

TORONTO TRANSIT COMMISSION

TO

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FROM **Gary Webster**

DATE **July 19, 2007**

SUBJECT **TTC Budget Cuts**

As a result of City Council's decision of this week to not implement the Land Transfer Tax or Vehicle Registration Tax, City Manager Shirley Hoy called a meeting today with senior management of the TTC, Toronto Police Service, Toronto Library and the Medical Officer of Health to request action be taken to help address the City's financial situation. Specifically for TTC, she asked us to identify action that would have the effect of cutting \$30 million in 2007 and action which would cut \$100m in 2008, which would "flat-line" our draft 2008 budget.

This memo sets out the current status of the 2007 budget, action which could be taken to address the 2007 financial problem as well as further action which could be considered for 2008.

Current Status of TTC 2007 Operating Budget

We are hopeful of being on budget for 2007, despite currently projecting a year-end \$7 million deficit. This deficit is primarily the result of a \$5 million unallocated cut imposed by the Budget Committee. This deficit is to be offset with a one-time savings of about \$4 million from not extending the Ontario Health Care premium payment to non-unionized employees, as was the direction of the Commission in July. In addition, staff are looking for ways to trim the remaining \$3 million from the budget and will report further as soon as possible.

Possible Expenditure Control Measures

Should the Commission direct Management to take action consistent with the request from the City Manager, the following would need to be considered.

One measure is to delay matching service with ridership and not implement the Ridership Growth Strategy peak period service improvements. We are experiencing ridership growth rates above budgeted levels. The TTC is currently scheduled to add 73,000 hours of service in the September, October and November board periods this Fall to accommodate the budgeted ridership and the peak period service improvements. In addition, in June the Commission approved the addition of a further \$640,000 in service commencing in November to address the higher than anticipated ridership growth this year.

If all of these service additions are not introduced, this would save \$2-3 million in 2007. This saving against budget would be closer to the actual cost of this service, i.e. \$6 million, but much of the workforce is already in place, so not all of the \$6 million in costs can be saved in 2007.

If the service levels remain unchanged through 2008, there would be approximately \$40 million savings against the draft 2008 budget. This would result in increasing overcrowding as service is currently not adequate to accommodate actual ridership. By the end of 2008, we project as many as 466 million rides compared to 2007 budget of 454 million. Operationally, any decision not to proceed with the September and October increases must be made this week; decisions for November could wait to early September. A chart attached shows the Spring 2007 overcrowding on current routes.

Consideration should also be given to eliminating the service that does not meet our service standards, i.e. the poor performing routes. Below, I have referenced a March 26, 2007, memo which sets out the impact of this action.

As far as fare increase considerations are concerned, a fare increase (of, for example, \$0.10 for tickets and tokens and \$5 on Metropasses) could be considered for 2007, which would bring in \$1.7 million a month or \$20 million per year. Since a lead time is required to implement fare increases, if an immediate decision is made to implement a fare increase, it could be brought in for as early as September, 2007. This would generate \$7 million in 2007. Conversely, the Commission could wait until its next scheduled meeting on August 29 and the increase could be brought in for November 1, 2007. *

Preliminary 2008 TTC Operating Budget Comments

Last year, the TTC required an operating subsidy from the City of \$272 million. For 2008, the increase currently requested is approximately \$100 million, which is made up of \$30 million for increased labour costs and \$16 million for health and dental cost increases, \$47 million for inflationary costs including items like diesel fuel and opening Mount Dennis Garage, and \$35 million for service. Offsetting these amounts is \$24 million in revenue (before a fare increase). The \$35 million for service is broken down as follows:

Annualization of 2007 Increases	\$15M (\$20 million full yr)
Ridership Growth	7M
Service to accommodate additional rides	<u>13M</u>
	<u>\$35M</u>

Service cuts made in 2007 would result in reductions in costs for 2008 of up to \$40 million (less any negative ridership impacts from overcrowding).

We are looking further to cut costs and another \$5 million may be achievable.

As referenced above, a copy of a March 26, 2007 memo entitled "List of TTC Operating Budget Cuts" provides a high-level list of further things that could be considered to reduce the TTC Operating Budget.

If the Commission directs staff to take action to reduce the 2007 budget situation, my recommendation is that the list of poor performing routes referred to in my March 26, 2007 memo be cut first, followed by a fare increase and service cuts. Service that does not meet our standards, i.e. the poor performing routes should be cut before consideration is given to fare increases or service changes. A presentation will be made at the Commission meeting called for 1:00pm, Friday, July 20, 2007. This presentation will set out service and fare changes consistent with this memo to respond to the 2007 and 2008 budget situation.

Further to the above, TTC Management have taken action consistent with the direction City of Toronto staff have been given in the areas of hiring and travel. TTC will look at opportunities to leave vacancies unfilled and delay hiring if the position must be filled. As far as travel for TTC staff is concerned, all discretionary travel will be cancelled, and all non-discretionary staff travel will be reviewed for cost cutting opportunities. In addition, it is expected that Commissioners would cancel all of their travel for 2007



Chief General Manager

TORONTO TRANSIT COMMISSION

TO Chair Adam Giambrone
FROM Gary Webster
DATE March 26, 2007
SUBJECT List of TTC Operating Budget Cuts

If due to budgetary reasons, cuts of up to \$100M were required from our operating budget, a list of the types of items that would be considered is shown below.

The savings are all in annual amounts. Savings in 2007 from the service cuts shown would be in the order of \$20m assuming no public consultation and workforce reductions consistent with these service cuts. These changes could occur in September. The fare changes, if in place by June 1, could generate approximately \$25m in 2007.

The types of things we would have to do include:

Eliminate Poor Performing Routes (Attachment A)	\$10M
Wind Back Off-Peak RGS Improvements (Attachment B)	\$13M
Cancel the Peak RGS Improvements this Fall (100 buses) (Attachment C)	\$ 5M
Don't Open Mt. Dennis Garage	\$10M
Close Sheppard Subway	\$10M
Cut Blue Night Network	\$ 5M
Other Service Cuts (Attachment D)	\$25M
Eliminate Transferability of Metropass	\$ 3M
Eliminate Weekly Pass	\$ 3M
Immediate 25 cent Fare Increase	\$40M

These numbers should be considered order-of-magnitude estimates. The last time we did anything of this magnitude was back in the 1992 -

[The remainder of the text did not appear on the copy of this document distributed by the TTC. The attachments referenced above are in a separate document.]