

**2009 Operating Budget Reduction – City Manager  
Recommended Target**

<b>Date:</b>	February 9, 2009
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

**SUMMARY**

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The purpose of this report is to provide the Toronto Public Library Board with the City Manager (CM) recommended 2009 operating budget target of \$162.015 million net (\$175.774 million gross) or a 4 percent net increase, which represents a \$3.953 million (2.6 percent) net reduction from the current 2009 requested budget of 6.6 percent. The impact of the CM recommended reductions are described in this report for Board consideration.

**RECOMMENDATIONS**

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**The City Librarian recommends that the Toronto Public Library Board:**

1. reviews the City Manager recommended 2009 operating budget target of \$162.015 million net (\$175.774 million gross) or a 4 percent net increase, which represents a \$3.953 million (2.6 percent) net reduction from the current 2009 requested budget of 6.6 percent, and provides guidance to staff.

**FINANCIAL IMPACT**

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The CM recommended 2009 operating budget target of \$162.015 million net (\$175.774 million gross) or a 4 percent net increase, requires a \$3.953 million (2.6 percent) reduction from the Board’s 2009 requested budget of 6.6 percent.

These amounts do not include the 2009 COLA wage increases which are budgeted at the City corporate level in a year of collective bargaining.

The Director, Finance and Treasurer has reviewed this Financial Impact Statement and is in agreement with it.

## ISSUE BACKGROUND

At its meeting on October 20, 2008, the Library Board approved a 2009 Operating Budget request submission of \$166.802 million net (\$180.007 million gross) which represents an increase of \$11.011 million net or 7.1 percent over the 2008 approved budget, which includes a 1.4 percent increase for the Job Evaluation and Pay Equity settlement of May 2008. The increase is comprised of a base budget increase of \$8.211 million net (5.3 percent) to maintain current services and a request for a service enhancement of \$2.8 million net (1.8 percent) to expand Sunday Service.

At its meeting on January 19, 2009, the Board reviewed various reduction options to achieve the City target of minus 2 percent. At the meeting, the following motions were approved:

1. a request to the City to fund \$500,000 for Toronto Public Library sick leave payouts in 2009 from a reserve account; and
2. budget reductions totalling \$833,900 or 0.5 percent, for a revised operating budget submission of 6.6 percent, down from the original 7.1 percent increase as follows:

	<u>Base Budget</u> (\$000s)	<u>Enhancement</u> (\$000s)	<u>Total</u> (\$000s)	<u>%</u>
<b>Original Budget submission (Oct 20, 2008)</b>	<b>164,002</b>	<b>2,800</b>	<b>166,802</b>	<b>7.1%</b>
<b>Board approved reductions (Nov 24, 2008)</b>				
Revenue Adjustment - one-time grants	(57)		(57)	-0.1%
Savings from photocopier contract and reductions to economic adjustment	(386)		(386)	-0.2%
Savings from revision to delivery service	(200)		(200)	-0.1%
Savings from later reopening of branches due to construction delays	(191)		(191)	-0.1%
	<u>(834)</u>	<u>-</u>	<u>(834)</u>	<u>-0.5%</u>
<b>Revised Budget Request (Nov 24, 2008)</b>	<b>163,168</b>	<b>2,800</b>	<b>165,968</b>	<b>6.6%</b>

These recommendations have been forwarded to Budget Committee for consideration.

## COMMENTS

TPL staff has been informed that the CM recommended 2009 operating budget is \$162.015 million net (\$175.774 million gross) or a 4 percent net increase, which represents a \$3.953 million (2.6 percent) net reduction from the current 2009 requested budget of 6.6 percent. The CM has recommended specific reductions amounting to \$3.453 million, as well as an unallocated \$0.5 million reduction, detailed as follows:

	<u>Base Budget</u> (\$000s)	<u>Enhancement</u> (\$000s)	<u>Total</u> (\$000s)	<u>%</u>
<b>Revised Budget Request (Nov 24, 2008)</b>	<b>163,168</b>	<b>2,800</b>	<b>165,968</b>	6.6%
<b>City Manager recommended reductions</b>				
1 Forego Enhancement Request for Sunday Hours Expansion		(2,800.0)	(2,800)	-1.8%
2 Partially reinstate draw from Development Charges for Library Materials from \$1M to \$1.25M (2008:\$2.051M)	(250.0)		(250)	-0.2%
3 Forego 2009 economic adjustment for library materials (second consecutive year)	(344.0)		(344)	-0.2%
4 Reduction to economic adjustment to reflect revised lower fuel charge	(59.0)		(59)	-0.1%
5 Unallocated reduction:				
5a General reduction - 50% sick leave cost	(250.0)		(250)	-0.2%
5b City recommendation to further draw from development charge for Library Materials - not feasible as reserve is projected to be depleted by end of 2009	(250.0)		(250)	-0.2%
	<u>(1,153.0)</u>	<u>(2,800.0)</u>	<u>(3,953.0)</u>	<u>-2.6%</u>
<b>City Manager Recommended Budget</b>	<b>162,015</b>	<b>-</b>	<b>162,015</b>	<b>4.0%</b>

1. *Sunday Expansion.* Foregoing the enhancement for Sunday service will result in no increase in Sunday service and represents a delay in implementing the Board's overall plan for increasing service hours. This reduction option was reviewed but not approved by the Board at its meeting on November 24, 2008.
2. *Development Charge Draw.* TPL has been utilizing a City-approved strategy of drawing significant amounts from a development charge reserve to supplement the library materials budget. This strategy is not sustainable, and in order to ensure development charges are available for the capital building program, the 2009 operating budget submission had a \$1.051 million request which partially replaces the annual draw from the development charge reserve and allows the current level of spending on library materials to be maintained. To reduce the pressure on the operating budget, a \$0.250 million draw from the development charge reserve will be reinstated which places additional pressure on the reserve. The reserve is replenished based on the rate of residential construction which now faces uncertainty due to the economic downturn. This reduction option was reviewed but not approved by the Board at its meeting on November 24, 2008.
3. *Library Materials Economic Adjustment.* For the second consecutive year, the economic adjustment for library materials is being foregone. The 2009 economic adjustment amount of \$344,000 will result in the loss of 14,300 new items for the collections and may impact circulation. This reduction option was reviewed but not approved by the Board at its meeting on November 24, 2008.

4. *Fuel Cost.* The economic adjustment for fuel has been reduced by \$59,000 due to the recent reduction in cost and this should have no impact.

### **Unallocated Reduction**

At its meeting on January 19, 2009, the Board recommended requesting the City to fund \$500,000 for Toronto Public Library sick leave payouts in 2009 from a reserve account, in order to relieve the pressure on the operating budget. This request has been forwarded on to the Budget Committee for consideration. The CM is recommending that \$250,000 of funding be provided for sick leave, in addition to the following:

- 5a. That the Library find savings to fund the \$250,000 remaining balance for sick leave, which is treated as an unallocated budget reduction; and
- 5b. To further draw \$250,000 from the development charge reserve to fund library materials, bringing the total 2009 draw for materials to \$1.5 million. This recommendation is not considered feasible as the most current projection shows the development charge reserve may be fully exhausted by the end of 2009. TPL would therefore prefer to treat this as a \$250,000 unallocated budget reduction and manage budget spending accordingly, in an effort to maintain spending levels for library materials. The availability of development charges for library materials and capital projects will need to be revisited for the 2010 capital and operating budgets.

To manage this \$500,000 unallocated reduction, TPL would monitor spending during the year and take advantage of any budget reliefs to offset the unallocated reduction. If any of the required reduction cannot be achieved, then the library materials budget will be reduced.

### **CONCLUSION**

The CM recommended reductions totalling \$3.953 million and their impacts are being presented to the Board for consideration. The operating budget will be publicly launched by the City on February 10 with approval on March 31 or April 1, 2009. Budget updates will continue to be provided at Board meetings.

### **CONTACT**

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### **SIGNATURE**

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