



STAFF REPORT INFORMATION ONLY

18.

2017 Operating Budget Outlook

Date:	June 27, 2016
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to provide the Toronto Public Library (TPL) Board with a preliminary outlook for the 2017 operating budget, which represents a net budget increase of \$5.117 million (\$4.699 million gross), or 2.9%, required to maintain current service levels. A 2017 budget target has not yet been provided by the City.

The outlook will be refined over the summer and efficiencies will be sought to offset pressures. Board and Council strategic priorities will also be considered.

FINANCIAL IMPACT

The 2017 operating budget represents a net budget increase of \$5.117 million (\$4.699 million gross), or 2.9%, which is the starting point for the operating budget process.

A 2017 budget target has not yet been provided by the City.

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

ISSUE BACKGROUND

At its meeting on February 22, 2016, the Board adopted a Council-approved 2016 operating budget of \$175.869 million net (\$193.462 million gross).

At its meeting on June 7, 2016, Council approved in-year adjustments for \$1.497 million to fund the 1.25% increase for unionized employees based on the negotiated and Board-approved collective agreement with the Canadian Union of Public Employees (CUPE 4948). A second in-year adjustment of \$0.178 million to reflect cost of living adjustments for exempt staff is pending Council approval, which is expected in the Fall. Council also approved a 2016 unallocated budget reduction of \$0.370 million net and gross for TPL at its meeting on June 7, 2016. This results in an adjusted 2016 operating budget of \$177.175

million net (\$194.768 million gross), or a 2.9%, increase, and the 2016 unallocated budget reduction has not been allocated at this time.

2016 Adjusted Operating Budget (\$'000s)				
	<u>GROSS</u>	<u>REVENUE</u>	<u>NET</u>	<u>%</u>
2016 Board Adopted Operating Budget - Feb 22, 2016	<u>193,462.0</u>	<u>17,593.0</u>	<u>175,869.0</u>	<u>2.1%</u>
2016 cost of living adjustments *	1,675.3	-	1,675.3	1.0%
Subtotal	<u>195,137.3</u>	<u>17,593.0</u>	<u>177,544.3</u>	<u>3.1%</u>
2016 Unallocated Budget Reduction	(369.7)	-	(369.7)	-0.2%
2016 Adjusted Operating Budget	<u>194,767.6</u>	<u>17,593.0</u>	<u>177,174.6</u>	<u>2.9%</u>

* Exempt COLA pending Council approval

COMMENTS

2017 Operating Budget Outlook

The 2017 operating budget outlook shows a net budget increase of \$5.117 million net (\$4.699 million gross), or 2.9%, when compared to the 2016 adjusted operating budget as detailed in the table below:

2017 Operating Budget Outlook (\$'000s)				
	<u>GROSS</u>	<u>REVENUE</u>	<u>NET</u>	<u>%</u>
2016 Adjusted Operating Budget	<u>194,767.6</u>	<u>17,593.0</u>	<u>177,174.6</u>	
Budget Pressures				
Salary and Benefit Costs	2,541.8	(418.3)	2,960.1	1.7%
Contract Costs	630.7	-	630.7	0.4%
Supplies and Services Costs	557.0	-	557.0	0.3%
Library Collection Costs	481.8	-	481.8	0.3%
Utility Costs	434.9	-	434.9	0.2%
Operating Impact of Capital Projects	52.5	-	52.5	0.0%
	<u>4,698.7</u>	<u>(418.3)</u>	<u>5,117.0</u>	<u>2.9%</u>
2017 Operating Budget Outlook	<u>199,466.3</u>	<u>17,174.7</u>	<u>182,291.6</u>	<u>2.9%</u>

The factors that make up this increase are as follows:

Salary and Benefit Costs: Costs related to salary and benefits are projected to increase by \$2.960 million net mainly due to approved COLA adjustments for union and exempt employees (\$1.623 million), related benefit increases (\$0.887 million) and progression

increases (\$0.450 million). Funding from City reserves for the additional working day in 2016 due to the leap year is reversed in 2017 in gross and revenue with zero net impact.

Contract Costs: Known and projected contract increases result in a pressure of \$0.631 million.

Supplies and Service Costs: The City provides economic factors for a number of categories in the budget guidelines as well as a general inflationary increase. When applied to the applicable expenditures the increase is \$0.557 million.

Library Collection Costs: Library collection costs are impacted by both inflationary pressures and currency rates. A factor of 2.5% was applied and results in a preliminary increase for collections of \$0.482 million.

Utility Costs: Inflationary assumptions for hydro, natural gas and water were provided by the City for 2017 at 7.0%, 10.0% and 5.0% respectively, resulting in an increase of \$0.435 million.

Operating Impact of Capital Projects: There is a projected increase of \$0.053 million due to the expansion capital project for Eglinton Square Branch.

2017 Operating Budget Submission Timetable

Activity	Schedule
2017 Operating Budget - Preliminary Outlook	June 20, 2016
Budget Submission - Reduction Options and New Requests	August 2, 2016
Budget Committee Informal Reviews	September 15 - October 18, 2016
CM/CFO Final Meetings	October 17-21 & 24, 2016
CM/DCM/CFO Final Meetings	October 27, 2016
Budget Launch - Budget Committee	December 2, 2016
Executive Committee Review	February 7, 2017
Council Approval	February 15-16, 2017

Further Budget Work

Over the summer, TPL staff will continue to refine the operating budget outlook. Some of the work to be undertaken includes:

1. Performing line-by-line reviews to identify budget pressures and reliefs;
2. Identifying efficiencies and increased revenue opportunities to offset pressures;
3. Allocating the \$0.370 million Council-approved unallocated budget reduction;
4. Identifying budget enhancements that support the City's Poverty Reduction Initiatives and other Council priorities; and
5. Developing strategies to manage ongoing demand, improve customer service, and fund transformation of 21st century library services while furthering TPL's strategic priorities and limiting the impact on the budget;

Once the 2017 budget target is received from the City, TPL is required to identify measures to meet the target that could have service impacts.

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SIGNATURE

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