

**MEETING DATE:** June 22, 2005

**SUBJECT:** 2006 Budget Schedule

### **RECOMMENDATION**

It is recommended that the Commission forward this report to the Budget Advisory Committee for information and for consideration at its meeting of June 30, 2005.

### **FUNDING**

There are no funding implications of this report.

### **BACKGROUND**

At its May 11<sup>th</sup>, 2005 meeting, the Commission approved the schedule for consideration of the TTC's 2006 Operating and 2006-2010 Capital Program budgets, which recommended the budgets be presented to the Commission for formal approval at the November 23, 2005 meeting. The Commission also adopted the following motions:

- that staff invite the City Budget Committee representatives to sit in as active observers with the TTC Commission members during review of the budgets; and
- that when the budgets come forward in November for presentation that the Chief General Manager be requested to advise the Commission members on what target has been set by the City's Chief Financial Officer for the TTC's Operating and Capital budgets.

In addition, at its meeting of May 17-19<sup>th</sup>, City Council approved the City of Toronto 2006 Budget Process, Directions and Guidelines and "directed the Chairs of the ABC's to schedule their budget reviews and meetings to achieve the deadlines established in the City of Toronto 2006 Budget schedule".

### **DISCUSSION**

As a result of the magnitude and complexity of the TTC's budgets and the level of effort required to prepare and review them, TTC staff commenced preparation of the 2006 budgets prior to Commission approval of the 2006 budget schedule, and before the City of Toronto schedule was available. Budget guidelines and detailed internal schedules were issued to allow activity to proceed and to enable an appropriate level of review to be undertaken before the recommended budget is taken forward for consideration by the Commission and the City. Subsequent to Commission approval of the 2006 budget schedules, further details on the City of Toronto's key budget submission requirements were received from City staff. In an effort to understand the intent and expectations of these key City budget dates, TTC staff met with City Finance to discuss the schedule requirements.

TTC staff have confirmed, subject to the receipt of appropriate targets in June 2005, that while each individual component of the City's specified milestones may not be met in entirety, the TTC budget preparation and review process will enable the Commission to comply fully with the spirit of the City's requirements.

The following sections provide an overview of the significant process steps involved for each of the TTC budgets, and how they will address the key City budget schedule requirements.

### 2006 TTC Operating Budgets

The budget process begins with a forecast of the demand for service for the upcoming year which is based on the projection of the current year's ridership. Once the ridership target is finalized, typically by mid June, the next critical step is the creation of a service budget to accommodate the anticipated ridership level. Using Commission-approved service and vehicle loading standards, the number of service hours, service miles, and vehicles required to carry the ridership are determined. Since work on the service budget is performed concurrently with the development of the ridership forecast, the service budget is finalized by the end of June.

Given the importance of these two steps in the Commission's overall Operating Budget process, it is recommended that, once the members of the TTC Budget Committee and City Budget Advisory Committee have been identified, a meeting be held early in July to allow staff to present their recommendations regarding ridership and service levels. The goal is to reach consensus about these two key factors before continuing with the balance of the budget preparation process (which entails the calculation of workforce and non-labour requirements to achieve the budgeted service level). Over the course of the summer, while staff continue with budget preparation work, additional meetings will be held as appropriate with both budget committees members and City Finance staff.

The key milestones of the City's operating budget schedule follow:

June – preliminary base budget submission due  
September 15<sup>th</sup> – final budget submission due  
Early January 2006 – public launch of 2006 budgets  
January – February 2006 – Committee Review  
Early March 2006 – City Council approval

TTC staff plan to provide current pro forma budget information as its preliminary budget submission to the City in June. The pro formas will be updated throughout the summer as more current and refined budget requirements become available and will be submitted to the City in mid September. However, the final budget documentation is not expected to be completed until early November (in time for the scheduled November 23, 2005 Commission meeting when the Commission will formally approve the 2006 budgets). The TTC's budgets will be formally submitted to the City following Commission approval (well in advance of the City's public launch of the 2006 budgets in January). City Finance staff are in concurrence with this.

### 2006-2010 Capital Program

The City has identified a compressed capital budget schedule with an early approval of the capital budget by City Council in early December 2005.

The key milestones of the City's schedule for the capital budget are as follows:

June – capital targets released  
August 15<sup>th</sup> – budget submission  
November 4<sup>th</sup> – public launch of 2006 budgets  
November 23<sup>rd</sup> – Budget Advisory Committee wrap-up  
December – City Council approval

While this City schedule for capital at first appeared to have significant conflicts with the TTC's budget

schedule, after further review and discussion with City staff it has been determined that the spirit of the City's requirements can be met. Consideration was given to the TTC preparation and review processes and information that will be available during that timeframe which will address the City's requirements for information. City Finance staff have reviewed this plan and support this approach.

From the outset of the internal review processes, City staff will be involved in the reviews and will be provided with updated budget projections (during the period June to September). This process will also require consensus on the part of the Commission's Budget Committee that City Managers and the BAC members will be jointly involved from the early stages of the budget review (during the period September – October). It is also critical that any new strategic direction (including potential impacts of City budget targets) be provided early in the process to allow opportunity to make any required adjustments to the budget. The outcomes of these joint reviews will be incorporated into a capital budget plan which will be presented to the Commission for approval in principle on October 26<sup>th</sup>, 2005. Adoption at this stage will allow the City to publicly launch the 2006 Capital Budget on November 4<sup>th</sup>, 2005.

Subsequent to this, only those changes which are directed by the Commission or BAC (and any minor refinements as a result of the finalization of the project documentation) will further impact the proposed budget request. This finalized budget will proceed for formal approval by the Commission at the November 23<sup>rd</sup> meeting. The BAC wrap-up review of the City's capital budget is scheduled for the same day.

## **JUSTIFICATION**

This proposed budget process includes very tight timelines, but with the joint efforts and cooperation of TTC and City staff as well the Commission and Budget Advisory Committee members, the review process should be both streamlined and effective.

To advance the TTC budget schedule further would require a compression of the preparation and review processes. This could jeopardize the integrity of the end product and result in duplication of effort while not providing the expected improvements and streamlined joint review processes with the TTC and the City.

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June 13, 2005

**STAFF SUMMARY SHEET**

| <b>EXECUTIVE BRANCH 8193 CR</b>                                     |                     |        |            |      |   |
|---|---------------------|--------|------------|------|---|
| <b>PREPARED BY: D. Presley</b> DEPARTMENT HEAD – M. Roche           |                     |        |            |      |   |
| <b>EXTENSION: 3619</b> DEPUTY GENERAL MANAGER –                     |                     |        |            |      |   |
| <b>USER ID: david.presley@ttc.ca</b> GENERAL MANAGER – Vincent Rodo |                     |        |            |      |   |
| COMMISSION REPORT: 2006 BUDGET SCHEDULE                             |                     |        |            |      |   |
| #   | ROUTING             | CONCUR | NON-CONCUR | DATE | ATTACHMENT(S)                                   |
| 3   | GM - ENG & CONST    |        |            |      | Commission Report<br><br>Appendix 'A'           |
| 2   | GM - EXECUTIVE      |        |            |      |   |
| 4   | GM - OPERATIONS     |        |            |      |   |
|   | DEPUTY GM - SUBWAY  |        |            |      |   |
|   | DEPUTY GM - SURFACE |        |            |      |   |
|   |                     |        |            |      | <b>ACTION REQUIRED BY CHIEF GENERAL MANAGER</b> |

|   |                             |  |  |  |  |
|---|-----------------------------|--|--|--|--|
| 5 | DEPUTY GM<br>-<br>CORPORATE |  |  |  | <input type="checkbox"/> SIGN AGREEMENT<br><input type="checkbox"/> RECEIVE FOR INFORMATION<br><input type="checkbox"/> APPROVE<br><input checked="" type="checkbox"/> APPROVE FOR SUBMISSION TO COMMISSION<br><input type="checkbox"/> APPROVE FOR SUBMISSION TO CHAIR<br><br><hr/> SIGNATURE    DATE |
|   | GENERAL COUNSEL             |  |  |  |  |
| 1 | CHIEF FINANCIAL OFFICER     |  |  |  |  |
|   | MGR - HUMAN RES             |  |  |  |  |
|   | MGR - M&P                   |  |  |  |  |
|   | CHIEF PROJECT MANAGER       |  |  |  |  |
|   |                             |  |  |  |  |
|   |                             |  |  |  |  |

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