



STAFF REPORT ACTION REQUIRED

9b.

Budget Committee – 2015 Operating Budget Submission

Date:	November 17, 2014
To:	Toronto Public Library Board
From:	Budget Committee

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval for the revised 2015 operating budget submission as recommended by the Budget Committee at the meeting on November 5, 2014.

The Budget Committee considered a 2015 operating budget which represented a \$4.423 million or 2.6% net increase, and adopted motions, which reduces the budget by \$1.020 million or 0.6% net, for a revised submission of \$171.040 million net (\$187.883 million gross), which represents a \$3.403 million or 2.0% net increase over the 2014 budget. The Budget Committee recommended reductions are to reduce the security guard service budget by an additional \$0.513 million for a revised security guard budget of \$1 million, and to increase the draw from the development charges (DC) reserve by a further \$0.507 million to provide a budget relief for collections.

Reducing the security guard budget by an additional \$0.513 million brings the total 2015 reduction to \$0.663 million which represents a 40% reduction. A reduction of this magnitude would need to be negotiated with the current service provider and if agreement could be reached, it would take time to implement the change in service. If agreement could not be reached, TPL could give 90 days' notice to terminate the contract and then go to the market for a new service provider. It is unlikely that a 40% reduction in guard services could be implemented by January 2015. Overall, on-site guard services would be discontinued at approximately half of the current 31 locations and backup for incidents at these branches would be provided by the one remaining mobile guard. In addition to the elimination of one mobile guard, there would also be reduced guard service at other locations.

The Budget Committee recommendation for a further DC draw of \$0.507 million results in a 2015 increase in draws from the DC reserve for collections of \$0.952 million. The higher annual draw for collections will place pressure on the DC reserve that may not be sustainable, and City staff have advised that the further DC draw of \$0.507 million, which increases the total annual draw from \$2.725 million to \$3.677 million, not be included as part of the 2015 budget, but could be considered for a future year budget submission.

The Budget Committee considered and rejected a budget reduction scenario that would reduce the budget by \$0.506 million or 0.3%, comprised of a cut to the collections budget of \$0.216 million and net savings of \$0.290 million from the standardization of hours at neighbourhood branches.

RECOMMENDATION

The Budget Committee recommends that the Toronto Public Library Board:

1. approves the 2015 operating budget submission with the following amendments:
 - a. reduce the security guard budget by a further \$0.513 million for a revised annual budget of \$1 million; and
 - b. increase the draw from the development charges reserve by a further \$0.507 million, from the proposed \$3.170 million to the \$3.677 million maximum, to fund collections; resulting in a revised budget submission of \$171.040 million net (\$187.883 million gross), which represents a \$3.403 million or 2.0% net increase over the 2014 budget;
2. rejects Budget Reduction Scenario 2, which would reduce the budget by \$0.506 million or 0.3% – comprised of a cut to the collections budget of \$0.216 million and net savings of \$0.290 million from the standardization of hours at neighbourhood branches – for a revised 2015 budget submission of \$171.636 million net (\$187.971 million gross) representing a \$3.917 million or 2.3% net increase over the 2014 budget.

FINANCIAL IMPACT

At its meeting on November 5, 2014, the Budget Committee considered a 2015 operating budget, which represented a \$4.423 million or 2.6% net increase and adopted motions, which reduced the budget by \$1.020 million or 0.6% net, for a revised submission of \$171.040 million net (\$187.883 million gross) representing a \$3.403 million or 2.0% net increase over the 2014 budget. The Budget Committee recommended reductions are to reduce the security guard service budget by an additional \$0.513 million for a revised security guard budget of \$1 million, and to increase the draw from the development charges (DC) reserve by a further \$0.507 million to provide a budget relief for collections.

Reducing the security guard budget by an additional \$0.513 million brings the total 2015 reductions to \$0.663 million, which represents a 40% reduction. A reduction of this magnitude would need to be negotiated with the current service provider and if agreement could be reached, it would take time to implement the change in service. If agreement could not be reached, TPL could give 90 days' notice to terminate the contract and then go to the market for a new service provider. It is unlikely that a 40% reduction in guard services could be implemented by January 2015.

When combined with the proposed \$0.445 million DC draw for the 2015 economic increase for collections, the Budget Committee recommendation for a further DC draw of \$0.507 million results in an increase of \$0.952 million in DC draws for collections. The total annual collections draw from the DC reserve would increase from \$2.725 million to \$3.677 million in 2015, which is a permanent funding source for the operating budget and places pressure on the reserve which also is an important funding source for the capital program. This higher DC draw may not be sustainable.

The Director, Finance and Treasurer has reviewed this financial impact statement and is in agreement with it.

DECISION HISTORY

At the meeting on September 8, 2014, the Board adopted the following motion, which was communicated to the City Manager:

“requests the City to adjust the 2015 operating budget target to recognize the second year impact of \$0.763 million in 2015 for the additional operating costs associated with the operations of the new Fort York and Scarborough Civic Centre branches.”

BACKGROUND

In response to Budget Committee requests for information about security guard service at Toronto Public Library, several reports were prepared.

The Security Guard Services report (July 28, 2014) provided information about security guard services at Toronto Public Library: the relationship between reported incidents and security guard deployment; the feasibility of migrating to a roving patrol model complemented with a fixed presence in select branches; and the feasibility of increasing the Streets to Homes Outreach Worker program to deal with patrons in distress.

<http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2014/jul28/11.pdf> and attachment

http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2014/jul28/11_1.pdf

The Security Guard Services – Update report (August 21, 2014) addressed the impact of a reduced security guard budget of \$400,000 per year and \$600,000 per year; and on the legal requirements for operating public buildings to ensure public safety and that would inhibit any changes.

<http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2014/aug21/11.pdf>

The Security Guard Services – Update 2 report (November 5, 2014) addressed the cost impact of providing mobile security guard response to the 31 branches that now have some in-house security (other than TRL and NYCL) through mobile (roving) security guard response, including the cost and projected response time of six mobile security guards. The

Budget Committee also requested staff to report back on how many mobile guards might be needed to achieve a 10 - 15 minute response time city-wide.

<http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2014/aug21/11.pdf> and attachment
http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2014/nov05/09_1.pdf

The reports noted that in 2013, 1,615 incidents involving the public were documented by library staff. Of those, 920 were incidents related to violent, abusive, threatening or disruptive behaviour and 257 were related to theft or vandalism. Trained on-site security guards help defuse or de-escalate many potentially violent and disruptive situations through early intervention, which are not documented. The desirable outcome of the security measures, including in-branch security guards is a low level of incident statistics relative to the activity levels. Similar to community policing, the visible and regular presence of security guards helps create and maintain a safe and welcoming environment.

COMMENTS

Toronto Public Library (TPL) has continuously improved services and responded to increasing and changing service demands, while controlling costs and reducing staff through the implementation of efficiencies, innovation and new technology. TPL has experienced a significant increase in use, improved services and expanded open hours, including the opening of three branches by 2015, while reducing staff by 14%. Including the 2015 budget submission, over the past four years, TPL's cumulative budget increase is less than 1%, which is 86% below the inflation rate. TPL has successfully leveraged external partnerships and financial support from the TPL Foundation to extend and enhance library services in a fiscally responsible and operationally effective manner.

At its meeting on November 5, 2014, the Budget Committee considered a 2015 operating budget, which represented a \$4.423 million or 2.6% net increase, which would allow TPL to maintain existing services and service levels, and respond to increasing demands - in particular, for electronic services - and make progress on a number of important strategic priorities including:

- Opening the Scarborough Civic Centre library;
- Implementing programs that support the early and middle childhood initiatives;
- Launching several new Digital Innovation Hubs along with maker space programming at various branches;
- Expanding access to more e-content;
- Launching a redesigned web presence for young children and parents;
- Supporting the Pan Am / Para Pan Am games through major program initiatives.

The 2015 budget submission does not seek any further service enhancement funding.

Details of the budget pressures, partially offset by efficiencies, expense reductions and revenue increases, are included in the report in Appendix 1, which is the 2015 Operating Budget Submission considered by Budget Committee.

The Budget Committee adopted motions that reduced the budget by \$1.020 million or 0.6% net, for a revised submission of \$171.040 million net (\$187.883 million gross), which represents a \$3.403 million or 2.0% net increase over the 2014 budget. The Budget Committee recommended reductions are to reduce the security guard service budget by an additional \$0.513 million for a revised security guard budget of \$1 million, and to increase the draw from the development charges (DC) reserve by a further \$0.507 million to provide a budget relief for collections.

OPERATING BUDGET SUMMARY		
Budget Committee Recommended 2015 Operating Budget		
	(\$000s)	
2014 Approved budget	<u>167,637.4</u>	<u>%</u>
Budget increase (considered by BC Nov 5, 2014)	4,423.5	2.6%
BC recommended reductions		
Reduce Security Guard budget to \$1 million	(513.0)	-0.3%
Incr. draw from DCs for collections budget relief	(507.0)	-0.3%
	<u>(1,020.0)</u>	<u>-0.6%</u>
BC recommended budget increase	3,403.5	2.0%
BC Recommended 2015 Operating budget	<u>171,040.9</u>	<u>2.0%</u>

Security Guard Services

There are three components of an effective security service model: a pro-active approach focusing on safety, security using on-site security guards, facility improvements, staff training and community partnerships; preventative measures to maintain order and a welcoming environment, including use of on-site security guard service; and reaction to specific incidents most often involving the support of mobile guards and police. The Library's assessment is that a security model that includes on-site guards supported by mobile security is cost effective and supports the efficient delivery of library service. On-site guard service helps maintain a safe and welcoming environment and enables staff to focus primarily on library service delivery. The continued use of on-site security guards in select branches, supplemented by a mobile guard, is the most effective course of action in providing an appropriate level of security guard response to the varied security situations that arise in the Library's branches.

TPL has statutory duties as both an employer and as an operator of public spaces to take 'reasonable' measures to see that staff and members of the public entering library premises are 'reasonably' safe while on the premises. The test of 'reasonableness' is not prescriptive, and it will be evaluated with consideration to all of the circumstances in each case. This is one of the challenges in establishing an appropriate level of security guard services for the branches. However, failure to take 'reasonable' precautions may increase TPL's liability in

the event that an injury or some other adverse outcome to a member of the public or an employee takes place on library premises.

Staff consider these liability and due diligence issues when conducting the annual review of security guard placements and in making decisions about the placement of guards in select TPL branches. The current schedule of in-branch guard service provides for contracted guard service at 31 locations, most for only part of the day:

- **Research & Reference (2):** Toronto Reference Library, North York Central Library;
- **District libraries (14):** Agincourt, Albert Campbell, Albion, Barbara Frum, Bloor/Gladstone, Cedarbrae, Fairview, Lillian H. Smith, Malvern, Maria A. Shchuka, Northern District, Richview, S. Walter Stewart, York Woods;
- **Neighbourhood libraries (14):** Centennial, Dawes Road, Downsview, Eatontown, Flemingdon Park, Jane/Dundas, Jane/Sheppard, Oakwood Village, Parkdale, Parliament Street, Riverdale, Sanderson, St. James Town, Thorncliffe; and
- **TPL Computing Centre.**

Staff proposed a \$150,000 budget reduction based on a reduction of the number of guards at TRL, elimination of guard service at three branches, reduction in the hours of coverage at some branches and reduction of mobile guard service. Reducing the security guard budget by an additional \$0.513 million as recommended by the Budget Committee brings the total 2015 reductions to \$0.663 million which represents a 40% reduction. Overall, on-site guard services would be discontinued at approximately half of the current 31 locations and backup for incidents at these branches would be provided by the one remaining mobile guard. In addition to the elimination of one mobile guard, there would also be reduced guard service at other locations.

It is anticipated that the outcome of a competitive procurement process will result in increased costs due to minimum wage and Fair Wage increases since the last security guard services contract award. Any cost increases would require further reductions in guard service to stay within budget.

Development Charges to Fund Collections

Development charges fund both the capital program and collections to meet the needs of a growing population. TPL has maximized its DC draw from the reserve to fund its capital program as described in the 2015 - 2024 Capital Budget and Plan Submission.

The 2015 economic increase for the collections budget is \$0.445 million and the proposal is to fund this by increasing the annual draw for the DC reserve, which is sustainable and is being recommended by City staff. The Budget Committee recommendation for a further DC draw of \$0.507 million to provide budget relief results in a 2015 increase in collections DC draws of \$0.952 million. The total annual draw from the DC reserve for collections would increase from \$2.725 million to \$3.677 million in 2015, which is a permanent funding source for the operating budget and may not be sustainable. The higher annual draw for collections will place pressure on the DC reserve, and the adequacy of the reserve needs to be assessed in the context of declining development activity being experienced by the City that will result

in lower revenues. An analysis of the projected reserve balance under a scenario of reduced DC revenues shows that the reserve could be depleted within three years, resulting in future operating budget pressures and/or the deferral of capital projects. City staff have therefore advised that the further DC draw of \$0.507 million not be included as part of the 2015 budget, but could be considered for a future year budget submission.

Reduction Scenarios

The two reduction scenarios requested by the City are detailed in Appendix 1. The target of 0% increase is addressed in Budget Reduction Scenario 1 and includes significant reductions to hours and collections in order to reduce the 2015 budget by up to \$4.423 million or 2.6%. This reduction scenario is not being recommended by City staff.

The second budget reduction scenario of \$0.506 million or 0.3% is presented in Budget Reduction Scenario 2, and includes a \$0.216 million cut to the collections budget and net savings of \$0.209 million from the standardization of hours in Neighbourhood branches. The standardization of Neighbourhood branch service hours would increase hours in up to 31 branches and decrease hours in up to 24 branches for a net increase of 28 hours per week. The Budget Committee considered and rejected Budget Reduction Scenario 2.

CONTACT

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SIGNATURE

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ATTACHMENTS

Appendix 1: 2015 Operating Budget Submission, Report to Budget Committee,
November 5, 2014