 240 positions for capital project delivery, as described in Appendix D.
6. Forward this report to the City Budget Committee and the City Manager as the official 2023 Operating Budget submission for the Toronto Transit Commission.

Financial Summary

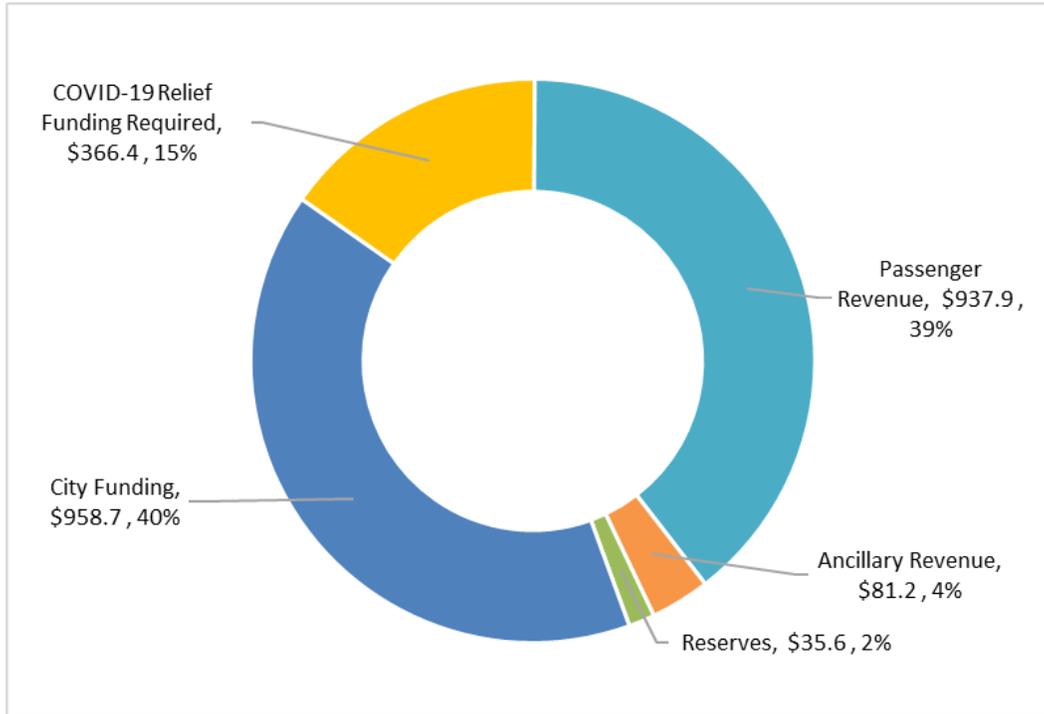
The recommended 2023 TTC Operating Budget is \$2.380 billion gross and \$1.325 billion net to deliver transit services in the City of Toronto. \$2.153 billion or 90% is allocated to fund TTC conventional service while \$142.8 million gross or 6% is dedicated to fund Wheel-Trans service costs and \$84.1 million gross or 4% is required to fund costs associated with Transit Expansion and Conversion, as shown in Chart 1 below.

Chart 1
Where the Money Goes: By Service



Combined with the Wheel-Trans Service, 43% of the 2023 Operating Budget's funding will be generated from passenger fare and ancillary revenues, with 40% sourced from base City operating funding and 2% from reserve funding. The remaining 15% represents required 2023 COVID-19 relief funding, as shown in Chart 2 on the next page.

**Chart 2
Where the Comes From: By Funding Source**



Total requested City funding before the financial impact of COVID-19 is \$958.7 million, which is limited to a \$53.0 million or a 5.9% increase over the 2022 approved net funding level. Given the limited available City funding, \$42.6 million or 4.7% is directed to fund Transit Expansion and Conversion costs for the start of revenue service on Line 5 and 6 and the incremental costs of the Line 3 Bus Replacement Plan, thereby leaving \$10.4 million or 1.2% to fund the TTC’s incremental base service and new investment costs, including considerable inflationary impacts. Table 1, below summarizes the allocation of the increased City funding available for the TTC.

**Table 1
TTC Conventional and Wheel-Trans Operating Funding**

Net Funding Change from 2022				
(In \$Millions)	Operating Budget Excluding Expansion	Transit Expansion & Conversion	Combined City Operating Funding	2023 % Change in City Funding
2022 Approved Base Operating Funding	876.1	29.6	905.7	
2023 City Funding Increase				
Directed to Transit Expansion & Conversion		42.6	42.6	4.7%
Directed to Base Operating Budget	10.4		10.4	1.2%
Subtotal 2023 City Funding Increase	10.4	42.6	53.0	5.9%
2023 Available City Operating Funding	886.5	72.2	958.7	

Transit Expansion and Conversion Costs

As part of the 2023 Budget process, the TTC is required to ensure the cost commitments associated with transit expansion service operations and the conversion from Line 3 SRT to bus service are funded. The 2023 incremental operating and maintenance costs for Line 5 and 6 as well as the incremental service costs for the Line 3 Bus Replacement Plan after the planned SRT closure in Q4 2023 amount to \$42.6 million net. The 2023 Operating Budget includes \$84.1 million gross and \$72.2 million net for anticipated costs associated with Transit Expansion and Conversion, representing an increase of \$42.6 million or 4.7% above the \$29.6 million already included in the 2022 approved Operating Budget.

Costs for Lines 5 and 6 include funding for mobilization and training activities, including the start of Line 5 operator training in the first quarter of 2023, as well as costs for TTC personnel to operate the line and the cost of traction power, utilities and third party maintenance contract costs once revenue service commences, based on the current date of July 2023, which is being used for planning purposes. Gross expenditures include the anticipated cost of one-time project variations requested by TTC, which are required to ensure operational and safety practices are aligned with TTC's current modes.

2023 Operating Budget Changes

Alignment of Service to Customer Demand

Substantial ridership recovery occurred in the spring and summer of 2022, however, the pace of ridership recovery has slowed in the fall and is currently approximately 69% of pre-pandemic levels. Given this experience, revenue ridership is expected to reach 75% by year-end 2023, with ridership recovery to be limited primarily by the frequency of in-office workdays to approximately twice a week, resulting in marginal change in commuter ridership behaviour in 2023.

Given this experience, service hours will continue to be aligned to reflect this customer demand and 2023 weekly service hours will be approximately 91% of the pre-pandemic service. Proportionally to pre-COVID levels, service hours will continue to be higher than ridership recovery forecasted at 75% by year-end, which is necessary to account for increases in traffic congestion that require revised schedules and to ensure sufficient service capacity exists to service the upper range of forecasted customer demand, in the event it occurs.

New Investments: Safety, Cleanliness and System Accessibility Initiatives

Safety and Cleanliness

Through the pandemic, the TTC has experienced an increase in underhoused individuals seeking refuge on the system and has partnered with the City's Streets to Homes program offering specialized City resources and support to underhoused individuals to ensure that they are connected to the appropriate help and support. To augment this ongoing effort, the recommended 2023 Operating Budget includes \$4.4 million in new investment funding to address System Safety and Cleanliness initiatives. This will fund 10 Streets to Homes outreach workers, 25 more Special Constables in stations and add mid-day vehicle cleaning on key streetcar routes.

System Accessibility

Cognizant of the impact of the fare increase on riders who can least afford it, the 2023 Operating Budget includes \$2.7 million in System Accessibility investments which will fund a \$2.0 million contribution to the City's Social Development Finance and Administration Division to facilitate the expansion of the Fair Pass program to individuals with a family income below 75% of the Low Income Measure. Approximately 50,000 more low-income people will be eligible for the discount.

In addition, a targeted incremental investment of 240 weekly service hours will be made and prioritized on routes with a high proportion of boardings at stops serving Neighbourhood Improvement Areas. The increase in service hours will provide additional weekend afternoon service on major shopping corridors to account for capacity requirements of customers, as well as the establishment of a base grid of 15-minute overnight service on the Finch Avenue, Jane Street and Wilson Avenue corridors. These changes will provide more frequent, 15-minute overnight bus service to more than 1,200 customers every day.

Base Service Cost Pressures and Balancing Actions

For 2023, the TTC faced \$116.0 million in base service cost pressures, many of which are fixed and driven by economic conditions; are prescriptive; or are service and safety critical requirements, including:

- Rapid market price increases for diesel fuel.
- Impact of Collective Bargaining Agreements
- Cost escalation for parts, service contracts and corporate insurance requirements.
- Legislatively determined increases to Canada Pension Plan and Employment Insurance Premiums.
- Accommodating the forecast increase in Wheel-Trans ridership demand.
- Operating impacts of capital, including cybersecurity and the continued roll-out of the bus Wi-Fi pilot.
- Service reliability initiatives including an increase in spare operators available to backfill for unplanned absences.

- Safety training including temporary backfill resources to facilitate required training to ensure availability of fully trained key personnel at all times.
- Ridership recovery initiatives including the On-Time Performance Action Plan.

When taking into account the funding implications of the new investments and the alignment of service to demand noted above, the 2023 Operating Budget for conventional and Wheel-Trans transit service has a net funding requirement of \$76.6 million, prior to any consideration of the funding requirements for Transit Expansion and the continued financial impact of COVID-19. To accommodate base pressures and targeted new investments within available funding, several actions were taken, including:

- A 10 cent fare increase, effective April 3, 2023 on adult and youth single fares only and exempting fair pass riders and seniors. All day, monthly and 12-month will remain frozen at 2020 rates. Net of PRESTO commissions, the fare increase is expected to generate \$16.1 million in 2023, with these funds directed to fund the new investments in System Safety, Cleanliness and Accessibility as well as to mitigate the impact of the significant increase in diesel prices.
- A review of other revenue sources that identified \$11.9 million, including \$6.0 million gross and \$5.7 million net in anticipated increase in passenger revenue through a resumption of ticketing for fare evasion.
- The implementation of efficiency measures and the results of a line-by-line expenditure review resulted in an additional \$22.5 million in savings for 2023, bringing the cumulative savings from efficiencies to \$182 million since 2019. These actions have no impact on service levels for customers and include the annualized impact of the November 20, 2022 full implementation of One Person Train Operation on Line 1, with cumulative savings to be realized from this capital project to \$10 million annually, the continued implementation of Auditor General recommendations, and the increased use of zone buses for Wheel-Trans service.

In addition, time-limited expenditures will be funded from a one-time contribution from the TTC Stabilization Reserve in order to not impact property tax-based (City) funding. \$16.1 million in one-time requirements will be funded from the TTC Stabilization Reserve, of which \$7.2 million will address base budget requirements and the remaining \$8.9 million will address one-time costs associated with Transit Expansion, as detailed in Appendix E.

Given the actions taken above, all but \$26.1 million of the funding required to address base cost pressures and the targeted new investments have been accommodated. With the available City funding increase for these requirements limited to \$10.4 million, the balance of \$15.7 million required to fully fund the TTC's

total cost pressures for 2023 will be funded from a one-time withdrawal from the TTC Stabilization Reserve. This will avoid a fare increase for pass users, seniors and fair pass riders, as well as ensure that the fare increase for all customers remains below the current rate of inflation.

The combined TTC Stabilization Reserve withdrawals of \$31.8 million, leverage the contributions made to the reserve in 2021 and results in a forecast year-end 2023 balance of \$68.1 million. This balance considerably exceeds 2020 year-end balance of \$6.6 million and therefore is a prudent use of the available reserve balance to address one-time requirements, to minimize the fare increase for 2023 and to help mitigate inflationary pressures.

Workforce Complement

The approved operating complement will increase by 36 positions overall. This reflects a net reduction in the TTC's approved base operating complement of 306 positions and an increase totalling 342 positions, with 236 positions required to service Lines 3, 5 and 6; 71 operator positions required to maintain service capacity on routes impacted by city and Metrolinx construction projects; with costs recovered from the related construction projects; and 35 positions to support the targeted new investments in system safety, cleanliness and accessibility. Further details are included in the discussion on page 38.

Ridership Revenue

Based on forecasted ridership levels for 2023, TTC conventional ridership revenue is budgeted at \$931.4 million. Ridership recovery is expected to be gradual throughout 2023 as most employers are expected to maintain current hybrid work practices, resulting in a minimal increase in the average number of in-office days and recent attendance levels at events and in-person class settings for post-secondary institutions and schools are expected to be maintained.

The recommended TTC fare increase will be kept below the rate of inflation and is limited to 10 cents for adult and youth single fares, and excludes all fair pass riders and seniors' fares. In order to support the accessibility of transit for riders, all monthly passes will be exempted from the fare increase and will therefore remain frozen at 2020 rates. In addition, a contribution to the City's Social Development Finance and Administration Division will be made to support the implementation of the next phase of the Fair Pass program, which will provide access to as many as 50,000 additional residents to a one-third discount on single adult fares and 21% on monthly passes.

COVID-19 Impacts

The COVID-19 financial impact is estimated to be \$366.4 million in 2023 and comprises the following:

- Lost passenger revenues of \$328.1 million, based on a projected 2023 ridership to average 73% of pre-pandemic levels.

- Lost ancillary revenues of \$14.5 million, including the continuation of lower than normal budgeted commuter parking, advertising and subway concession revenue, and;
- Incremental expenses of \$23.8 million, including the provision of personal protective equipment, use of HEPA filtration on vehicles, the continued availability of hand sanitizers in the system and COVID-related absence benefit costs.

To date, the TTC has received \$1.8 billion in funding relief and funding commitments from other orders of government, when accounting for the \$415.2 million received or committed for 2022, including the most recent Provincial funding announcement. This continued funding support recognizes the importance of public transit as an essential service. The City and TTC continue to hold discussions with other orders of government to address unfunded 2022 impacts projected to be \$125.3 million, anticipated 2023 COVID impacts and to secure stable and long-term funding.

2024 and 2025 Outlook

The outlooks for 2024 and 2025 identify pressures of \$111.0 million and \$44.0 million; respectively, excluding residual COVID-19 impacts which are also expected to continue. Key drivers include: the annualized costs associated with Transit Expansion operations and Conversion, operating impacts of capital and continued inflationary impacts. When the anticipated ongoing impacts of COVID-19 are combined with forecasted budget increases, the outlook for 2024 can reach up to \$461.0 million and \$379.0 million in 2025. It should be noted that the 2024 and 2025 outlooks do not include provisions for an increase in conventional transit service levels nor wage increases or benefit improvements, past the March 31, 2024, expiry of the Collective Agreement with ATU 113 (the TTC's largest union).

Equity/Accessibility Matters

The TTC is strongly committed to making Toronto's transit system barrier-free and accessible to all so that all customers can enjoy the freedom, independence and flexibility to travel anywhere on the public transit system. While ridership trends and financial constraints necessitate adjustment to service, all routes and time periods of operation will be maintained.

Expenditures required to meet the TTC's accessibility and equity requirements are provided for in this budget, including \$142.8 million gross and \$136.3 million net City funding to support the Wheel-Trans service and accommodate the anticipated 2.9 million rides in 2023.

In order to support the accessibility of transit, all passes, fair pass clients and seniors' fares are exempt from the recommended TTC fare increase. In addition, through the City's Social Development, Finance and Administration Division eligible customers including Ontario Works, Ontario Disability Support Program,

Child Care Fee Subsidy and Rent Geared to Income clients whose income is below a threshold set 15% above the Low Income Measure are eligible for the Fair Pass Program. This program entitles eligible customers to a discount of approximately one-third on single adult fares for a single rides or 21% off adult monthly passes. In 2023, this program will be expanded to all low-income residents with a family income below 75% of the Low Income Measure, with approximately 50,000 more individuals expected to be eligible. The 2023 Operating Budget includes a \$2.0 million contribution to the City's Social Development Finance and Administration Division, to facilitate this expansion.

Service will be maintained on all routes and in all time periods of operation. Reliability of service will be improved by ensuring schedules are reflective of actual operating conditions. Moreover, targeted investments in service on routes with a high proportion of boardings at stops serving Neighbourhood Improvement Areas will be made including, additional weekend afternoon service on major shopping corridors, as well as the establishment of a base grid of 15-minute overnight service on the Finch Avenue, Jane Street and Wilson Avenue corridors.

Decision History

At its meeting on December 20, 2021, the TTC Board approved the 2022 Operating Budgets of \$2.102 billion gross and \$1.185 billion net for TTC Conventional Service; \$133.4 million gross and \$127.2 million net for Wheel-Trans Service for a total \$2.235 billion gross and \$1.312 billion net; and a 2022 total year-end workforce complement of 16,467 positions.

[2022 TTC Conventional and Wheel-Trans Operating Budgets](#)

Subsequently on February 17, 2022, City Council approved an amended 2022 TTC Operating Budget to reflect the anticipated ridership impact from the Omicron variant. The budget for the TTC conventional service was increased by \$99.9 million net reflecting the estimated impact from the Omicron variant.

[City of Toronto 2022 Capital and Operating Budgets](#)

At its meeting on February 10, 2022, the TTC Board approved an increase in complement of 12 temporary positions to undertake the Queen Streetcar Infrastructure work for the Ontario Line Project, with costs to be fully recovered from Metrolinx.

[Transit Network Expansion Update](#)

At its meeting on July 14, 2022, the TTC Board approved an increase in temporary operating complement fully dedicated to the TTC's project assurance function for Metrolinx projects subject to the approval of the 2022 Annual Work Plan by Metrolinx. This change was also approved by City Council at its meeting on July 21, 2022. In a letter dated October 7, 2022 from Metrolinx to the TTC, Metrolinx provided approval of a 2022 Annual Work Plan, thereby confirming an increase of 29 temporary operating complement, resulting in an updated total of 65.

[Transit Network Expansion Update](#)

At its meeting on July 19, 2022, City Council approved the transfer of \$52.0 million to the TTC Operating Budget and \$2.3 million to the Wheel-Trans Operating Budget from the City's Non-Program Budget to fund the impact of the arbitrated collective agreement settlement for 2021 and 2022. The 2022 Operating Budgets were revised to \$2.149 billion gross and \$1.337 billion net for TTC Conventional Service and \$135.4 million gross and \$129.5 million net for Wheel-Trans Service. [City of Toronto Operating Variance Report for the Four Months Ended April 30, 2022](#)

Background

2022 Budget Plan

The 2022 Operating Budget, as approved by City Council, reflected both the anticipated impacts of the Omicron variant in early 2022 and anticipated strong ridership recovery, particularly in the second half of the year. Ridership was anticipated to reach 81% of pre-pandemic levels by the end of 2022. The 2022 revenue forecast was based on an average return to in-office work three days per week; the return of post-secondary students and youth to in-class learning; and the gradual return of special events. The 2022 Operating Budget included funding for the return to 100% of pre-pandemic service hours for each mode during the year based on the ridership forecast, the start of revenue service on Line 5, and froze fares at 2020 rates.

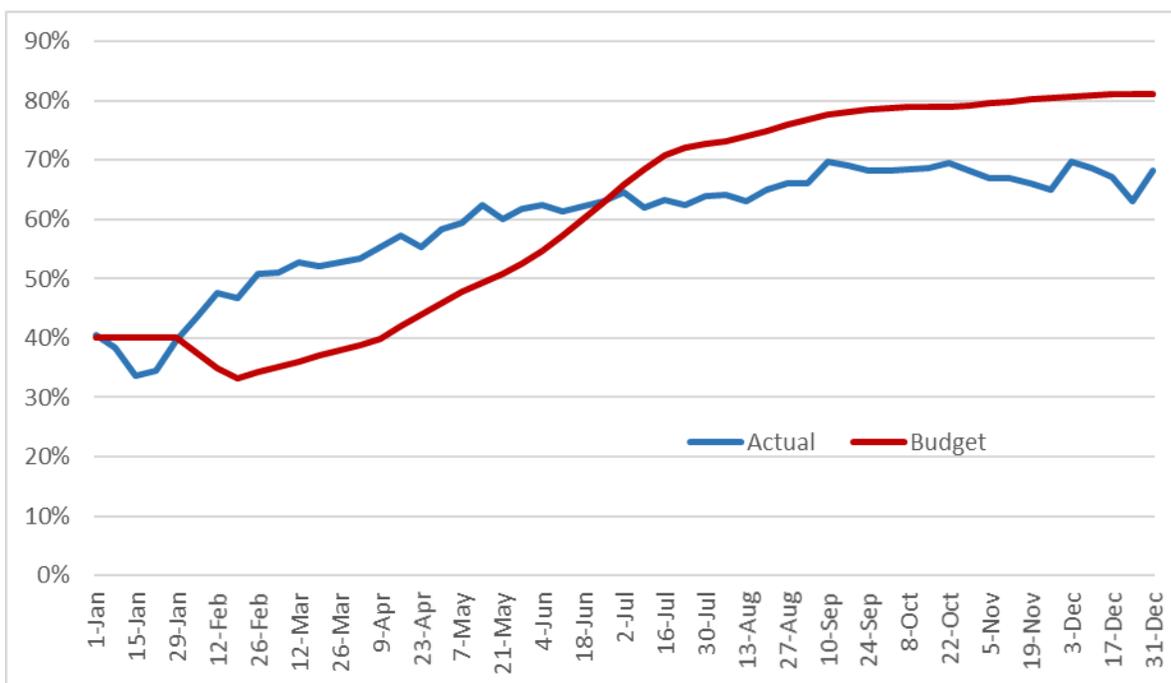
Overall, the 2022 base budget requirements as well as new and enhanced service priorities to ensure the delivery of key priorities were fully funded, however, the reduced ridership revenue and incremental COVID response expenses resulted in a need for \$561.1 million in COVID related funding relief. Largely due to lower than anticipated COVID response expenses, COVID funding relief impacts for 2022 are now projected to be \$540.5 million. Of this amount, \$415.2 million in funding relief has been received or committed by the Provincial and Federal government, leaving a shortfall of \$125.3 million. Discussions between the City, TTC and the other orders of government continue in order to secure funding relief to offset the remaining 2022 unfunded COVID impact as well as requirements for more stable and predictable long-term funding.

2022 Ridership and Passenger Revenue

As shown in Chart 3, passenger revenue was above the budget expectation in the first half of the year, driven by the faster than expected recovery from the Omicron variant, but has trended below budget in the second half of the year, primarily due to a lower than anticipated frequency of in-office days for commuters. Office commuters currently average just under two in-office days per week, whereas the 2022 revenue budget anticipated that this would reach three days per week by year-end, as understood by an employer survey conducted in late 2021. Passenger revenue recovery is forecasted to reach approximately 69% of pre-

COVID levels by year-end, which is 12 percentage points below the budgeted level of 81%.

**Chart 3:
2022 Weekly Passenger Revenue
As a Percentage of Pre-Pandemic Levels**



Consistent with the lower than anticipated ridership recovery, regular operating service hours were slightly below budget at 96% overall in the November 2022 board period. Consistent with differences in customer demand by mode, service was highest on bus at 97% and lower on streetcar and subway at 92% and 90%, respectively.

2022 Financial Results

Based on the TTC's actual and projected financial results, and predicated on the assumption that funding will be secured for the remaining COVID-19 financial impact, a 2022 net year-end favourable variance of \$99.5 million is anticipated. Of this amount, \$20.5 million relates to a lower than anticipated COVID-19 financial impact as noted above and \$78.9 million related to underspending. The \$78.9 million favourable variance is driven by under-expenditures including:

- Deferred opening of Line 5.
- Conventional Service hours averaging 5% below budget, for the year as a whole, due to both reduced operator availability in the first half of the year, and the matching of service capacity to actual ridership demand.
- Lower than anticipated Wheel-Trans ridership demand.
- Labour and benefit under-expenditures resulting from vacancies.
- Lower average hydro prices and accident claim payments.

This underspending enables the TTC to offset the impact of higher diesel prices and forgo the planned \$20.7 million Reserve draw in 2022.

Outcome of 2022 Priority Actions

The following priority actions were accomplished which contributed to meeting the TTC's service objectives and making progress on achieving intended outcomes:

1. Providing Seamless and Reliable Transit Service

- ✓ Matched Service Capacity to Demand
- ✓ Operationalized Automatic Train Control (ATC) on the entirety of Line 1; allowing for an increase in service capacity and achievement of up to 32 southbound trains at Bloor-Yonge between 8 and 9 am weekdays.
- ✓ Implemented One-person Train Operation (OPTO) on the entirety of Line 1.
- ✓ Implemented LRV Apprenticeship Program in collaboration with Centennial College
- ✓ Increased vehicle maintenance capacity and achieved or exceeded vehicle reliability targets
- ✓ Partnered with City's Streets to Homes to have a dedicated presence of outreach workers on the transit system to help those who could use assistance.

2. Transforming to Solidify the TTC's Fiscal Foundation

- ✓ Advanced business transformation priorities by implementing second sourcing of non-revenue fleet and facility maintenance at 1810 Markham Road
- ✓ Continued implementation of Auditor General Recommendations on after-market part warranties and Wheel-Trans reservations
- ✓ Engaged customers, stakeholders and the general public to understand post-pandemic travel patterns to ensure alignment of service hours
- ✓ Ran multi-media communications campaign focused on ridership recovery
- ✓ Approved property acquisition for new TTC Garage and additional operational uses consistent with the guiding principles in the TTC's Real Estate Investment Plan
- ✓ Updated the Capital Investment Plan and Real Estate Investment Plan and distributed these Plans to elected and key officials in all three orders of government to advance unfunded capital priorities.

3. Leading as an Inclusive and Accessible Service Provider

- ✓ Acknowledged by Forbes as one of Canada's Best Employers for Diversity in 2022.

- ✓ Progressed on the Embracing Diversity: 10 Point Action Plan and launched the first Diversity and Culture Annual Report which highlighted 50 key accomplishments, including launching the Racial Equity Office and the Fare Inspector and Special Constable Complaint Office.
- ✓ Continued gender recruitment outreach events with 45 events being held, leading to the achievement of the gender recruitment target of 40% of new operator hires being women.
- ✓ Maintained TTC Fares at 2020 levels.
- ✓ Piloted accessibility enhancements of new tactile and braille wayfinding features at York Mills Station.
- ✓ Completed construction at three additional stations, bringing the total number of accessible subway stations to 56.
- ✓ Partnered with life skills companion guide app MagnusCards to establish TTC MagnusCards to help riders with cognitive disabilities navigate the transit system.

4. Innovating for Future Demand

- ✓ Signed an agreement with PowerON Energy Solutions LP, for the delivery, maintenance and operation of electrification infrastructure needed to transition the TTC's fleet and facilities to zero-emissions.
- ✓ Expanded the Wi-Fi pilot to 2 additional bus routes, bringing the total number of bus routes with Wi-Fi to 4 since 2021.
- ✓ Commenced the upgrade of all PRESTO devices to enable the future fare collection modernization modernizing the fare collection system
- ✓ Completed the 5-year Fare Policy and the 10-year Fare Collection Outlook
- ✓ Advanced Line 5 and Line 6 mobilization activities.

Comments

2023 Priority Actions

With development of the TTC's Corporate Plan for 2023 to 2027 currently underway, the priority investments and actions included in the 2023 Financial Plan continued to be guided by the following service objectives and outcomes, in accordance with the TTC's current Corporate Plan, namely:

1. Provide a Safe, Seamless and Reliable Transit Service that meets customers needs and enhances customer satisfaction.
2. Transform to Solidify the Fiscal Foundation and advance Fiscal Sustainability.
3. Lead as an Inclusive and Accessible Service Provider that ensures Accessibility, Equity and Diversity are systemic.
4. Innovate for Future Demand to ensure System Resiliency.

Providing Safe, Seamless and Reliable Transit Service

Since the start of the pandemic, customers' transit needs and travel patterns have evolved and the TTC has ensured that service hours meet customer demand. This approach will continue in 2023 and service hours will be adjusted overall to 91% of pre-pandemic levels to best align to actual demand. 2023 bus, streetcar and subway service in 2023 will be implemented to more closely reflect lower ridership levels by mode, while also retaining resources to account for increases in traffic congestion that require revised schedules and provide some additional service capacity to account for the upper range of forecasted customer demand in the event it occurs. In addition to these service adjustments, continued focus will be placed on providing the best customer service through actions including the On-Time Performance Action Plan and system cleanliness initiatives, particularly on streetcar routes and in subway stations.

Additional actions will be undertaken in 2023 to enhance the safety and reliability of transit service, including:

- Increasing the availability of spare operators to backfill unplanned absences:
- Increasing front-line operational staff presence and adding 25 more Special Constables in the system.
- Providing temporary resources to facilitate safety training for operations staff: and,
- Advancing on the TTC's Cybersecurity Program, including the implementation of the managed security services to defend the transit network from cyber threats.

Even as the broader health impacts of the pandemic subside, the TTC continues to be committed to providing a safe environment for its customers and employees. To that end, the TTC will continue to provide hand sanitizer in stations; continue

the use of HEPA filters, the highest standards of air filtration, on the system; and distribute appropriate personal protective equipment to employees.

Transforming to Solidify the TTC's Fiscal Foundation

As the TTC continues to transform its business practices, the implementation of these measures result in financial and value added benefits. The recommended 2023 Operating Budget includes \$22.5 million in efficiency savings and a reduction of 29 positions, with the majority arising from various TTC business transformation and modernization efforts, bringing the total savings realized from these various efforts to \$182 million since 2019.

These savings do not impact service levels provided to customers but rather are the result of actions taken that change how service is provided from such initiatives as the implementation of One Person Train Operation on Line 1; the ongoing implementation of Auditor General recommendations, overtime reduction strategies, business transformation initiatives, and the expansion of the Wheel-Trans Zone bus service.

Phase 2 of the Service Plan Reset will identify initiatives to plan transit service that will maximize ridership recovery. Ongoing business transformation initiatives will continue to examine current work practices and identify new opportunities to streamline and transform how business is performed.

Leading as an Inclusive and Accessible Service Provider

Diversity, equity and inclusion are core TTC values. The TTC is strongly committed to making Toronto's transit system barrier-free and accessible to all so all customers can enjoy the freedom, independence and flexibility to travel anywhere on the public transit system.

Recognizing the importance of maintaining accessibility to and affordability of transit, the fare increase will be limited to 10 cents on adult and youth single fares only, while holding fares for seniors, pass users and fair pass riders at 2020 rates. A portion of the additional revenue to be generated from the fare increase will be directed to fund new investments in safety, cleanliness and accessibility initiatives to address safety and underhoused people in the transit system. In addition, the 2023 Operating Budget advances accessibility and inclusivity by:

- Accommodating the increase in projected Wheel-Trans ridership;
- Continuing diversity and gender recruitment outreach initiatives and establishing a mentoring program for female operators;
- Continuing the implementation of the Embracing Diversity: 10 Point Action Plan;
- Enhancing integration with City's Streets to Homes outreach by adding 10 Streets to Homes outreach workers who will be deployed across the transit system to help support the underhoused; and,

- Continuing to build community outreach such as Black History Month, Indigenous History Month and Lunar New Year through Awareness Campaigns.

Innovating for Future Demand

The TTC will be undertaking several initiatives to improve integration of transit services all with the intent of ensuring system resiliency. The priority actions for 2023 include:

- Growing the network by commencing revenue service on Lines 5 and 6;
- Evaluating and Assessing the bus Wi-Fi network pilot;
- Expanding Fare Collection options for our customers including Open Payments
- Progressing with the Risk Mitigation plan for the modernization of the fare collection system;
- Continuing the procurement of E-Buses and related charging infrastructure; and
- Developing an Innovation and Sustainability Strategy and Roadmap for the next five years.

Recommended 2023 Operating Budget

The 2023 Financial Plan to achieve the above noted objectives results in a net City funding increase of \$53.0 million, before the impact of COVID-19. Of this amount, \$42.6 million will be directed to address costs of Transit Expansion and Conversion, with the balance of \$10.4 million used to fund all other cost pressures, as summarized in the Table 2 below.

**Table 2
TTC Conventional and Wheel-Trans Operating Funding**

Net Funding Change from 2022				
(In \$Millions)	Operating Budget Excluding Expansion	Transit Expansion & Conversion	Combined City Operating Funding	2023 % Change in City Funding
2022 Approved Base Operating Funding	876.1	29.6	905.7	
2023 City Funding Increase				
Directed to Transit Expansion & Conversion		42.6	42.6	4.7%
Directed to Base Operating Budget	10.4		10.4	1.2%
Subtotal 2023 City Funding Increase	10.4	42.6	53.0	5.9%
2023 Available City Operating Funding	886.5	72.2	958.7	

Transit Expansion and Conversion

The 2023 Operating Budget includes a total of \$84.0 million gross and \$72.2 million net, to fund anticipated operating costs of Transit Expansion and Conversion. This accounts for funding of \$29.6 million approved in 2022 for the initial mobilization and readiness costs for Line 5, \$42.6 million in new funding for 2023 operating and maintenance costs for Lines 5 and 6 as well as the incremental costs for the Line 3 Bus Replacement Plan, as outlined in Table 3.

**Table 3
Transit Expansion and Conversion**

(\$ Millions)	Total Annual Requirement			Change	
	2022 Budget	2023 Budget	2024 Forecast	2023 vs 2022	2024 vs 2023
Line 5					
Mobilization & Operating Costs	30.4	70.5	95.5	40.1	25.0
Bus Service Savings			(10.0)		(10.0)
Incremental Revenues	(0.8)	(3.0)	(7.5)	(2.2)	(4.5)
Reserve Draw to Fund One-Time Costs		(7.3)		(7.3)	7.3
Subtotal Line 5	29.6	60.2	77.9	30.6	17.7
Line 6					
Mobilization & Operating Costs		12.1	37.8	12.1	25.7
Bus Service Savings			(7.4)		(7.4)
Incremental Revenues			(2.3)		(2.3)
Reserve Draw to Fund One-Time		(1.6)		(1.6)	1.6
Subtotal Line 6		10.5	28.0	10.5	17.5
SRT Bus Replacement Plan		1.5	11.5	1.5	10.0
Net City Funding Impact: Transit Expansion and Conversion	29.6	72.2	117.5	42.6	45.3

In 2022, funding was provided for Line 5 based on the then planned mobilization activities. 2023 funding for Line 5 covers annualized labour expenses to mobilize and train staff, including the start of Line 5 operator training in the first quarter of 2023, and once revenue service commences, the cost of traction power, utilities and maintenance costs through a third party contract. Anticipated costs of one-time project variations identified by the TTC to ensure operational and safety practices are aligned with current modes, are also included. 2023 funding for Line 6 will cover mobilization and training activities in preparation for the start of revenue service.

For both Lines 5 and 6, the TTC will operate the lines, provide customer service and security personnel and, upon the start of revenue service, will also be responsible for the cost of traction power, utilities and maintenance costs delivered through a third-party contract between the maintainer and Metrolinx. Key features of Lines 5, 6 and the Line 3 Bus Replacement Plan are described below.

Line 5

Line 5 Eglinton Crosstown is a 19-kilometre line along Eglinton Avenue between Mount Dennis and Kennedy Station which will provide service to 25 stations and surface stops in a dedicated right of way that will reduce customer travel times through the corridor by up to 60%. The line will connect to approximately 60 bus routes, three existing subway stations (Kennedy, Eglinton and Eglinton West), the UP Express, and three existing or future GO stations (Mount Dennis, Caledonia, and Kennedy), providing an important east-west connection.

Concurrently, the opening of Line 5 Eglinton will result in changes to approximately 27 bus routes that will improve connections to rapid transit, journey times and service reliability.

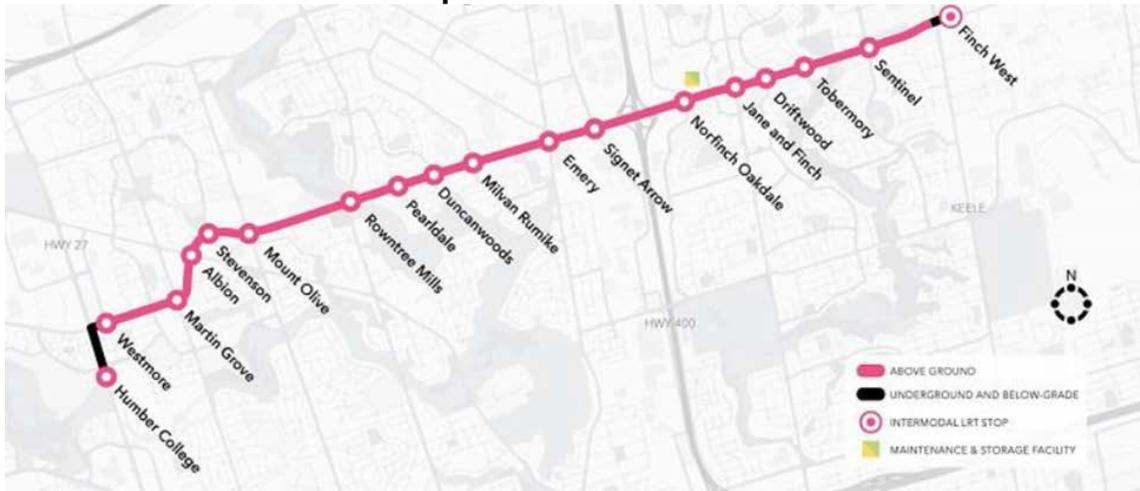
Chart 4
Map of Line 5 Eglinton



Line 6

Line 6 Finch West is an 11-kilometre light rail transit line along Finch Avenue West between Finch West Station at Keele Street and Humber College at Highway 27. Service will operate along a dedicated right-of-way and serve 16 surface stops and 2 stations. The line will provide service to Northwest Toronto, providing an important link to Humber College and will connect to more than 20 TTC bus routes, Finch West Station on Line 1 as well as GO Transit, MiWay, YRT, and Brampton Transit/Züm transit services.

**Chart 5
Map of Line 6 Finch West**



Line 3 Bus Replacement Plan

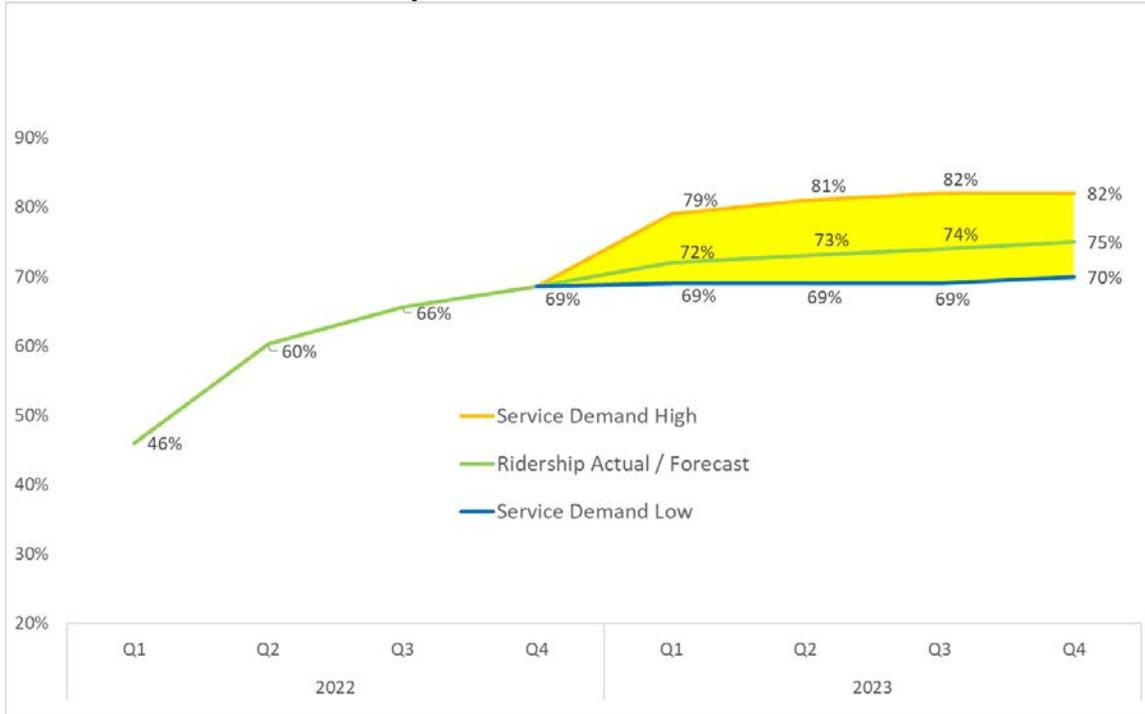
Consistent with the plan approved by the TTC Board on April 14, 2022, train service on Line 3, also referred to as the Scarborough RT (SRT), will end in the fourth quarter of 2023, with bus service operating in its place. The Bus Replacement Plan comprises an extension of 8 major bus routes operating express from Scarborough Centre to Kennedy Station and improved bus connections from Scarborough to Line 1, Line 4 and GO Transit stations. The bus replacement plan results in approximately 70 buses per hour in peak periods via Midland Avenue southbound and Kennedy Road northbound with Transit Signal Priority, Queue Jump Lanes and enhanced bus stops in place. Overall, operating costs will increase due to the lower capacity of buses as compared to SRT trains, resulting in higher incremental costs on a net basis of \$1.5 million expected in 2023 and a further \$10 million anticipated in 2024.

TTC Base Service Budget

2023 Revenue Ridership Forecast

The establishment of the ridership demand forecast is the first step in the TTC's budget process and is the basis on which the annual service plan is developed. In order to forecast ridership demand through 2023, key segments of TTC ridership, were assessed using survey data with a particular focus on return to office trends and employers' anticipated plans for 2023. This enabled a forecast of a probable range of ridership levels as depicted by the upper and lower line in chart 6 below and the revenue ridership forecast (green line) was established within this range.

**Chart 6
Ridership and Service Demand Forecast**



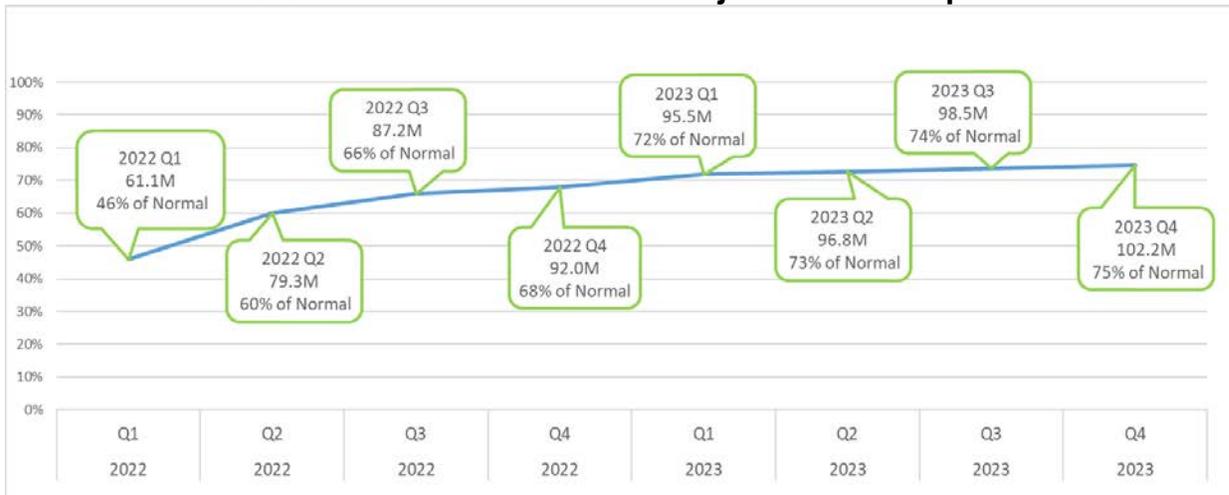
Overall, the TTC is expecting ridership trends experienced in the last quarter of 2022 to continue throughout 2023 with some further modest ridership growth projected. The 2023 rate of growth is expected to be slower than gains experienced in the spring and summer of 2022 as return-to-office activity has stabilized. Most employers have now accommodated a hybrid model of work allowing a partial work-from-home of their employees, resulting in current commuter behaviours expected to continue into 2023. Forecasted 2023 ridership levels assume:

- No significant waves of COVID cases requiring additional restrictions;
- Continued return of riders at similar levels experienced during fall 2022;
- Maintain similar behaviour of office-workers, with in-office days growing only slightly from an average just under two in-office days a week at the start of 2023 to an average of approximately two in-office days a week at the end of 2023;
- Comparable attendance at special events experienced since spring 2022, similar to pre-COVID levels; and,
- In-person class settings at post-secondary institutions and schools comparable to fall 2022 levels.

For 2023, the TTC is expecting approximately 393.0 million revenue rides, which represents 73% of pre-COVID normal levels, starting the year at 71% in January and ending the year at 75% in December. With a ten cent fare increase on adult and youth single fares only, forecasted ridership is anticipated to generate 2023

passenger revenue of \$931.4 million. Chart 7 below shows quarterly ridership for 2022 as well as the ridership forecast for each of the four quarters of 2023.

**Chart 7:
TTC Conventional Actual and Projected Ridership**



The insights and analysis on ridership trends which formed the basis for the 2023 ridership budget are discussed in Appendix A: TTC Conventional: Revenue Ridership and Revenue Trends.

Aligning Conventional Transit Service Hours to Ridership Demand

In keeping with the TTC’s approach to service since the onset of COVID, 2023 service will continue to be aligned more closely reflect lower post-pandemic ridership demand.

By year-end 2023, ridership is estimated to reach 75% of pre-COVID levels and service is proposed to be adjusted to 91% of pre-COVID hours starting in spring 2023 as seen in Table 3 below. This will be a change from currently scheduled service, which is approximately 96% of pre-COVID hours. Relative to pre-pandemic operations, service scheduled and operated will continue to be higher than the estimated ridership levels in 2023. This ensures that resources are retained to account for increases in traffic congestion that require revised schedules and ensures sufficient capacity exists to service the upper range of forecasted customer demand, in the event it occurs. Resources required in 2023 to operate Line 5, Line 6 and the Line 3 Bus Replacement plan, are accounted for separately and therefore will be in addition to the hours below for current service modes.

**Table 3:
2023 Service by Mode
(Measured in weekly service hours)**

Service Plan	Bus	Streetcar	Rapid	Total
Budget - November 2022 (pre-COVID proxy)	143,700	19,700	16,800	180,200
Scheduled - November 2022 (actual and in operation)	139,800	18,200	15,100	173,000
Proposed (starting spring 2023)	134,500	17,100	12,600	164,200
% of Pre-COVID (adjusted for initiatives and efficiencies)	94%	87%	75%	91%

The realigned service focuses on continuing to uphold the TTC’s core service principles: protect transit access across the city, deliver a reliable service, and match capacity with demand accounting for varying degrees of ridership recovery on a route basis and for new and emerging travel patterns.

Current periods of service and network coverage on all routes will be protected to ensure transit remains accessible. Rapid transit service will continue to operate every 6 minutes or better in most periods and in some cases every 10 minutes or better, based on demand. Schedules will be adjusted to reflect actual operating conditions to improve service reliability for customers. Route adjustments will be based on ridership demand in the busiest portion of the route, in the busiest direction and hour within each time period of service.

The realigned service proposes to:

- 1) Resume pre-COVID vehicle crowding standards in peak periods, which were temporarily suspended during the pandemic to provide more physical distancing. (50 customers per bus, 130 customers per streetcar, 1000/1100 customers per train on average during the busiest hour)
- 2) Increase the pre-COVID vehicle crowding standard at off-peak periods with capacity for each route and time period planned based on the busiest hour for 45 customers per bus, 90 customers per streetcar, and 600-650 customers per train on average.

The TTC will finalize the service plan and begin preparing schedules immediately. This lead time is required to implement the revised service in the spring of 2023.

New Investments: Safety, Cleanliness and Accessibility

The recommended funding of \$7.1 million for new and enhanced service priority actions has been limited to focus on advancing System Safety, Cleanliness and Accessibility initiatives as summarized in Table 4 below.

**Table 4:
New and Enhanced Service Priority Actions**

Description (\$Millions)	Gross & Net	Pos.
System Safety & Cleanliness		
Additional City Streets to Homes Outreach Workers	1.0	
Additional Special Constables	2.4	27
Streetcar Mid-Day Cleaning	1.0	
Subtotal: System Safety & Cleanliness	4.4	27
System Accessibility		
Neighbourhood Improvement Areas: Targeted Service Enhancements	0.7	8
Contribution to SFDA: Fair Pass Expansion	2.0	
Subtotal: System Accessibility	2.7	8
Total 2023 New & Enhanced Priority Actions	7.1	35

System Safety and Cleanliness

Through the pandemic, TTC has experienced an increase in underhoused individuals seeking refuge on the system and has partnered with the City's Streets to Homes program to assist these individuals. Through this partnership, support is offered and outreach workers support those who need assistance to connect with appropriate shelter or other required resources. To augment this ongoing effort, the 2023 Operating Budget includes \$1.0 million to fund 10 dedicated Streets to Homes outreach workers and 2 Team leads.

To enhance customer safety, a focus is being placed on maximizing uniformed staff presence and visibility in stations. To augment available resources, 25 Special Constable and 2 supervisor positions will be added to provide customer assistance where required, and enhance safety and security for all customers. In addition, mid-day cleanliness initiatives will be implemented on key downtown streetcar routes.

System Accessibility

In recognition of affordability challenges, the 2023 Operating Budget includes \$2.7 million in System Accessibility investments, including a \$2.0 million contribution to the City's Social Development Finance and Administration (SFDA) Division to facilitate the expansion of SFDA's Fair Pass program to individuals with a family income below 75% of the Low Income Measure. Approximately 50,000 more low-income people will be eligible for the discount in Phase 3A of the Fair Pass Program rollout and will add to the Program's existing eligibility including Ontario Works, Ontario Disability Support Program, Child Care Fee Subsidy and Rent Geared to Income clients whose income is below a threshold set 15% above the

Low Income Measure. The Fair Pass Program provides eligible recipients with a discount of approximately one-third, on the price of adult single fares and a 21% discount on adult monthly passes.

In addition, a targeted incremental investment will be made to increase service on prioritized routes with a high proportion of boardings at stops serving Neighbourhood Improvement Areas, with improvements focused on additional weekend afternoon service on major shopping corridors and the implementation of a 15-minute service on key overnight corridors.

To account for capacity requirements of customers travelling with shopping bags, buggies and strollers, service will be increased on weekend afternoons on key shopping corridor routes including Dufferin Street, Finch Avenue East, Lawrence Avenue East, Wilson Avenue, and The Queensway. In addition, a base grid of 15-minute overnight service on the Finch Avenue, Jane Street and Wilson Avenue corridors will be established. These corridors will complement existing 15-minute service on the Yonge Street and Bloor Street/Danforth Avenue corridors. These changes will provide more frequent, 15-minute overnight bus service to over 1,200 customers every day.

Base Budget Changes

For 2023, the TTC is facing \$116.0 million in base budget pressures, many of which are fixed costs and driven by economic conditions; are prescriptive; or are service or safety critical requirements. Of this amount, \$92.7 million or 4% of gross expenditures is required to fund inflationary or economic-based cost pressures alone. Taking into account the financial implications arising from the 2023 service alignment, and the new investments for system safety, cleanliness and accessibility the operating budget pressure is revised to \$76.6 million, before any consideration of the funding requirements for Transit Expansion and the continuing financial impact from COVID-19.

With \$42.6 million allocated to fund Transit Expansion and Conversion costs, this limited City funding available to address incremental budget pressures to \$10.4 million and a series of strategies were utilized to balance base budget requirements to available funding. These included \$16.1 million in additional passenger revenue to be generated from the fare increase on adult and youth single fares only, effective April 3, 2023; \$11.9 million in other revenue changes and expenditure reduction of \$22.5 million to be realized from efficiency measures. A withdrawal of \$15.7 million from the TTC Stabilization Reserve was made to limit the amount and scope of the fare increase and mitigate inflationary pressures.

Table 5 summarizes the expenditure, revenue and associated complement base budget changes, with explanatory comments following.

Table 5
2023 TTC Conventional and Wheel-Trans Base Operating Budget

Description (\$Millions)	Gross	Revenue	Net	Positions
2022 Approved Operating Budget, including COVID-19 Impact	2,284.0	817.2	1,466.8	13,841
Less 2022 COVID-19 Impact	(29.2)	531.9	(561.1)	(6)
Less Expansion	(30.4)	(0.8)	(29.6)	(238)
2022 Approved Base Operating Budget, Excluding COVID-19 & Expansion	2,224.4	1,348.3	876.1	13,597
Base Pressures:				
Inflationary Pressures	82.6	(10.1)	92.7	
Base Service Cost Changes	43.6	20.3	23.3	252
Subtotal: Base Pressures	126.2	10.2	116.0	252
TTC Service Alignment with Demand	(50.4)	(3.9)	(46.5)	(457)
Base Pressure Net of Service Alignment with Demand	75.8	6.3	69.5	(205)
New & Enhanced				
System Safety & Cleanliness	4.4	-	4.4	27
System Accessibility	2.7	-	2.7	8
Funding Pressures, Before Expansion & COVID	82.9	6.3	76.6	(170)
Balancing Actions				
Single Fare 10 cent Fare Increase (Excl. Seniors Eff. April 3)	0.7	16.8	(16.1)	
Other Revenue Changes	0.4	12.3	(11.9)	
Efficiencies & Line-By-Line Review	(22.5)	-	(22.5)	(29)
Base Budget Funding Requirement	61.5	35.4	26.1	(199)
Reserve Draw to Limit Fare Increase	-	15.7	(15.7)	
Total Operating Funding Change Excluding Expansion and COVID	61.5	51.1	10.4	(199)
2023 Requested Operating Budget Excluding Expansion and COVID	2,285.9	1,399.4	886.5	13,398

Inflation and Cost Escalation

The 2023 Operating Budget includes \$92.7 million (4% of gross expenditure budget) in inflationary cost pressures. The key drivers of inflationary and legislatively prescriptive impacts include diesel prices, the impact of collective bargaining agreements, contractual price increases and the impact of Canada Pension and Employment Insurance premium increases as summarized in Table 6.

Table 6
Inflationary Pressures

Description (\$Millions)	Gross	Revenue	Net
Diesel Price Increase*	27.8	(8.5)	36.3
Collective Bargaining & Cost of Living	35.4	-	35.4
Contractual Price Increase*	13.8	(1.6)	15.4
Legislative (CPP/EI Premium increases)	5.6	-	5.6
Total Inflationary Pressures	82.6	(10.1)	92.7

The 2023 Operating Budget reflects a forecast price of \$1.50 per litre for diesel fuel requirements, net of applicable HST rebate, which is consistent with current market trends, reflecting a 33% increase from the \$1.13 average price budgeted in the 2022 Operating Budget. In addition, the 2022 Operating Budget relied on the TTC Stabilization Reserve to address fuel price volatility, resulting in a combined budget pressure of \$36.3 million. Strategies and actions to partially mitigate increases in the cost of diesel fuel have been put in place and include hedging a portion of the diesel fuel requirements and capturing the continued reduction in

fuel consumption rates achieved through fleet renewal. Since 2017, TTC diesel consumption rates per bus kilometre operated have decreased by approximately 20%.

Contractual price increases account for \$15.4 million of the total budget pressure, driven by price escalation on various material and service contracts, with average price escalation of approximately 3% on \$370 million of annual material and service costs. Increases accounted for in the operating budget are based on contract pricing in place or expected for 2023. Anticipated increases in corporate insurance premiums, consistent with the July 14, 2022 Procurement Authorization for TTC All Risks Property Insurance Renewal and land license and lease fees for commuter lots in Hydro One rights of way, are also included. The TTC has been able to mitigate the impact of the high inflation environment to date in part due to due 2023 pricing on some contracts, which was in place prior to the recent inflationary trend, ongoing competitive procurements, and leveraging part inventories on hand. Nevertheless, should the current high inflation environment persist, inflation and cost escalation impacts could be higher in 2024.

In addition, the 2023 Operating Budget funds legislative increases in Canada Pension Plan (CPP) and Employment Insurance (EI) rates. This includes an increase in the Canada Pension Plan contribution rate as well as an increase in the yearly CPP maximum pensionable earnings and EI insurable earnings limits.

Base Service Cost Changes

The 2023 Operating Budget funds a \$23.3 million net increase for base service costs required to protect the reliability of scheduled service, deliver on customer experience improvements, address operating impacts of completed capital projects and accommodate anticipated growth in Wheel-Trans ridership. Table 7 summarizes these cost increases.

Table 7
Base Service Cost Changes

Description (\$Millions)	Gross	Revenue	Net	Positions
Service Reliability & Resiliency	11.5	-	11.5	123
Service to Mitigate Construction Impacts (City & MX projects)	15.4	15.4	-	71
One-Time Requirements (Safety Training, Consulting & Recruiting)	3.7	3.7	-	8
Station Cleanliness Initiatives	1.5	-	1.5	
Operating Impacts of Capital	4.1	-	4.1	2
Wheel-Trans Ridership Demand	5.4	0.5	4.9	42
Other Base Changes	2.0	0.7	1.3	6
Total Base Service Cost Changes	43.6	20.3	23.3	252

Ensuring all scheduled service is delivered on-time is a key deliverable, and carries increased importance with the alignment of service to anticipated 2023

ridership demand. To address this key objective, the 2023 Operating Budget provides funding to increase spare operators available to backfill for unplanned absences and reduce the reliance on overtime. Additional resources are added on a cost recovery basis, to mitigate the impact of construction on service capacity. A one-time withdrawal of \$3.7 million from the TTC Stabilization Reserve will be leveraged to support key one-time requirements centered on system resiliency. This includes recruiting support to reduce vacancies, temporarily backfilling resources to facilitate safety related training and completing Phase 2 of the Service Plan Reset and the Risk Mitigation Plan for the Fare Collection Strategy.

As a continuation of work completed in 2022, the Service Plan Reset will contribute to ensuring system resiliency and improving financial sustainability by planning transit service that effectively serves TTC riders while implementing policies designed to attract riders back to public transit to ensure TTC is the mode of choice. The Risk Mitigation Plan for the Fare Collection Strategy builds on work completed to date and will continue to advance required preparatory work for the procurement of an independent fare collection system, while working in good faith with Metrolinx on PRESTO's procurement for a next-generation system.

The TTC will be working to improve customer experience on the transit network through an added focus on system cleanliness and the continuation of the bus Wi-Fi pilot, which will include the Jane, Markham Road, Eglinton East and Weston Road North routes.

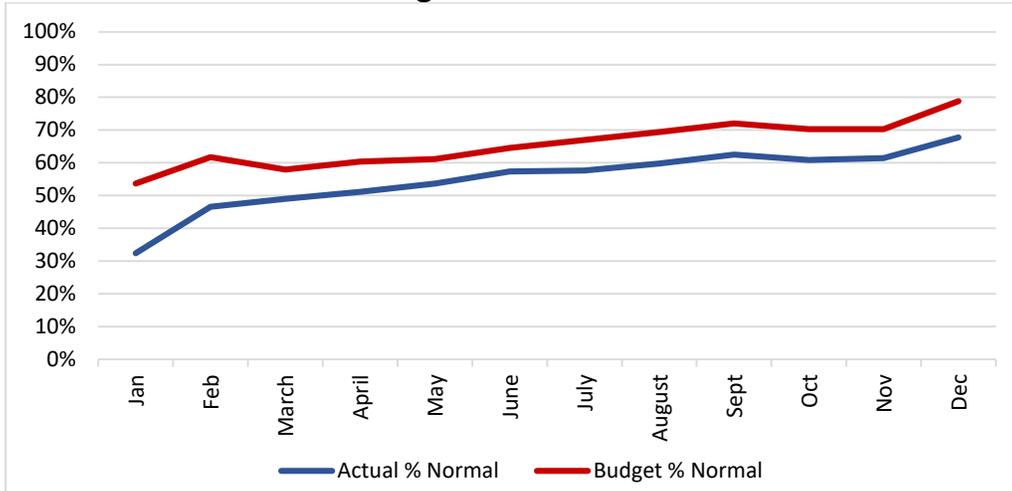
Funding for the operating impacts of completed capital projects primarily support the implementation of IT projects and ongoing modernization efforts. This includes the annualized cost for cybersecurity managed services consistent with the July 14, 2022 Contract Award for Managed Security Services report to the TTC Board and the roll-out of IBM Maximo, which will support more effective asset management of TTC's \$22 billion asset inventory.

Wheel-Trans Ridership Demand

Given the nature of Wheel-Trans service, Wheel-Trans service expenditures are directly linked to the number of rides required. The 2022 Wheel-Trans Operating Budget anticipated a gradual increase in ridership as vaccinations became more prevalent and a gradual return to regular activities occurred.

While an increase in ridership has occurred, the extent of Wheel-Trans ridership return has been consistently below the 2022 budget expectation, with the pace of ridership return also slowing in the second half of the year, as shown in Chart 8 on the next page.

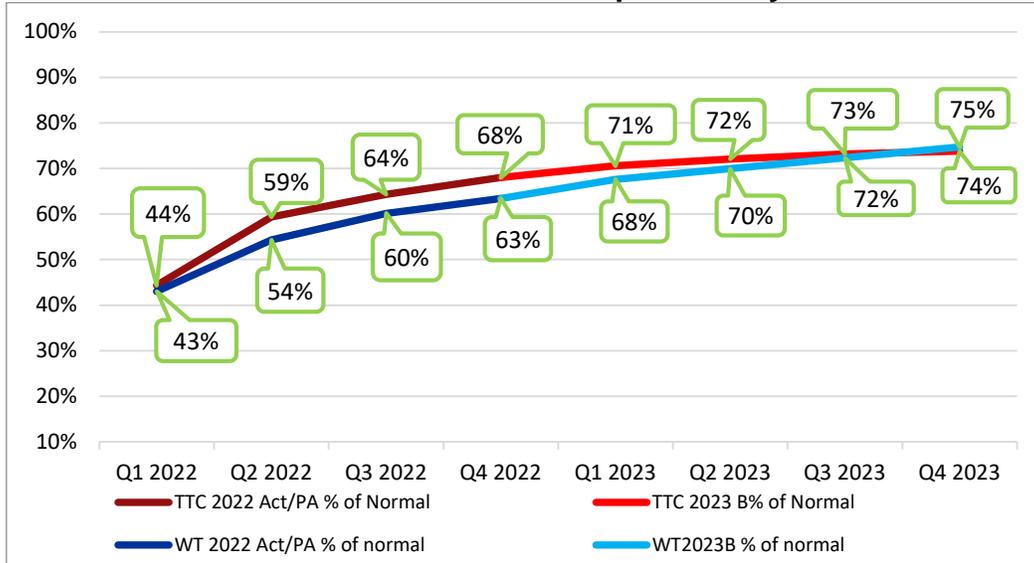
**Chart 8
2022 Wheel-Trans Ridership
As a Percentage of Pre-Pandemic Normal**



Overall, the trend in Wheel-Trans ridership recovery rate has generally mirrored that of the TTC Conventional system. However, since spring 2022, the Wheel-Trans ridership recovery has been approximately five percentage points below the TTC Conventional recovery rate, in part due to the increased prevalence of virtual medical appointments since the start of the pandemic, which disproportionately impacts Wheel-Trans ridership.

The 2023 Operating Budget for Wheel-Trans service is based on a forecast of continued Wheel-Trans ridership growth from current levels due to an anticipated increase of in-person medical appointments and increasing customer comfort with travel and event attendance. As a result, Wheel-Trans ridership is expected to average 71% of pre-pandemic levels for 2023 as a whole and ultimately end the year consistent with TTC Conventional recovery rates at approximately 75% of pre-pandemic levels, as outlined in Chart 9 on the next page.

**Chart 9:
TTC Convention & Wheel-Trans
Actual and Forecast Ridership Recovery Rates**



The 2023 Operating Budget for Wheel-Trans service provides sufficient funding and complement to accommodate the anticipated 2.953 million rides in 2023, an increase of 8.4% from the 2.725 million anticipated in the 2022 Operating Budget. The year-over-year anticipated growth in ridership demand is largely based on a reversal of the Omicron variant, which impacted ridership in the first quarter of 2022, as well as expected modest growth in ridership demand from current levels as described above.

Base Budget Balancing Actions

Every effort has been made to accommodate base operating budget requirements within the limited available funding with a focus on reviewing all possible revenue changes, expenditure reductions and efficiency opportunities. These actions, combined with the use of the TTC Stabilization Reserve for one-time or time limited expenses, enabled the TTC to limit the fare increase and minimize the impact on the property tax base while accommodating the base service cost pressures discussed above within the limited increase in available City funding.

April 3, 2023 Fare Increase on Adult and Youth Single Fares

A 10 cent fare increase, effective April 3, 2023 on adult and youth single fares only while holding seniors, pass users and fair pass riders at 2020 rates is expected to generate \$16.1 million in 2023. Funds generated from the fare increase are being directed to fund the new investments in System Safety, Cleanliness and Accessibility described above, and in part to address the sharp escalation in diesel fuel costs.

Other Revenue Changes

In addition to the fare increase, a review of revenue sources to support the base operating budget identified an incremental \$11.9 million, including a \$6.0 million gross and \$5.7 million net increase in passenger revenue through a resumption of ticketing for fare evasion. Other adjustments included an increase in interest revenue, contractually scheduled increase in annual revenue under the subway wireless contract, higher Outside City Service revenues consistent with corresponding cost escalation and funding from the City's Development Application Review Reserve. This reserve funding now fully recovers the TTC's costs of resources required to review development applications, similar to the other city functions that form part of the end to end development application review process. Table 8 below, summarizes the revenue changes incorporated into the 2023 Operating Budget.

**Table 8:
Revenue Changes**

Description (\$Millions)	Gross	Revenue	Net
April 3, 2023 Fare Increase - Single Fares; excluding seniors	0.7	16.8	(16.1)
Other Revenue Changes			
Fare Evasion: Resumption of Ticketing	0.3	6.0	(5.7)
Interest Revenue		2.5	(2.5)
Outside City Service		1.0	(1.0)
Development Reviews - City Reserve		0.8	(0.8)
Subway Wireless Contract		0.5	(0.5)
Average Fare and Other Adjustments	0.1	1.4	(1.3)
Subtotal: Other Revenue Changes	0.4	12.3	(11.9)
Total Revenue Changes	1.1	29.1	(28.0)

Base Expenditure Reductions and Efficiency Measures

The 2023 Operating Budget reflects \$22.5 million in base expenditure reductions and a reduction of 29 positions arising from the implementation of efficiency measures and a review of budgeted expenditures against actual experience. This includes the full implementation of One Person Train Operation on the entirety of Line 1, continued overtime reductions and a comprehensive line-by-line review, as summarized in Table 9, on the following page.

**Table 9
Base Expenditure Reductions and Efficiency Measures**

Description (\$ Millions)	TTC	WT	Gross	Net	Pos.
Base Budget Reductions					
Line-by-Line Reviews	(9.5)	(0.8)	(10.3)	(10.3)	
Subtotal: Base Budget Reductions	(9.5)	(0.8)	(10.3)	(10.3)	
Efficiency Measures					
Line 1: One Person Train Operation	(7.3)		(7.3)	(7.3)	
Overtime reductions	(0.6)	(0.1)	(0.7)	(0.7)	
Revenue Operations - Legacy Fares	(0.7)		(0.7)	(0.7)	(6)
Wheel-Trans Additional Zone Buses		(1.2)	(1.2)	(1.2)	(16)
Snow Clearing Contract Savings	(0.8)		(0.8)	(0.8)	
Other Efficiencies	(1.1)		(1.1)	(1.1)	
Subtotal: Efficiency Measures	(10.4)	(1.3)	(11.6)	(11.6)	(22)
Implementation of AG Recommendations:					
Wheel-Trans Call Centre		(0.5)	(0.5)	(0.5)	(7)
Aftermarket Parts Warranty	(0.1)		(0.1)	(0.1)	
Subtotal: Implementation of AG Recommendations	(0.1)	(0.5)	(0.6)	(0.6)	(7)
Total Efficiencies and Line-By-Line Review	(19.9)	(2.5)	(22.5)	(22.5)	(29)
TTC Stabilization Reserve Draw			0.0	(15.7)	
Total Base Expenditure Reductions and Efficiency Measures	(19.9)	(2.5)	(22.5)	(38.2)	(29)

Line-by-Line Reductions

Material and Service spending trends both pre-pandemic and throughout the pandemic were assessed as part of the expenditure line-by-line review. As a result of the analysis undertaken, \$10.3 million in expenditure reductions have been identified and reflected in the 2023 Operating Budget, primarily due to material volume and contract costs being lower than original estimates.

Efficiency Measures

Efficiency measures are specific actions taken by TTC staff that achieve cost reductions without impacting service levels for customers as described below.

- **One Person Train Operation**

On November 20, 2022, One Person Train Operation (OPTO) was fully implemented on the entirety of Line 1 Yonge-University and was made possible by the completion of Automatic Train Control installation. OPTO was already in use from Vaughan Metropolitan Centre to St George stations on a daily basis since November 2021 and has been in use on Line 4 since 2016. OPTO allows the train Operator to safely drive the train and operate the doors while monitoring screens from inside the front cab. Combined with savings realized in the 2021 and 2022 budgets, \$10 million will be saved on an annual basis resulting in a net reduction of 100 positions, including \$7.3 million to be realized for the first time in 2023. As part of this initiative, TTC has reinvested some operator savings into increased staffing presence in stations.

- **Wheel-Trans Zone Bus**

The 2023 Operating Budget includes savings of \$1.2 million associated with the expanded use of zone buses on the Wheel-Trans service. By applying this approach to bus deployment, Wheel-Trans buses are designated to operate within high demand areas increasing the number trips they can deliver while also reducing the time between customer pick ups.

- **Revenue Operations – Legacy Fares**

Through the introduction of Bulk PRESTO tickets in 2022, the TTC began the process of eliminating the distribution of legacy tickets. While legacy tickets remain valid for fare payment, ending legacy ticket sales, combined with other process changes has yielded a reduction of 6 positions and budget savings of \$0.7 million.

- **Implementation of AG Recommendations**

The continued implementation of Auditor General Recommendations relating to the Wheel-Trans reservations call centre contract, and improved use of after market part warranties is expected to save \$0.6 million and a reduction of 7 positions in 2023.

Use of the TTC Stabilization Reserve

Taking into account the TTC budget pressures for 2023 and all the balancing actions outlined above, \$26.1 million was required to balance the budget, prior to the impact of COVID. With the available increase in City funding for the base budget limited to \$10.4 million, the use of the TTC Stabilization Reserve is recommended to fund the remaining balance of \$15.7 million in order to partially mitigate inflationary impacts and to limit the fare increase for 2023 by freezing the cost of all passes and all fair pass riders and seniors' fares at 2020 rates and ensuring that the increase on all other fares remains below the rate of inflation. This action is necessary to minimize the impact on TTC riders given current economic conditions.

It is acknowledged that use of the Stabilization Reserve will have to be reversed and replaced in the 2024 Operating Budget. This amount will need to form part of a multi-year, multi-pronged funding strategy, to address this resultant budget pressure along with the other significant pressures forecasted in the short and mid-term.

Table 10, on the next page summarizes the recommended 2023 Operating Budget, inclusive of all base service cost increases, incremental increases to fund Transit Expansion and Conversion costs and the new investments in system safety, cleanliness and accessibility.

Table 10
2023 TTC Conventional and Wheel-Trans Operating Budget

Description (\$Millions)	Gross	Revenue	Net	Positions
2022 Approved Funding, including COVID-19 Impact	2,284.0	817.2	1,466.8	13,841
Less 2022 COVID-19 Impact	(29.2)	531.9	(561.1)	(6)
2022 Approved Funding, Excluding COVID-19 Impact	2,254.8	1,349.1	905.7	13,835
Base Pressures:				
Inflationary Pressures				
Diesel Price Increase*	27.8	(8.5)	36.3	
Collective Bargaining & Cost of Living	35.4	-	35.4	
Contractual Price Increase*	13.8	(1.6)	15.4	
Legislative (CPP/EI Premium increases)	5.6	-	5.6	
Subtotal Inflationary Pressures	82.6	(10.1)	92.7	
Base Service Cost Changes				
Service Reliability & Resiliency	11.5	-	11.5	123
Service to Mitigate Construction Impact (City & MX projects)	15.4	15.4	-	71
One-Time Requirements (Safety Training, Consulting & Recruiting)	3.7	3.7	-	8
Station Cleanliness Initiatives	1.5	-	1.5	
Operating Impacts of Capital	4.1	-	4.1	2
Wheel-Trans Ridership Demand	5.4	0.5	4.9	42
Other Base Changes	2.6	1.3	1.3	6
Subtotal Base Service Cost Changes	44.2	20.9	23.3	252
TTC Service Alignment with Demand	(50.4)	(3.9)	(46.5)	(457)
Base Changes Before Balancing Actions	76.4	6.9	69.5	(205)
New & Enhanced				
System Safety & Cleanliness	4.4	-	4.4	27
System Accessibility	2.7	-	2.7	8
Subtotal: New & Enhanced	7.1	-	7.1	35
Revenue Changes				
10 cents fare increase on single fares, excluding seniors	0.7	16.8	(16.1)	
Fare Evasion: Resumption of Ticketing	0.3	6.0	(5.7)	
Interest Revenue	-	2.5	(2.5)	
Average Fare & Other Ancillary Changes	0.1	3.8	(3.7)	
Subtotal: Revenue Changes	1.1	29.1	(28.0)	
Efficiencies & Balancing Actions	(22.5)	-	(22.5)	(29)
Reserve Draw to Limit Fare Increase & Mitigate Diesel Price Pressure	-	15.7	(15.7)	
Funding Required before Expansion and COVID Impact	62.1	51.7	10.4	(199)
Transit Service Expansion/Conversion				
Line 5 - Eglinton Crosstown LRT	40.1	9.5	30.6	39
Line 6 - Finch West LRT	12.1	1.6	10.5	108
Line 3 Bus Replacement Plan	1.5	-	1.5	89
Subtotal: Transit Expansion & Conversion	53.7	11.1	42.6	236
Total Funding Required before COVID Impact	115.8	62.8	53.0	37
Total 2023 Operating Funding Request before COVID Impact	2,370.6	1,411.9	958.7	13,872
Change from 2022	5.1%	4.7%	5.9%	0.3%
2023 COVID-19 Impacts				
Passenger Revenue Loss, Net of PRESTO Commissions	(14.6)	(342.7)	328.1	
Lost Ancillary Revenue		(14.5)	14.5	
Incremental Expenses	23.8		23.8	5
2023 COVID-19 Impacts	9.2	(357.2)	366.4	5
Total 2023 Operating Funding Request	2,379.8	1,054.7	1,325.1	13,877
Change from 2022	95.8	237.5	(141.7)	36
	4.2%	29.1%	-9.7%	0.3%

*Includes reversal of prior year reserve draw, which was intended to address volatility.

Workforce Complement

Consistent with the initiatives noted throughout this report, the approved operating complement will increase by 36 positions overall, as the complement required for transit service expansion and conversion fully offset reductions in the approved complement being made in the TTC's 2023 Operating Base Budget. Specifically the 2023 Operating Budget includes an increase of 236 positions related to Transit Expansion and Conversion initiatives, 71 positions required for Metrolinx and city construction projects, and 35 to deliver the new investments in system safety and accessibility, for a combined total of 342 positions.

The 236 additional positions required for Transit Expansion and Conversion provides a net increase of 89 positions to operate the Line 3 Bus Replacement Plan and 108 positions required to operate Line 6. Over and above the necessary positions approved in 2022, there is an increase of 39 positions to operate Line 5, resulting in a total Line 5 complement of 282 positions. The additional 39 positions for Line 5 are required to align staffing for Customer Service Agents with scheduling and Collective Agreement requirements and to operate service level 6, instead of the originally planned service level 1. This change is necessary to ensure alignment with TTC service levels for the rapid transit network.

This combined 342 position increase will be offset by a reduction of 306 approved positions. This includes a reduction of 457 positions associated with the alignment of service hours to ridership demand and a reduction of 29 positions achieved through the implementation of non-service efficiency initiatives, offset by reinvestment of 180 positions. The reinvestment of 180 positions accounts for 123 operator positions required to enhance service reliability including an increase in available spare operators to backfill for unplanned absences. In addition, 42 positions to accommodate the anticipated increase in Wheel-Trans ridership demand and 8 positions to address temporary safety training requirements are also included.

In addition to operating requirements, a total of 240 capital positions to be funded from the 2023 Capital Budget and third party recoveries will be added to TTC's capital complement to ensure the successful delivery of the major capital programs funded in the 2023-2032 Capital Budget and Plan. Inclusive of capital requirements, TTC's complement will increase by 276 positions to 16,787 positions, as summarized in Table 11 on the next page.

**Table 11
Workforce Complement**

Budget	2022	2023	Change
Coventional Operating:			
Base	12,932	12,679	(253)
Transit Expansion (ECLRT, FWLRT, Line 3 Replacement)	247	483	236
New & Enhanced	-	35	35
COVID-19	5	4	(1)
Subtotal: Conventional Operating	13,184	13,201	17
Wheel-Trans Operating:			
Base	591	610	19
COVID-19	1	1	-
Subtotal: Wheel-Trans Operating	592	611	19
Metrolinx Transit Expansion (Full Cost Recovery)	65	65	-
Total Operating Positions	13,841	13,877	36
Subtotal: Capital	2,670	2,910	240
Total	16,511	16,787	276

Note: 2022 includes Council approved in-year adjustments.

Further details on the workforce complement change is outlined in Appendix D.

2024 and 2025 Outlook

The outlooks for 2024 and 2025 identify pressures of \$111.0 million and \$44.0 million, respectively. Included with the forecasts are continued energy and material price escalation; impact of increasing Wheel-Trans service to meet projected ridership demand; and operating impacts of completed capital projects, in particular the upcoming delivery of the 60 car LRV order and the reversal of the planned 2023 Stabilization Reserve draw. In addition, 2024 pressures include the annualized effect of Transit Expansion and Conversion operating and maintenance costs for Line 5 and Line 6 as well as the Line 3 Bus Replacement Plan.

It should be noted that these forecasted estimates exclude any provision that restores conventional service above 2023 levels should there be a need to match service to an increase in higher demand. In addition, future year estimates do not include provisions for wage increases or benefit improvements past March 31, 2024, due to the March 31, 2024, expiry of the Collective Agreement with ATU 113 (TTC's largest union). Finally, these estimates are prior to adding the anticipated COVID-19 revenue and expense impacts that are expected to continue until ridership returns to pre-pandemic levels. Table 12 on the next page, itemizes the projected cost pressures for 2024 and 2025, before COVID impacts.

**Table 12:
TTC Outlook 2024 and 2025: Incremental Funding Requirements**

\$Millions	2024	2025
Base Pressures:		
Economic Factors	27.3	22.5
Benefit Utilization/Cost Inflation	5.7	6.0
CBA/COLA	5.3	
Wheel-Trans Service Alignment with Demand	4.0	4.9
<u>Operating Impact of Capital</u>		
Cybersecurity (MSSP)	0.9	0.0
Wifi on Buses	3.0	0.3
Other IT Projects	1.5	4.3
Purchases of Buses	(5.0)	(7.5)
Purchases of Streetcars	3.0	1.3
Other Operating Impacts of Capital	1.0	2.0
<u>Other Base Changes</u>		
Legislative	7.0	7.9
Insurance	1.7	1.8
Office 365	1.0	1.0
Reversal of 2023 TTC Stabilization Reserve Draw	15.7	
Facility Maintenance Requirements	2.0	0.1
Other Base Changes	3.4	2.2
Annualization of Conventional Service Alignment with Demand	(6.5)	
Efficiency Measures	(1.5)	(2.7)
<u>Annualization of April 1, 2023 Fare Increase</u>	(5.1)	
<u>New & Enhanced</u>		
Annualization of System Safety & Cleanliness Initiatives	1.1	
Annualization of System Accessibility Initiatives	0.4	
Total 2024 & 2025 Operating Funding Pressure - Base	65.7	44.0
Transit Expansion & Conversion		
Line 5 - Eglinton Crosstown LRT	17.7	
Line 6 - Finch West LRT	17.6	
SRT Bus Replacement Plan	10.0	
Total Transit Expansion & Conversion	45.3	-
Combined Operating Funding Pressure - Before COVID Impacts	111.0	44.0

Impact of COVID-19

The financial impact of COVID-19 will continue to significantly affect the TTC's financial sustainability, in particular due to the continued use of the hybrid work and its impact on the passenger revenue model. Increases in ancillary revenue will be also be dependent on ridership, given parking and subway concession revenues are tied to commuter behaviours. Table 13 provides an estimate of COVID-19 impacts based on expected ridership for 2023 and directional revenue ridership estimates for 2024 and 2025. The majority of the financial impact relates

to lost passenger revenue and ancillary revenues (advertising, parking and subway concessions)

**Table 13:
COVID-19 Pressures**

TTC Conventional & Wheel-Trans (\$Millions)	2023	2024	2025
Passenger Revenues (Net of Presto Fees)	328.1	316.0	303.9
Ancillary Revenue	14.5	14.3	13.3
Incremental Expenses	23.8	19.7	17.8
Total COVID-19 Pressure	366.4	350.0	335.0

When the currently anticipated ongoing impacts of COVID-19 are combined with forecasted budget increases, an additional \$461.0 million would be required in 2024 and \$379.0 million in 2025. These amounts are prior to any service increase or collective agreement impact post the March 31, 2024 expiry of the collective agreements.

COVID-19 Relief Funding

To date, the TTC has received \$1.8 billion in funding relief and funding commitments from the other orders of government, inclusive of the \$415.2 million received or committed for 2022. The City and TTC are having ongoing discussions with the other orders of government to address the remaining unfunded COVID impact for 2022 of \$125.3 million and ongoing COVID impacts over the short to mid-term as well as the need for stable and predictable long term funding

The COVID experience has clearly exposed the high dependency on the farebox as a key vulnerability that will challenge the TTC’s ability to provide safe, reliable transit service and put at risk the critical role it plays in the City and Region’s economic recovery, vitality and well-being. A multi-year, multi-pronged funding strategy will be required to ensure the ongoing sustainability of the TTC’s transit service.

Contact

Josie La Vita
Chief Financial Officer
416-393-3914
josie.lavita@ttc.ca

Alex Cassar
Director Budgets, Costing & Financial Reporting
416-393-3647
alex.cassar@ttc.ca

Signature

Josie La Vita
Chief Financial Officer

Attachments

- Appendix A TTC Ridership and Revenue Trends
- Appendix B1 TTC Conventional Operating Budget by Functional Area
- Appendix B2 Wheel-Trans Operating Budget by Functional Area
- Appendix C TTC Fare Schedule
- Appendix D Workforce Complement
- Appendix E TTC Stabilization and Long-Term Liability Reserve

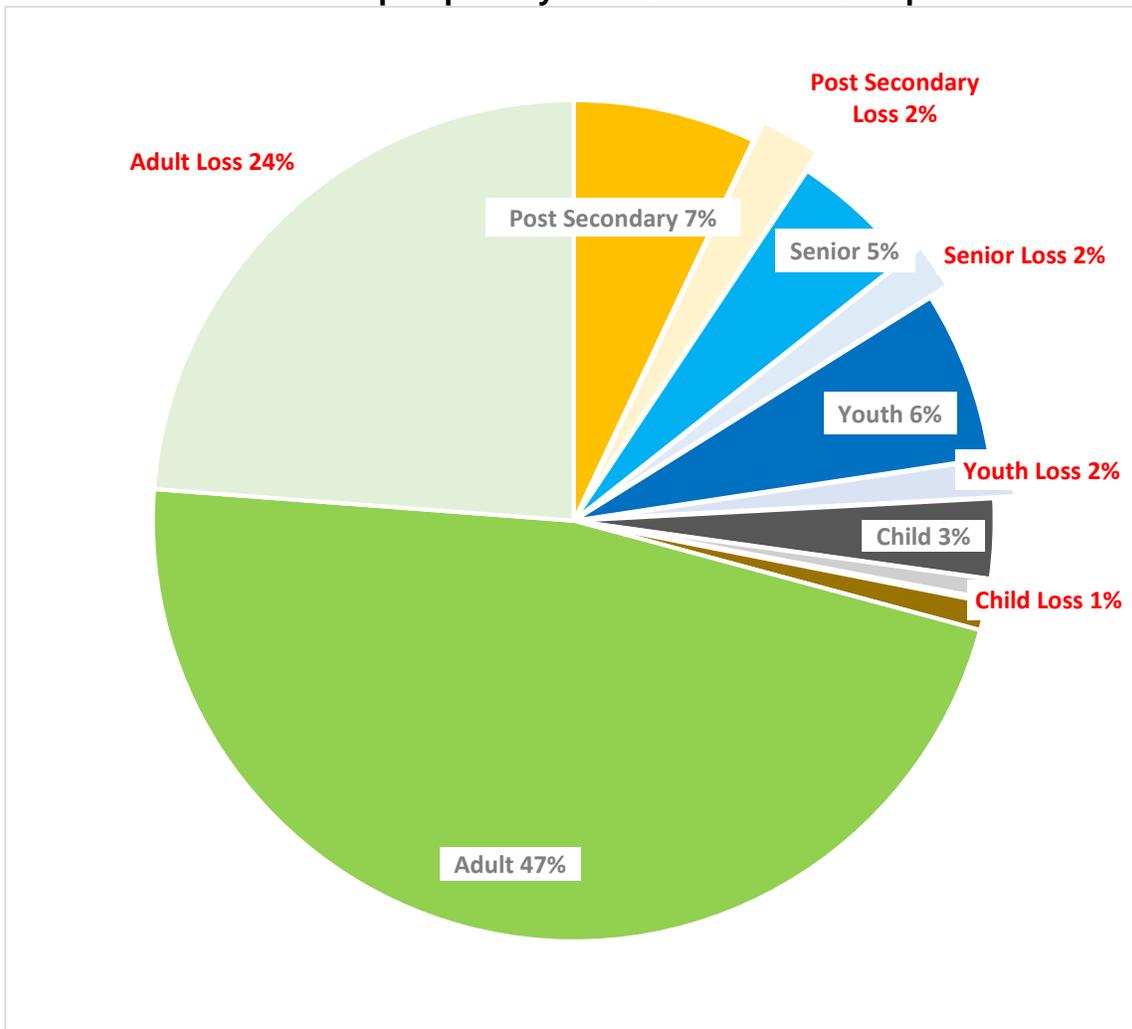
TTC Conventional: Revenue Ridership and Revenue Trends

Who is riding?

In order to understand the ongoing impact of COVID-19 on 2022 ridership and establish a basis for TTC's 2023 ridership revenue budget, ridership data and trends experienced to date were analyzed. This included but was not limited to PRESTO card data by ridership group and frequency of travel.

Chart 11 demonstrates forecasted Q4 2022 ridership losses by fare type.

Chart 11
Ridership Impact by Fare Concession Group



Adult

TTC's largest ridership impact continues to be from the loss of adult fare paying customers. Q4 2022 forecasted ridership in this group averages

approximately 66% of pre-COVID normal, representing a loss of 24% of all pre-COVID-19 ridership. Some return to in-office work was experienced in 2022, contributing to increased adult ridership from 2021 to 2022. However, TTC's 2022 ridership loss is driven by the shift of employers to a hybrid work model with office workers averaging just under 2 in-office days a week at the end of 2022. As in-office work days are expected to increase only slightly throughout 2023, ridership from the adult fare is expected to have a corresponding marginal increase in 2023.

Youth (ages 13-19)

In Q4 2022, youth ridership averaged approximately 81% of pre-COVID normal, representing a loss of 2% of all pre-COVID ridership. Youth ridership increased in 2022 compared to 2021 due to an increase of in-class learning. Youth ridership is forecasted to increase slightly in 2023 as schools are expected to remain open throughout the year.

Post-Secondary

Post-Secondary riders benefit from a lower fare when riding with a post-secondary monthly pass. With post-secondary institutions back to offering in-person learning, Q4 2022 forecasted ridership for this group averaged 75% of pre-COVID normal, representing a loss of 2% of all pre-COVID ridership. Post-secondary institutions in the Greater Toronto Area offered increased in-person learning in 2022, but still at levels lower than pre-COVID, thereby reducing ridership levels amongst post-secondary customers. It is forecasted that post-secondary ridership will experience continued recovery through 2023.

Senior

Q4 2022 forecasted ridership for the Senior fare category averaged approximately 74% of pre-COVID normal, representing a loss of 2% of all pre-COVID-19 ridership. This group likely has a higher proportion of trips being essential in nature and hesitancy of returning to transit a likely reason for the ridership decline experienced.

How are customers riding?

Customer Boardings

As seen in Chart 12, ridership growth was experienced across all modes in 2022 as ridership recovered from the COVID-19 pandemic. Prior to the holiday period, bus boarding remained the highest, with the greatest degree of pre-COVID levels of ridership at 77% of pre-COVID March 2020 levels, followed by subway at 66% and streetcar at 65%.

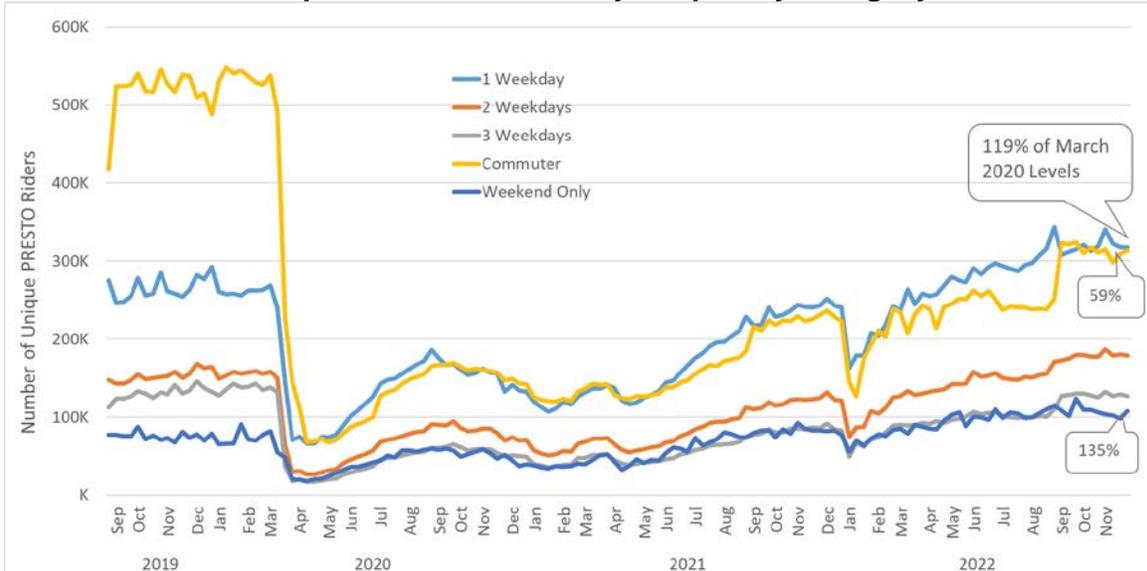
Chart 12
Weekly Boardings By Mode



PRESTO Riders

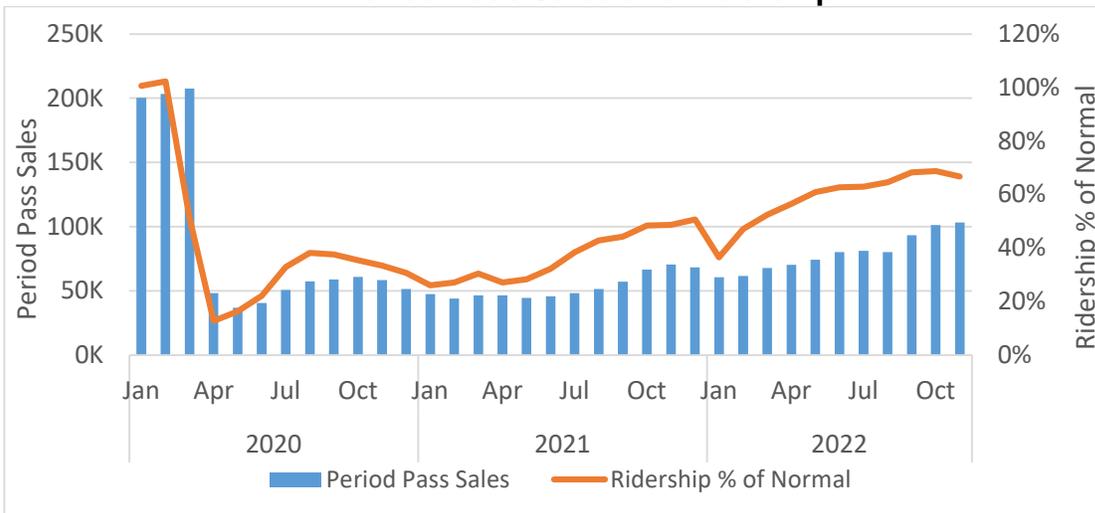
On the weekly basis, 90% of unique PRESTO riders have returned to the system. In November 2022, an average of 1.04 million unique cards were used per week on the TTC, as compared to 1.16 million in early 2020. However, the travel frequency of the riders has dropped. Chart 13 examines the changes to rider frequency groups from late 2019 to current and shows that while riders have returned to the system, the average use of the system is less frequent. For example, the number of unique riders classified as “commuters” (i.e. ride 4 or 5 weekdays each week) are at 59% of March 2020 levels, below the overall ridership recovery rate. Conversely, riders who use transit less frequently are above March 2020 levels. This is indicative of a travel pattern change from former commuters to a now less frequent usage group likely due to work from home policies.

Chart 13
Unique PRESTO riders by frequency category



These trends have been confirmed through a review of monthly pass purchases. As can be seen in chart 14, monthly pass sales during January to March 2020 were above 200,000, (reaching 208,000 in March 2020), as there were more frequent riders using the TTC to get to work, school, events, and their daily leisure and non-essential trips. As the pandemic restrictions began to impact travel patterns (work from home, virtual learning, social distancing), pass sales dropped to a low of 37,000 in May 2020. Monthly pass sales have recovered to approximately 93,400 in December 2022, but at approximately half of pre-pandemic levels, clearly demonstrating a lag in ridership recovery. Overall, most riders have returned to the system, but are using the system less often that was previously the case.

Chart 14
Period Pass Sales and Ridership

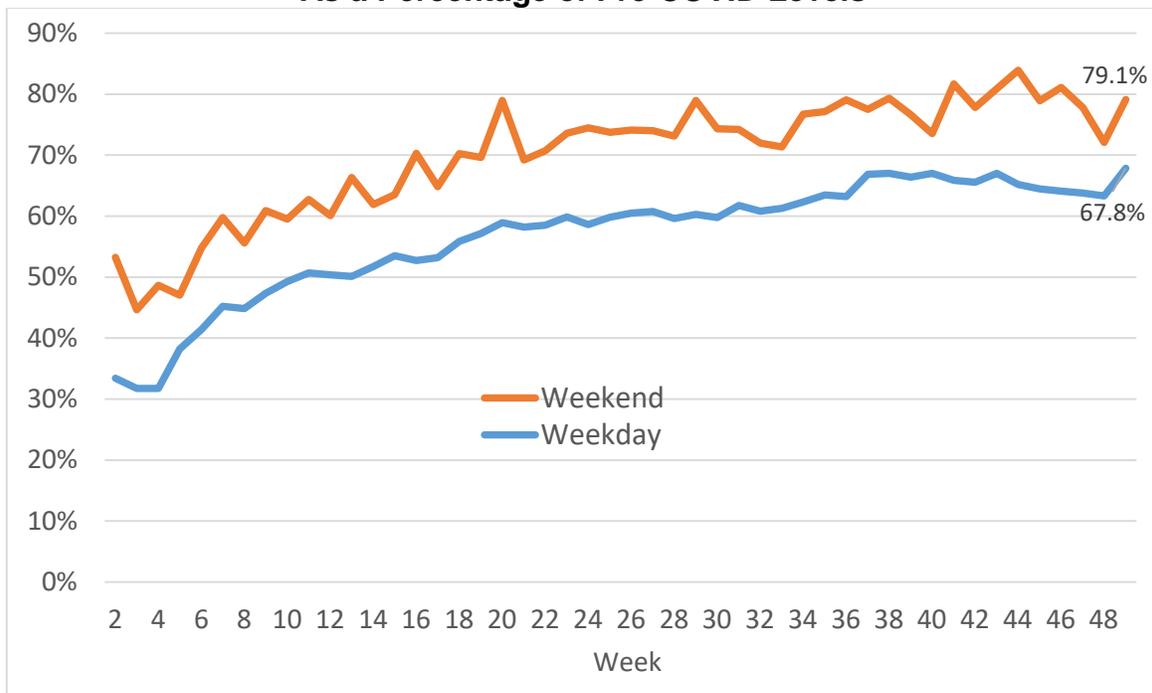


When are Customer Riding?

Chart 15 shows that weekend ridership has returned to a much higher level than weekday ridership, with current levels at approximately 79% of pre-COVID experience for weekend use and approximately 68% for weekday use. This continues to emphasize the decrease in ridership from the office worker, currently averaging just under two in-office days a week whereas the weekend trips, predominately discretionary in nature, have returned at higher levels given that special events and corresponding attendance has returned levels similar to pre-COVID experience.

The weekend ridership recovery rate, is expected to continue to remain above weekday ridership recovery rate throughout 2023 given return-to-office activity has stabilized with only minimal increase in in-office days anticipated.

Chart 15
Weekly Ridership Recovery
As a Percentage of Pre-COVID Levels



Implications for 2023

The TTC is expecting ridership trends experienced in the last quarter of 2022 to continue throughout 2023 with some marginal ridership growth projected as ridership continues to recover. The rate of growth is expected to be slower from previous gains experienced in 2022 as return-to-office activity has stabilized, given

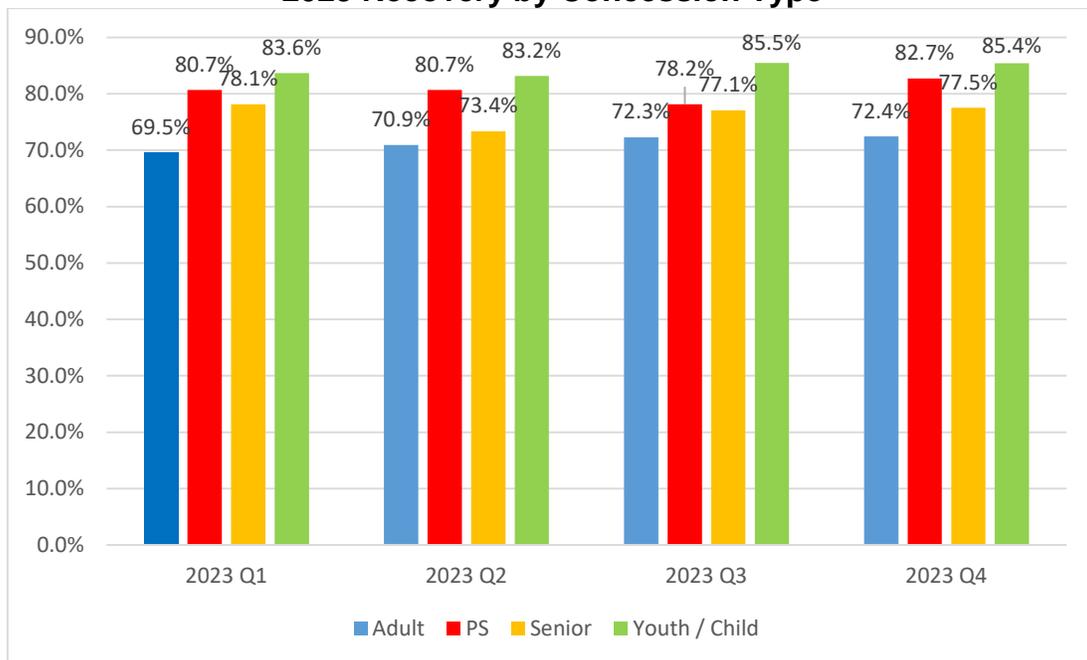
that most employers have now accommodated hybrid work arrangements, that are expected to continue for the foreseeable future.

Ridership is expected to grow from 71% of pre-COVID levels at the start of 2023 to 75% at the end of the year. This results in 393.0 million revenue rides budgeted for the year, representing an annualized average recovery rate of 73% of pre-COVID levels. Forecasted 2023 ridership assumes:

- No significant waves of COVID cases requiring additional restrictions;
- Similar office work arrangements, with in-office days growing only slightly from an average just under two in-office days a week at the start of 2023 to an average of approximately two in-office days a week at the end of 2023. Most employers are expected to continue to accommodate the hybrid model of work, allowing the partial work-from-home to continue long-term;
- Maintain the resumption of special events and corresponding attendance experienced since spring 2022, similar to pre-COVID levels; and
- Maintain fall 2022 levels of in-person class settings at post-secondary institutions and schools.

A continued but gradual increase in ridership in each quarter of 2023 is anticipated due to a return of riders to transit as observed during fall 2022 and an anticipated modest increase in the frequency of in-office work. Combined this is expected to increase the adult recovery rate from 66% of pre-COVID levels for Q4 2022 to an expected 72% by Q4 2023. TTC also expects to see an increase in post-secondary ridership from forecasted 75% of pre-COVID levels for Q4 2022 to 83% by Q4 2023. Chart 16 displays the 2023 revenue budget, as a percentage of pre-COVID normal, by concession type.

Chart 16
2023 Recovery by Concession Type



APPENDIX B1

TTC Conventional Operating Budget by Functional Area

TORONTO TRANSIT COMMISSION 2023 OPERATING BUDGET			
(\$000s)	2022 BUDGET	2023 BUDGET	2022 vs. 2023 BUDGET CHANGE
REVENUES			
Passenger Revenues	741,007	931,437	190,430
Outside City Services & Charters	7,844	8,882	1,037
Advertising	19,400	24,820	5,420
Rent Revenue	13,298	12,998	(300)
Commuter Parking	3,488	6,017	2,529
Other Income	5,517	28,533	23,016
Reserve Draws	20,672	35,585	14,913
TOTAL REVENUES	<u>811,227</u>	<u>1,048,272</u>	<u>237,045</u>
EXPENSES			
Departmental Expenses			
CEO's Office	31,689	32,185	496
Corporate Affairs	2,038	2,220	182
Corporate Services	87,260	95,298	8,038
Diversity & Culture	10,949	11,806	857
Innovation & Sustainability	3,193	3,160	(33)
People Group	40,300	43,692	3,392
Strategy & Customer Experience	77,107	81,331	4,223
Engineering, Construction & Expansion	6,643	6,643	(0)
Operations & Infrastructure	287,296	296,932	9,637
Transportation & Vehicles	888,942	924,403	35,461
Corporate Budgets			
Employee Benefits	380,602	399,684	19,082
Vehicle Fuel	81,983	102,931	20,948
Traction Power	57,946	48,759	(9,187)
Utilities	30,344	30,874	531
Depreciation	24,240	24,145	(95)
Taxes, Licences and Insurance	15,207	17,199	1,992
Accident Claim Payments/Contribution to Reserve	20,000	20,000	0
Contribution to SFDA: Fair Pass Program Expansion	21,702	2,000	2,000
Non-Departmental Expenses	21,702	30,785	9,083
PRESTO Commissions	31,720	39,651	7,932
COVID-19 Incremental Expenses	49,408	23,347	(26,061)
TOTAL EXPENSES	<u>2,148,568</u>	<u>2,237,044</u>	<u>88,476</u>
Operating Funding Required	1,337,342	1,188,772	(148,570)
City Funding	<u>778,217</u>	<u>822,806</u>	<u>44,589</u>
COVID-19 Impact (Provincial Funding Request)	<u>559,107</u>	<u>365,966</u>	<u>(193,141)</u>
Notes:			
1. All figures by group are subject to refinement.			
2. At May 17-19, 2005 City Council meeting, Council approved the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. In addition, as part of City Council's approval of the 2010 TTC and Wheel-Trans operating budgets a long-term receivable for non-cash accident claim expenses was also established. Consistent with these approvals and practice since then, the budget for these non-cash expenses are not included in the current year net funding requirement from the City and the actual non-cash costs incurred will be added to the respective long-term receivable balances.			
3. Refer to Appendix B2 for details of the Wheel-Trans shortfall & Appendix E for details on the contribution to reserve.			

Wheel-Trans Budget by Functional Area

WHEEL-TRANS SERVICE 2023 OPERATING BUDGET			
(\$000s)	2022 BUDGET	2023 BUDGET	2022 vs. 2023 BUDGET CHANGE
REVENUES			
Passenger Revenues	5,995	6,497	502
EXPENSES			
Contracted Taxi Service	45,318	50,127	4,809
Operators	30,300	32,373	2,073
Divisional Staff	690	724	34
Mobile Supervision	772	803	31
Dispatch	5,779	5,983	204
Equipment Maintenance	14,569	13,618	(951)
Senior Manager's Office	1,471	1,511	40
Reservations	3,833	3,919	86
Taxi Administration	314	303	(12)
Customer Service	1,678	1,685	7
Lakeshore Garage Costs	821	1,006	186
Employee Benefits	17,467	18,706	1,239
Vehicle Fuel	3,110	4,311	1,202
Utilities	800	793	(7)
Accident Claim Payments/Contribution to Reserve	590	590	0
Non-Departmental Expenses	5,967	5,935	(31)
COVID-19 Incremental Expenses	1,970	434	(1,536)
TOTAL EXPENSES	135,448	142,819	7,372
Operating Funding Required	129,453	136,323	6,870
City Funding	127,483	135,889	8,406
COVID-19 Impact (Provincial Funding Request)	1,970	434	(1,536)
Note:			
1. All figures by group are subject to refinement.			
2. At the May 17-19, 2005 City Council meeting, Council approved the establishment of a long-term receivable from the City for budgeted non-cash expenses related to post-retirement benefits. In addition, as part of City Council's approval of the 2010 TTC and Wheel-Trans operating budgets a long-term receivable for non-cash accident claim expenses was also established. Consistent with these approvals and practice since then, the budget for these non-cash expenses are not included in the current year net funding requirement from the City and the actual non-cash costs incurred will be added to the respective long-term receivable balances.			
3. Refer to Appendix E for details on the contribution to reserve.			

APPENDIX C

2023 RECOMMENDED FARE SCHEDULE				
Effective April 3, 2023				
Description	Current Fares	Recommended Fares	Price Change	% Change
Adult Fares				
Cash	\$3.25	\$3.35	\$0.10	3.1%
PRESTO Single Fare	\$3.20	\$3.30	\$0.10	3.1%
Token/PRESTO Bulk Ticket	\$3.20	\$3.30	\$0.10	3.1%
Fair Pass - Single fare	\$2.10	\$2.10	\$0.00	0.0%
Fair Pass - Monthly Pass	\$123.25	\$123.25	\$0.00	0.0%
Regular Monthly Pass	\$156.00	\$156.00	\$0.00	0.0%
12 Month Pass (Price per Month)	\$143.00	\$143.00	\$0.00	0.0%
Post-Secondary Monthly Pass	\$128.15	\$128.15	\$0.00	0.0%
Senior Fares				
Cash	\$2.30	\$2.30	\$0.00	0.0%
PRESTO Single Fare	\$2.25	\$2.25	\$0.00	0.0%
PRESTO Bulk Ticket	\$2.25	\$2.25	\$0.00	0.0%
Monthly Pass	\$128.15	\$128.15	\$0.00	0.0%
12 Month Pass (Price per Month)	\$117.45	\$117.45	\$0.00	0.0%
Youth Fares				
Cash	\$2.30	\$2.40	\$0.10	4.3%
PRESTO Single Fare	\$2.25	\$2.35	\$0.10	4.4%
PRESTO Bulk Ticket	\$2.25	\$2.35	\$0.10	4.4%
Monthly Pass	\$128.15	\$128.15	\$0.00	0.0%
12 Month Pass (Price per Month)	\$117.45	\$117.45	\$0.00	0.0%
Other Fares				
PRESTO 1 Ride Ticket	\$3.25	\$3.35	\$0.10	3.1%
PRESTO 2 Ride Ticket	\$6.50	\$6.70	\$0.20	3.1%
Day Pass	\$13.50	\$13.50	\$0.00	0.0%

TTC Conventional and Wheel-Trans Operating Complement

The Operating Budget year-end workforce will increase by 36 positions, as summarized in the following table and described below:

Summary of Changes in Operating Budget Complement			
	Conventional	Wheel-Trans	Total
2022 Approved Complement	13,249	592	13,841
Base Requirements:			
Operating Impacts of Capital	2		2
Wheel-Trans Ridership Demand		42	42
Service Reliability & Resiliency	123		123
Service to Mitigate Construction Impacts (City & MX projects)	71		71
One-Time Safety Training (Transit Control)	8		8
Other Base Changes	6		6
Subtotal Base Requirements	210	42	252
Service: Alignment with Demand	(457)		(457)
Efficiency Measures			
WT Zone Bus		(16)	(16)
Revenue Operations - Legacy Fares	(6)		(6)
Wheel-Trans Call Centre		(7)	(7)
Subtotal Efficiency Measures	(6)	(23)	(29)
Subtotal Base Change	(253)	19	(234)
New & Enhanced			
System Safety	27		27
System Accessibility	8		8
Subtotal New & Enhanced	35	-	35
Transit Service Expansion/Conversion			-
Line 5 - Eglinton Crosstown LRT			-
Customer Service Agents: Change in Scheduling and CBA requirements	21		21
Alignment of Service Level to TTC Rapid Transit Network	18		18
Line 6 - Finch West LRT Revenue Service Commencement	108		108
Line 3 Bus Replacement Plan	89		89
Subtotal: Transit Expansion & Conversion	236	-	236
New & Enhanced Initiatives			
System Safety	27		27
System Accessibility	8		8
Subtotal: New & Enhanced Initiatives	35	-	35
Total Base & New changes, prior to COVID-19 Impact	18	19	37
COVID-19 Changes			
Facility Disinfection	(1)		(1)
Subtotal: COVID-19 Impact	(1)	-	(1)
Total Operating Budget Authorized Complement	13,266	611	13,877
Year-Over-Year Total Change in Authorized Operating Complement	17	19	36

Capital Budget Complement

The TTC's Capital year-end workforce will increase by 240 positions, all funded from the 2023 Capital Budget and third party recoveries in order to provide the necessary TTC and City resourcing required to successfully deliver the major capital programs. This is summarized in the table below.

2022 TTC Capital Complement	2,670
Bus Shuttle Requirements to facilitate closures to complete capital work	
Operators	117
Supervisors	12
Direct Project Work	
Line 1 & 2 Capacity Enhancements	30
Streetcar Overhaul Program	25
Engineering and Construction	22
Trackwork	14
New Technology & Innovation (SAP-ERP)	7
Workcar Overhaul Program	6
Bloor Yonge Capacity Improvements	4
Purchase of Streetcars	3
2023 Total Capital Complement Change	240
2023 TTC Capital Complement	2,910

Long-Term Liability Reserve

This reserve was created in 2014 specifically for TTC accident claim requirements and is projected to have a 2022 closing balance of \$35.8 million. 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 and consistent with prior years, this budget incorporates authorization to contribute up to \$17.6 million (\$17.0 million for TTC and \$0.59 million for Wheel-Trans) to the Long-Term Liability Reserve Fund (XR1728) in 2023.

TTC and Wheel-Trans are then authorized to draw from this reserve as required to support actual accident claim payments at the time of settlement. For 2023, \$20.6 million (\$20.0 million for TTC and \$0.59 million for Wheel-Trans) are projected.

TTC Stabilization Reserve

This reserve was created to stabilize the funding of TTC's operating expenditures over time and is projected to have a 2022 closing balance of \$99.9 million.

The 2023 budget includes \$31.8 million of planned TTC Stabilization reserve draws. This includes, \$15.7 million, to limit the amount of the TTC fare increase and partially mitigate the substantial inflationary pressures, \$7.2 million to address base budget requirements and remaining \$8.9 million to address one-time costs associated with Transit Expansion. Base requirements include the cost of supplemental service to mitigate the impact of construction on bus service capacity during LRT construction, recruiting support to reduce vacancies, temporary backfill resources to facilitate safety related training updates, and consulting resources to support Phase 2 of the Service Plan Reset and the Risk Mitigation Plan for the Fare Collection Strategy.

Projected reserve balances are outlined on the following page.

TTC Reserves: Continuity Schedule

(In \$000s)	Reserve / Reserve Fund Number	2023	2024	2025
		\$	\$	\$
Long Term Liability Reserve				
Projected Opening Balance	XR1728	35,814.0	32,814.0	29,814.0
Budgeted Contribution		17,590.0	17,590.0	17,590.0
Projected Accident Claim Payments		(20,590.0)	(20,590.0)	(20,590.0)
Projected Closing Balance		32,814.0	29,814.0	26,814.0
TTC Stabilization Reserve				
Projected Opening Balance	XR1056	99,908.0	68,125.6	66,721.0
One-Time Draws				
LRT Construction Disruption Service		(3,516.5)		
One-Time Recruiting, Training and Consulting		(3,654.6)	(1,404.6)	
LRT Start-Up One-Time Costs		(8,922.3)		
Reserve Draw to limit fare increase		(15,689.0)		
Projected Closing Balance		68,125.6	66,721.0	66,721.0