



STAFF REPORT ACTION REQUIRED

8.

2014 Operating Base Budget Submission

Date:	August 1, 2013
To:	Budget Committee
From:	City Librarian

SUMMARY

The purpose of this report is to present to the Budget Committee the 2014 operating base budget submission of \$167.477 million net (\$184.050 million gross), which represents a \$2.118 million or 1.3% increase over the 2013 budget and includes cost pressures of \$4.752 million net (2.9%), partially offset by savings from expense reductions totalling \$1.728 million net (1.0%) and revenue increases of \$0.906 million net (0.6%).

One-half of the 2014 net budget increase is due to the operating costs of the two branches currently under construction – Fort York and Scarborough Civic Centre – of \$1.046 million (0.6%) in 2014 (with a further \$0.763 million (0.5%) in 2015), and the \$1.072 million (0.7%) balance of the increase is associated with approved salary cost of living increases.

The 2014 operating base budget submission exceeds the City target of 0% increase by \$2.118 million or 1.3%. At the meeting on June 24, 2013, the Library Board adopted a motion to request the City Manager to adjust the 2014 operating budget target to recognize the additional costs associated with opening the two new branches. If the 2014 operating budget target is adjusted to fund the cost of the two new branches, this leaves a balance of \$1.071 million or 0.7% of reductions to achieve target; staff will continue to seek further operating savings.

Service priorities and service levels will be presented to the Board for consideration at the meeting on September 23, 2013, and this may impact the total operating budget request.

The Toronto Public Library Program Overview and Performance Measures are also provided in this report.

RECOMMENDATION

The City Librarian recommends that the Budget Committee recommends that the Toronto Public Library Board:

1. approves the 2014 operating base budget submission of \$167.477 million net (\$184.050 million gross), which represents a \$2.118 million or 1.3% net increase over the 2013 budget.

FINANCIAL IMPACT

The 2014 operating base budget submission is \$167.477 million net (\$184.050 million gross), which represents a \$2.118 million net (\$3.256 million gross) or 1.3% net increase over the 2013 budget and includes:

- a) cost pressures of \$4.752 million net (\$4.814 million gross), which represent a 2.9% increase;
- b) expense reductions totalling \$1.728 million net (\$1.777 million gross), which represent a 1.0% decrease; and
- c) revenue increases of \$0.906 million net (\$1.035 million gross), which represent a 0.6% decrease; and
- d) Pan Am Games program costs of \$0 net (\$0.090 million gross).

The 2014 operating budget submission exceeds the City target of 0% increase by \$2.118 million or 1.3%. One-half of the budget increase is due to first-year operating costs for the two new branches of \$1.046 million (0.6%) in 2014 (with a further \$0.763 million (0.5%) in 2015), and the \$1.072 million (0.7%) balance of the increase is associated with approved salary cost of living increases.

The base budget submission includes a request to add 20 full-time equivalent positions (FTEs) for the two new branches currently under construction.

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

DECISION HISTORY

At the meeting on June 24, 2013, the Board adopted the following motion:

“Requests the City Librarian to request the City Manager to adjust the operating “target” to recognize the additional operating costs associated with the opening of the new Fort York and Scarborough Civic Centre branches, which have total incremental costs of \$1.046 million in 2014 and \$0.763 million in 2015.”

COMMENTS

Context of Budget Request

Increasing Demand

Over the past ten years, 2003 – 2012, total Library usage has increased by 17.8% from 81,891,617 million to 96,490,419 million uses. Total usage is comprised of circulation, program attendance, in-library use, reference requests, visits, workstation users, wireless use, electronic reference requests, licensed database searches and virtual visits.

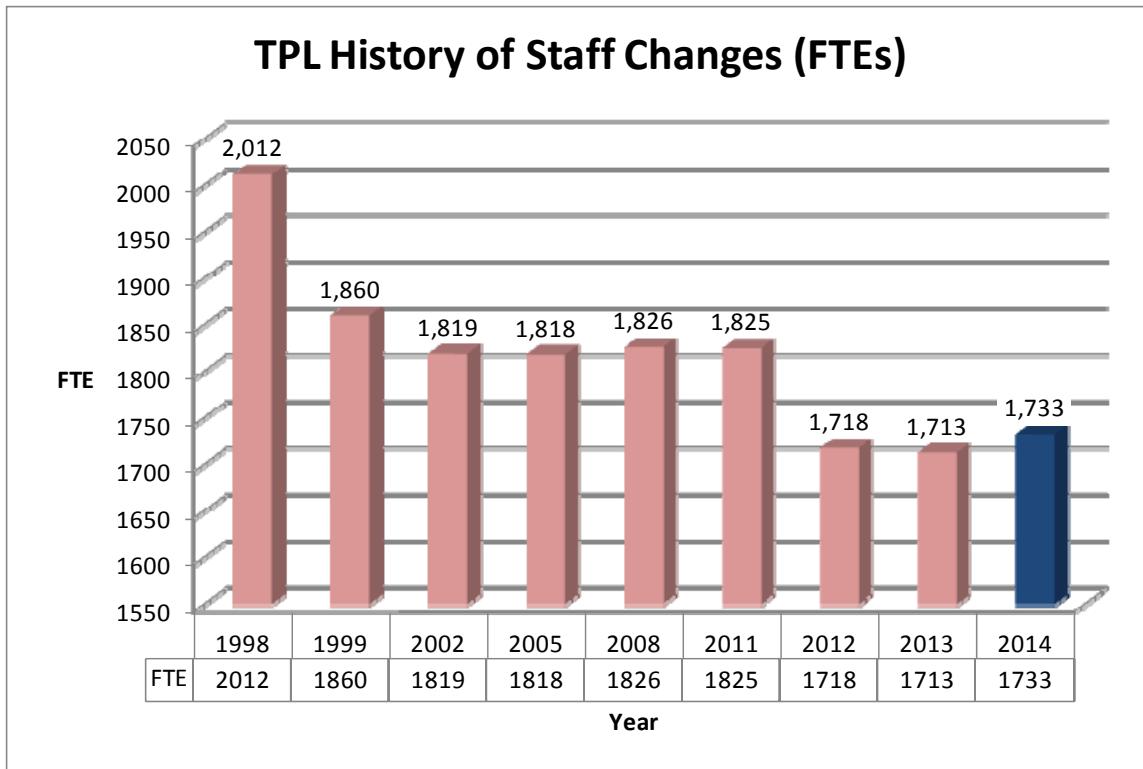
Patterns of use have shifted over time in response to residents' needs; many indicators have increased while a few have decreased. Circulation has increased 11.7% and visits to Library branches have also increased by 13.7% while use of Library collections in branches and the number of reference questions have declined.

Traditional services have grown and evolved while use of newer services, including access to the Library's website, circulation of ebooks and access to computer workstations and wireless service have increased dramatically.

The introduction of new technologies, including RFID self-service circulation and more online services has enabled the Library to manage growth in usage efficiently, while demand for traditional and new services continues to grow.

History of Staff Changes

Through its commitment to continuous improvement and service efficiencies, the Library has managed the increased service demand while reducing staff by 14% since 1998. The 20 FTEs added in 2014 are for the two new branches currently under construction.



2014 Operating Budget Base Request

TPL's 2014 operating base budget request is \$167.477 million net (\$184.050 million gross), which represents a \$2.118 million or 1.3% net increase over the prior year's budget as detailed on Attachment 1 and summarized below:

2014 OPERATING BASE BUDGET

Summary
(\$000s)

	<u>FTEs</u>	<u>Gross</u>	<u>Revenue</u>	<u>Net</u>	<u>%</u>
2013 approved budget	<u>1,713.4</u>	<u>180,793.9</u>	<u>15,434.3</u>	<u>165,359.6</u>	
Base budget pressures	<u>20.0</u>	<u>4,814.1</u>	<u>62.0</u>	<u>4,752.1</u>	<u>2.9%</u>
Less: Expense reductions		<u>(1,777.3)</u>	<u>(49.0)</u>	<u>(1,728.3)</u>	<u>-1.0%</u>
Revenue increases		<u>129.4</u>	<u>1,035.4</u>	<u>(906.0)</u>	<u>-0.6%</u>
Base budget increase (before Pan Am Games)	<u>20.0</u>	<u>3,166.2</u>	<u>1,048.4</u>	<u>2,117.8</u>	<u>1.3%</u>
Pan Am Games program		<u>90.0</u>	<u>90.0</u>	<u>-</u>	<u>0.0%</u>
Base budget increase	<u>20.0</u>	<u>3,256.2</u>	<u>1,138.4</u>	<u>2,117.8</u>	<u>1.3%</u>
2014 operating base budget request	<u>1,733.4</u>	<u>184,050.1</u>	<u>16,572.7</u>	<u>167,477.4</u>	<u>1.3%</u>

One-half of the 2014 net budget increase is due to the operating costs of the two branches currently under construction – Fort York and Scarborough Civic Centre – of \$1.046 million (0.6%) in 2014 (with a further \$0.763 million (0.5%) in 2015), and the \$1.072 million (0.7%) balance of the increase is associated with approved salary cost of living increases.

Base Budget Pressures

The 2014 operating base budget pressures total \$4.752 million net (\$4.814 million gross), which represents a 2.9% increase comprised of:

2014 OPERATING BASE BUDGET					
Pressures					
(\$000s)					
	FTEs	Gross	Revenue	Net	%
COLA and benefits		2,348.8		2,348.8	1.4%
Progression and step		258.3		258.3	0.2%
Operating requirements of two new branches	20.0	1,108.1	62.0	1,046.1	0.6%
General economic increases		664.9		664.9	0.4%
Library collections economic increase		434.0		434.0	0.3%
Base budget pressures	<u>20.0</u>	<u>4,814.1</u>	<u>62.0</u>	<u>4,752.1</u>	<u>2.9%</u>

- The COLA increase for 2014 is 1.75% as per the Collective Agreement;
- The two new branches currently under construction – Fort York and Scarborough Civic Centre – will cost \$1.046 million in 2014 and a further \$0.763 million in 2015, which includes \$1.356 million in salaries for 20 FTEs, \$0.241 million for collections, and \$0.326 million for supplies, services and utilities, partly offset by \$0.114 million projected revenue;
- Cost increases from contracted services, maintenance, utilities and expected inflation total \$0.665 million;
- For Library collections, the economic increase is \$0.434 million or 2.5% based on 2013 experience and industry projections.

Expense Reductions

Expense reductions included in the 2014 operating base budget submission total \$1.728 million net (\$1.777 million gross), which represents a 1.0% budget decrease comprised of:

2014 OPERATING BASE BUDGET					
Expense Reductions					
(\$000s)					
	Gross	Revenue	Net	%	
Salary savings associated with 2012-13 restructuring	(650.0)		(650.0)	-0.4%	
Adjust number of working days	(476.9)		(476.9)	-0.3%	
Efficiency and cost control programs	(240.0)		(240.0)	-0.1%	
Reduce 1/3 of general economic adjustment	(219.4)		(219.4)	-0.1%	
Reduce contribution to TAMP capital	(100.0)		(100.0)	-0.1%	
Operating impact from other capital projects	<u>(91.0)</u>	<u>(49.0)</u>	<u>(42.0)</u>	<u>0.0%</u>	
Expense reductions	<u>(1,777.3)</u>	<u>(49.0)</u>	<u>(1,728.3)</u>	<u>-1.0%</u>	

- The staff restructuring resulting from efficiency measures implemented over 2012 and 2013 resulted in further annual permanent savings of \$0.650 million;
- Efficiency and cost controls will save \$0.240 million, including savings from a recent wireless contract (\$0.125 million), software license agreements (\$0.024 million), advertising on date-due slips (\$0.020 million) and \$0.071 million of reductions resulting from a line-by-line budget review;
- In addition to the savings identified above, the proposal is to forego \$0.219 million or 1/3 of the economic increase for 2014. Over half of the \$0.446 million remaining economic adjustment is due to expected increases in utilities, and the balance is for increases to service contracts;
- The Technology Asset Management Program (TAMP) capital project is funded from debt, development charges and a contribution from the operating budget. The expected beneficial impact of the 2014 Development Charges By-law will allow a lower contribution from the operating budget of \$0.100 million annually, which provides sustainable relief to the operating budget;
- The net operating savings from other capital projects of \$0.042 million is mainly due to the annualization of savings from implementing an automated sorter at Fairview in 2013.

Revenue Increases

Revenue increases total \$0.906 million net (\$1.035 million gross), which represents a 0.6% budget decrease comprised of:

2014 OPERATING BASE BUDGET				
Revenue Increases				
	Gross	Revenue	Net	%
Increase funding from Dev. Charges for collections		725.0	(725.0)	-0.5%
Fees and rentals	129.4	310.4	(181.0)	-0.1%
Revenue increases	129.4	1,035.4	(906.0)	-0.6%

- The expected beneficial impact of the 2014 Development Charges By-law will increase funding for collections to meet a growing population. Accordingly, the annual draw from the development charges reserve to fund collections will be increased by \$0.725 million, from \$2.000 million to \$2.725 million, which is a sustainable amount based on conservatively estimated development charges revenue and expenditure projections, and the accumulated balance available in the reserve for Library capital projects and collections. The development charges funding is contingent on Council approval of the new by-law which is anticipated in Fall 2013;
- Fees and rentals increase by \$0.181 million net (\$0.310 million gross), including expected increases for room bookings (\$0.050 million), TRL gift shop (\$0.040 million), TRL Appel Salon (\$0.033 million net) and tenant leases (\$0.058 million).

Pan Am Games

TPL will participate in the TORONTO 2015 Pan American / Parapan American Games Host City Showcase Program. TPL submitted proposals for two programs, a Poetry Slam and Spectator Jam, and the programs and associated funding were approved by Council at the meeting on July 16 - 18, 2013. The approved program funding, which is being funded by the City's Major Special Event Reserve Fund, will be included in TPL budgets as follows:

PAN AM GAMES			
(Funded from a City Reserve)			
\$000s			
GROSS FUNDING			
	2014	2015	Total
OPERATING BUDGET			
Poetry Slam	90.0	70.0	160.0
Spectator Jam	-	5.4	5.4
	90.0	75.4	165.4
CAPITAL BUDGET			
Poetry Slam	10.0	8.0	18.0
Spectator Jam	150.0	3.0	153.0
	160.0	11.0	171.0

2014 Operating Budget Target – 0% Increase

The 2014 operating budget target is 0% increase and to achieve this target requires additional savings of \$2.118 million or 1.3%.

At the meeting on June 24, 2013, the Library Board adopted a motion to request the City Manager to adjust the 2014 operating budget target to recognize the additional costs associated with the opening of the two new branches currently under construction – Fort York and Scarborough Civic Centre – of \$1.046 million in 2014 with a further \$0.763 million in 2015; this request has been forwarded to the City Manager for consideration. If the 2014 operating budget target is adjusted to fund the cost of the two new branches, this leaves a balance of \$1.071 million or 0.7% of reductions to achieve target; staff will continue to seek further operating savings.

Service Levels

Service priorities and service levels will be presented to the Board for consideration at the meeting on September 23, 2013, and this may impact the total operating budget request.

2014 Program Overview

The 2014 Program Overview is a requirement for the budget submission and is included as Attachment 2, comprised of:

- mission statement;
- program map and service descriptions;
- service types and levels;
- 2014 service deliverables;
- key accomplishments;
- 2013 key accomplishments; and
- performance measures & benchmarking.

Timetable and Process

The timetable for the review of the 2014 operating budget is shown on Attachment 3. The budgets will be launched by Budget Committee on November 25, 2013, with Council approval on January 29 - 30, 2014. Drop in sessions on November 25 and 26 2013 have been introduced into the budget process to give Councillors an opportunity to ask questions of staff from each Program/Agency.

CONTACT

Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946; Fax: 416-393-7115; E-mail: lhughsam@torontopubliclibrary.ca

SIGNATURE

Jane Pyper
City Librarian

ATTACHMENTS

Attachment 1: 2014-2016 Operating Base Budget Submission Summary
Attachment 2: 2014 Program Overview
Attachment 3: 2014 Operating Budget Process Timetable