

2011 Operating Budget Submission and Service Review Reduction

Date:	November 22, 2010
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to obtain approval from Toronto Public Library Board for the 2011 operating budget submission and a recommended \$0.5 million budget reduction, and to present budget reductions contained in a Service Review report.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. adopts the original 2011 operating budget submission of \$173.110 million net (\$185.872 million gross) which represents a net 3.6% increase (Attachment 1);
2. approves a \$0.5 million (0.3%) budget reduction that results from reinstating the draw from development charge reserves to fund library materials, thereby reducing the 2011 operating budget request to \$172.610 million net or a 3.3% increase;
3. receives the *2011 Operating Budget – Service Review 5% Reduction* report (Attachment 2); and
4. adopts the 2011 Program Overview (Attachment 3)

FINANCIAL IMPACT

The original 2011 requested operating budget of \$173.110 million net (\$185.872 million gross) represents an increase of \$6.010 million net or a 3.6% increase over the 2010 budget. The difference between the gross and net budget is explained by non-City funding received by Toronto Public Library comprised of \$5.642 million in Provincial grants, \$4.288 million of fees, fines and rentals, \$0.500 million contribution from Development Charges and \$2.333 million of other revenues.

The proposed \$0.5 million (0.3%) reinstatement of the draw from development charge reserves to fund library materials will reduce the net budget to \$172.610 million which now represents a 3.3% increase.

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

ISSUE BACKGROUND

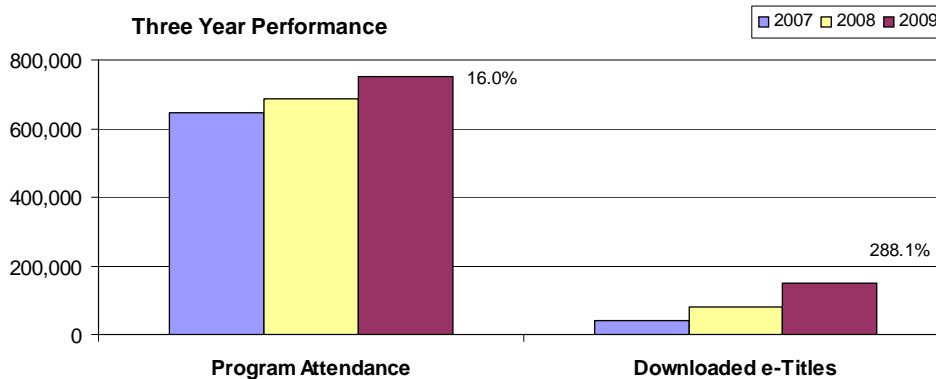
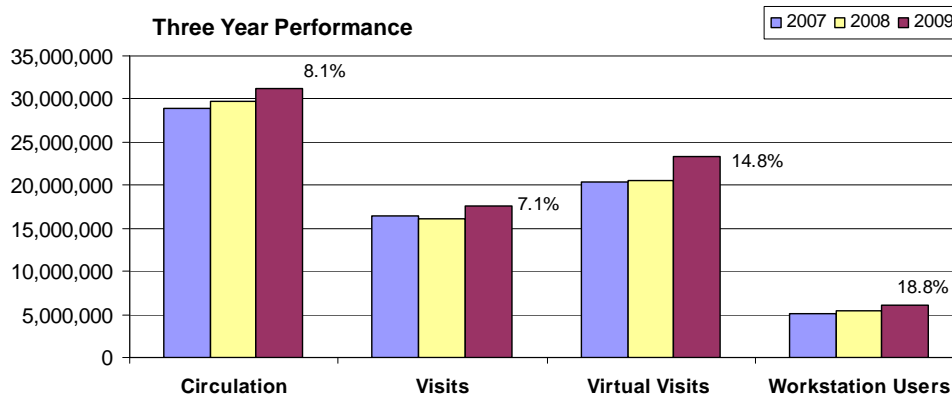
Section 24(1) of the Public Libraries Act requires the Library Board to submit annually to City Council estimates of all amounts required during the year for the purposes of the Board. This report includes the operating budget submission.

COMMENTS

Budget Context

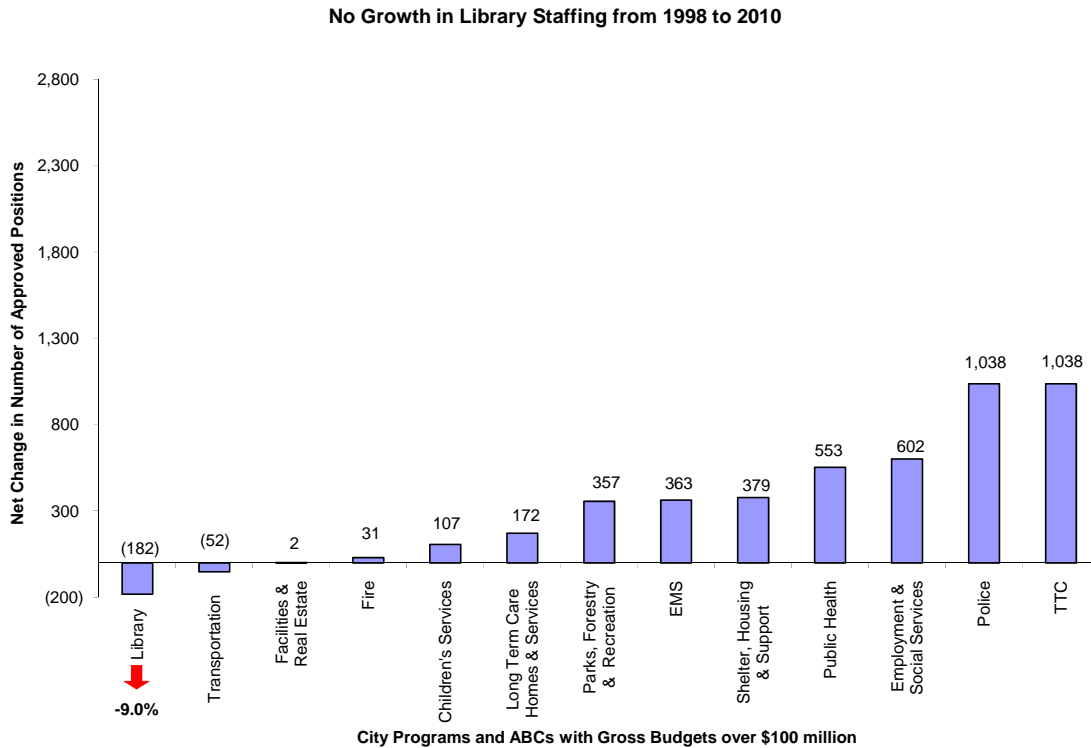
Increasing Demand

Use of the Library has increased over the past three years, with a notable increase since the fall of 2008, when the economy took a downturn. Traditional library usage including circulation, in person visits and attendance at library programs increased along with accelerated growth in electronic activity including the number of computer workstation users, visits to the Library's web site ("virtual visits") and downloaded e-titles.



2010 performance measures reflect a continuing trend with circulation up 3.5% and visits up 4.6%.

No Staff Increases



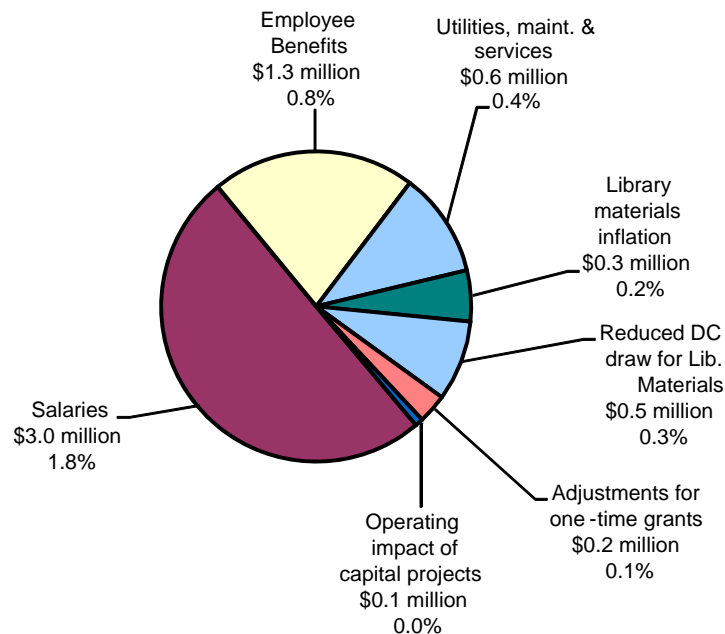
Since 1998, TPL has reduced its staff by 182, despite significant growth in demand for service in a number of areas.

2011 Budget Request

Toronto Public Library's (TPL) original 2011 operating budget submission is \$173.110 million net, an increase of \$6.010 million or 3.6% over the 2010 approved budget, required to maintain existing services and service levels. A breakdown of the 2011 operating budget request is provided in Attachment 1.

The following chart highlights the cost drivers in the 2011 base budget increase.

2011 Budget Increase (\$6.010 million or 3.6%)



- Salaries and benefits account for more than two-thirds of the total 2011 budget increase:
 - Salaries of \$3.0 million represent a 1.8% budget increase comprised of Cost of Living Adjustment (COLA), and progression and step increases.
 - Employee benefits increase of \$1.3 million or 0.8% is mostly due to a 1% increase in the OMERS contribution rate, which adds \$1.0 million or 0.6% to the 2011 cost increases. The balance is due to fluctuations in experience factors and rate increases.
- The \$0.3 million or 0.2% increase for library materials is due to inflation.
- Utilities and maintenance increase of \$0.6 million or 0.4% reflects inflationary increases for utilities and general maintenance costs, as per specific contracts and City guidelines.
- Facilities and staffing costs of \$0.1 million or 0.0% represent operating costs related to Bridlewood, Brentwood and Cedarbrae capital projects.
- A reduction of \$0.5 million or 0.3% of the draw from development charges reserves to fund library materials and the reversal of one-time grants of \$0.2 million or 0.1% contribute to the 2011 funding pressures. (As described later in this report, staff is now recommending that the \$0.5 million draw from development charge reserves be reinstated in order to provide a 2011 budget relief).

Budget Issues

Staffing Resources to Meet Growing Demand

While technology and other efficiency measures implemented over the years have allowed TPL to cope with increased activity, indications are that demand continues to grow with no increase in staffing. TPL's 2.7% gapping target is significantly higher than the 2% City average.

OMERS Rate Increase

In September 2010, OMERS announced a 1% increase in contribution rates for 2011 which added \$1.038 million (0.6%) to TPL's operating budget request. OMERS has also indicated that the contribution rates will increase a further 1% in 2012 and 0.9% in 2013, adding future budget pressures.

Library Materials Funding from Development Charges

In an effort to recoup pre-amalgamation library materials budget reductions and post-amalgamation loss in purchasing power, an agreement was reached with the City to draw on available Development Charges (DC) reserves to supplement the funding for library materials and avoid pressures on the operating budget as a temporary measure. In order to ensure that there are adequate development charges for the capital program included in the DC By-law, TPL reduced its draw from development charges to fund for library materials from a high of \$2.4 million in 2007 to \$1.0 million in 2010. The 2011 operating budget submission includes a request for TPL to further reduce its reliance on DC funding for library materials, which results in an operating budget pressure of \$0.5 million (0.3%) in 2011.

In October, Library staff met the City Manager to review TPL's operating budget request. The City Manager is recommending the reinstatement of the \$0.5 million draw from development charge reserves to fund library materials which would reduce the 2011 budget to \$172.610 million net, representing a 3.3% increase. Based on a favourable updated outlook for the development charges reserves, Library staff is also recommending that the Board approve this measure to reduce the 2011 budget pressure.

Service Review Reduction

Earlier in the year, City staff requested TPL to submit a plan which achieves permanent and sustainable reductions of \$8.196 million or 5% of the Toronto Public Library's 2009 operating budget. A budget reduction of this size cannot be achieved without major service reductions, and TPL staff responded with a budget reduction framework and a combination of service reductions in the hours of business, library materials and associated administration savings. The *2011 Operating Budget – Service Review 5% Reduction* report (Attachment 2) was submitted to the City in August, and the reduction options are summarized below:

**SERVICE REVIEW REDUCTIONS
(5% of 2009 Budget)**

	\$000's
Major Service Reductions	
Monday - Saturday Service Hours Reduction (9.6% fewer Mon-Sat hrs/yr in 2 Research & Reference, 1 Urban Affairs, 14 District and 36 Neighbourhood branches)	4,415
Sunday Service Hours Reduction (81.5% fewer Sunday hrs/yr from closure of 14 District and 8 Neighbourhood Branches (22 total branches))	1,435
	<u>5,850</u>
Library Materials Reduction (Library Material Budget permanently reduced by 11% resulting in loss of approximately 116,000 library items)	1,995
	<u>7,846</u>
Administration Savings Resulting from Service Reductions	350
	<u>8,196</u>

OTHER MEASURES AND IMPACT

Additional temporary LM budget reductions to phase-in service hours cuts	3,100
Total 2011 reductions in library materials (29%)	5,095
Number of Full Time Equivalents reduced	55

Due to the late approval of the operating budget, the full year savings cannot be achieved under the service hour reductions, so an implementation strategy of an additional one-time \$3.1 million reduction to the library materials budget would be required.

City Budget Target

The overall budget reduction target for TPL is a \$2.186 million or 1.3% year-over-year budget decrease, which results from two components:

2011 Operating Budget Target and Reductions

	\$000s	%
2011 City Outlook for TPL = Budget Increase Request	6,010	3.6%
Service Review - 5% reduction of 2009 budget	(8,196)	-5.0%
2011 City Budget Target (year over year decrease)	<u>(2,186)</u>	<u>-1.3% *</u>
		(* rounded)

To achieve the target, budget reductions of \$8.196 million (5.0%), the same as the reductions contained in the Service Review report, would be required to offset the \$6.010 million (3.6%) budget increase requested.

As noted earlier, staff is recommending that the 2011 budget pressure be reduced by \$0.5 million (0.3%) by drawing additional development charges to fund library materials, and this budget relief can be used to partially mitigate the Sunday service reduction included in the \$8.196 million of Service Review reductions. A summary of the original Service Review and revised budget reduction options are shown below:

	Service Review Reductions (Original) \$000's	Reinstate DC Draw for LM \$000's	Revised Reductions (Nov. 22 2010) \$000's
Reinstate Draw from DC Reserves to Fund Library Materials	0	500	500
<u>MAJOR SERVICE REDUCTIONS</u>			
Monday - Saturday Service Hours Reduction	4,415		4,415
Sunday Service Hours Reduction	1,435	(500)	935
	5,850	(500)	5,350
Library Materials Reduction	1,995		1,995.3
	7,846	(500)	7,346
Administration Savings Resulting from Service Reductions	350		350.0
Subtotal Major Service Reductions	8,196	(500)	7,696
Total Reductions	8,196	-	8,196
<u>OTHER MEASURES AND IMPACT</u>			
Additional temporary LM budget reductions to phase-in service hours cuts	3,100		2,789
Total 2011 reductions in library materials	5,095		4,784
Number of FTEs reduced	55		55

Reducing the cut to Sunday Service from \$1.435 million to \$0.935 million will permit an additional six district branches to remain open for the season. In total, two Research and Reference libraries and nine district branches will remain open for the full Sunday season, and service will be discontinued in 8 District and 8 Neighbourhood branches, which represents a 59% service hours reduction.

Other Budget Reductions

Other budget reductions options are being assessed by staff and any savings achieved would be used to offset major service reductions.

Detailed Budget Review

Staff will be performing a detailed analysis of the projected spending to the year end in order to identify any potential areas for budget savings.

Grants

On an annual basis, TPL usually receives some federal and provincial grants. If grants are confirmed and provide budget relief, they will be used to offset the service reduction options.

Collections Management

Changes to workflow have been implemented for improved efficiency in TPL's material processing operation. Batch processes have been implemented to minimize the manual work around ordering and receiving. TPL is assessing the impact of changes in workflows to determine potential savings.

Periodicals Integration

The proposal is for the Periodicals and Newspaper department at Toronto Reference Library (TRL) to be integrated into the various subject departments. This proposed service efficiency would need to be integrated into the TRL renovation and revitalization plan as the collections would need to be relocated and integrated into the subject departments. The timing, cost and resulting savings resulting from the implementing the proposed efficiency are being assessed.

Urban Affairs

The proposal is to consolidate the urban affairs services at TRL and eliminate the Urban Affairs branch located at Metro Hall, for which TPL pays annual rent of \$436,000 to the City. The consolidation would also impact the North York Central Library which provides some urban affairs service. Relocation of the collections would need to be coordinated with the constructions work at TRL and significant costs will be incurred for the move and setup of the new service. The timing, cost and resulting savings resulting from this change are being assessed.

2011 Program Overview

The 2011 Program Overview, included as Attachment 3, provides the Library's 2008 – 2011 Strategic Plan Themes and Goals as approved by the Board, and outlines key accomplishments to date for 2010.

Performance measures charts describe the results and targets for key indicators such as visits and use per capita and also contextual information comparing Toronto Public Library results with results from other Ontario municipalities.

CONTACT

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SIGNATURE

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ATTACHMENTS

- Attachment 1: 2011 Operating Budget Request Summary
- Attachment 2: 2011 Operating Budget – Service Review 5% Reduction
- Attachment 3: 2011 Program Overview