



**STAFF REPORT
ACTION REQUIRED**

10.

2010 Operating Budget Reductions – City Target

Date:	December 14, 2009
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to present reduction options to the Toronto Public Library Board in order to meet the City operating budget target of \$161.112 million net (\$174.874 million gross) or a minus 1.71% year-over-year net budget target, which requires a reduction of \$9.227 million net or 5.6% to the Board-approved budget request of \$170.339 million net (\$181.517 million gross).

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. receives the *2010 Operating Budget Reductions – City Target* report;
2. approves specific budget reductions totalling \$2.584 million or 1.6%, bringing the budget request down to \$167.755 million or a 2.3% increase, which would:
 - a. eliminate the \$1.037 million (0.6%) enhancement request to expand Sunday service;
 - b. eliminate the \$0.348 (0.2%) million library materials economic increase;
 - c. reinstate \$0.500 million (0.3%) draw from development charge reserves to fund library materials; and
 - d. eliminate the \$0.699 (0.5%) general economic increase;
3. reviews the general budget reductions totalling \$6.643 million as outlined in Attachment 1; and
4. reviews the other budget reduction options as outlined in Attachment 2.

FINANCIAL IMPACT

The City 2010 operating budget target of \$161.112 million net (\$174.874 million gross) or a minus 1.7% year-over-year net budget target requires a reduction of \$9.227 million net or 5.6% to the Board-approved budget request of \$170.339 million net (\$181.517 million gross). The minus 1.7% net budget target is comprised of a 2010 budget allowance increase of 3.3% offset by a 5.0% budget reduction target.

ISSUE BACKGROUND

On November 16, 2009, the Board considered the *2010 Operating Budget Submission* report and approved a total budget request of \$170.339 million net (\$183.139 million gross) which represents an increase of \$6.431 million net or 3.9% over the 2009 approved budget, comprised of the following:

2010 Operating Budget Request

	Gross	Revenue	Net	
	\$000s			%
2009 Budget	177,670	13,762	163,908	
2010 Base Increase	4,432	-962	5,394	3.29%
2010 Base Request	182,102	12,800	169,302	
2010 Sunday Service Enhancement	1,037		1,037	0.63%
2010 Total Budget Request	183,139	12,800	170,339	3.92%

At that meeting, the Board approved principles of a reduction framework which would guide the development of budget reduction strategies and options. As part of the budget guidelines, the City Manager requested that each department, agency, board and commission prepare reduction options to achieve a 5% reduction from the 2009 approved budget in each of 2010 and 2011, or \$8.196 million each year for the Library. The Board reviewed but did not approve options to achieve the reduction targets totalling \$16.392 million, comprised of significant reductions to service hours (staffing) and library materials spending with a 3-year implementation plan.

(<http://www.torontopubliclibrary.ca/pdfs/board/09nov16/12.pdf>)

COMMENTS

City Target

On November 24, 2009, Library staff met with the City's finance staff to review the 2010 budget request and the 5% reduction target. As part of the approval process for the 2009 operating budget, the City had created a 2010 Budget Outlook for the Library which allowed an increase of \$5.399 million or 3.3%, which is almost identical to TPL's base budget request of \$5.394 million, but do not include the Sunday service enhancement of \$1.037 million. When this 3.3% increase is offset by a minus 5% or \$8.196 million reduction target, it results in a minus 1.7% year-over-year net budget target.

City 2010 Net Operating Budget Target vs. Request

	TPL Request		City Target		Reduction	
	\$000s	%	\$000s	%	\$000s	%
2009 Budget	163,908		163,908			
2010 Base Increase	5,394	3.29%	5,399	3.29%	5	0.00%
Reduction Target			(8,196)	-5.00%	(8,196)	-5.00%
	169,302	3.29%	161,111	-1.71%	(8,191)	-5.00%
2010 Service Enhancement	1,037	0.63%			(1,037)	-0.63%
	170,339	3.92%	161,111	-1.71%	(9,228)	-5.63%

Meeting Target

To meet target and reduce the budget request by \$9.228 million, City staff will be recommending to Budget Committee that TPL make specific reductions totalling \$2.584 million or 1.6%, and a general reduction of \$6.643 million or 4.1% for which Library staff were requested to report back on the impact of achieving this reduction.

Reductions To Meet City Target

	Net Budget	
	\$000s	%
2010 Budget Request	170,339	3.92%
Less Specific Budget Reductions	<u>-2,585</u>	<u>-1.58%</u>
	167,754	2.35%
Less General Budget Reductions	<u>-6,643</u>	<u>-4.05%</u>
City Target	<u>161,111</u>	<u>-1.71%</u>

Specific Budget Reductions

The specific reductions being recommended by City staff are detailed as follows:

	\$000s	%
1 Eliminate enhancement request to expand Sunday service (Fall 2010 start)	1,037.0	0.63%
2 Eliminate library materials economic increase	348.3	0.21%
3 Reinstate 50% of the draw from development charge reserves to fund library materials	500.0	0.31%
4 Eliminate general economic increase	699.2	0.43%
	2,584.5	1.58%

1. *Eliminate Sunday Service Enhancement (\$1.037 million)*

The Board has endorsed a plan for extending open hours, which would see service hours expanded by 25% at the end of a 3-year implementation period. The 2009 operating budget included a request for expanding Sunday service, but it was not approved. The expansion to Sunday service was once again submitted as part of the 2010 budget request with a fall 2010 implementation, and is once again being recommended for deferral.

2. *Eliminate Library Materials Economic Increase (\$0.348 million)*

Due to constrained budgets, there has been no economic increase for library materials for the last two years and this has eroded the budget's purchasing power. A strengthening Canadian dollar will partially mitigate the impact of eliminating the 2010 economic increase for library materials. However, despite the strong Canadian dollar, continuing pressures on the library materials budget include the demand for multiple languages and multiple formats due to changing technology. The loss of the economic increase will result in foregoing the purchase of approximately 20,400 items and availability of current materials impacts circulation.

3. *Reinstate 50% of draw from Development Charge Reserves for Library Materials (\$0.500 million)*

Significant draws from development charge reserves were meant to be only a temporary measure for funding library materials during a period of constrained budgets. Reinstating 50% of the draw from development charges would result in the budget pressure being reduced to \$500,000, and the draw from development charges increased to \$1 million. The issue of the adequacy of development charge reserves has been compounded by Council's decision earlier this year to delay the implementation of the new development charges by-law, and future capital budgets will need to be adjusted according to the

actual and projected development charge revenues which are also used to fund capital projects.

4. *Eliminate General Economic Adjustment (\$0.699 million)*

The purpose of the \$0.699 million general economic adjustment is to fund cost increases for service contracts, maintenance and utilities. Included in the economic adjustment are expected increases for hydro (\$0.281 million), water (\$0.019 million), fleet (\$0.053 million) and property leases (\$0.051 million). If funding for cost increases is not available, then savings in other areas need to be identified or services reduced.

Library staff has examined budget spending for the year to identify opportunities for further cost efficiencies and additional revenue sources to offset budget pressures. To date, \$0.387 million (0.2%) of additional revenues and \$0.246 million (0.2%) of efficiencies have been identified, as shown on the table below.

	\$000's	%
Elimination of general economic adjustment	699	0.43%
<u>Revenue Increase</u>		
1 Alternative one-time funding:		
Citizen and Immigration Canada (CIC) funding for collections	130	0.08%
Federal Community Access Program (CAP) funding	44	0.03%
Service Ontario grant	13	0.01%
2 Increase fines revenue through additional collection activities	100	0.06%
3 Increase room booking revenue	75	0.05%
4 Advertising revenue from "What's On"	25	0.02%
	<u>387</u>	<u>0.24%</u>
<u>Efficiencies</u>		
5 Extend workstation lifecycle from 4 to 5 years	101	0.06%
6 Reduce IT training and software maintenance	75	0.05%
7 Reduce printing costs as content is added to web site	28	0.02%
8 Reduce budget for travel	25	0.02%
9 Savings from later reopening of branches due to construction delays	17	0.01%
	<u>246</u>	<u>0.15%</u>
Total Budget Reliefs	<u>633</u>	<u>0.39%</u>
Unallocated budget pressure	<u>66</u>	<u>0.04%</u>

Additional revenue from room booking and advertising in “What’s On” will require Board approval in order to be realized.

If these budget relieves totalling \$0.633 million are used to offset the loss of the general economic adjustment of \$0.699 million, this leave a balance of \$0.066 million as an unallocated budget pressure, which would need to be managed by monitoring spending during the year to take advantage of any cost saving opportunities as they arise.

General Budget Reductions (\$6.643 million, 4.1%)

As staffing comprises 81% of the net budget and library materials 10%, to achieve a budget reduction of the magnitude of \$6.643 million or 4.1% will require reductions in these areas. Applying the approved reduction framework, which included principles of not disproportionately impacting one or a few neighbourhoods or segments of customers, particularly those most vulnerable, staff created the following reduction options:

	<u>\$000s</u>	<u>%</u>	<u>FTEs</u>
1. Reduction in Monday-Saturday service	4,091	2.50%	53.6
2. Reduction in Sunday service	650	0.40%	
3. Reduction in library materials budget	<u>1,902</u>	<u>1.16%</u>	
	<u>6,643</u>	<u>4.05%</u>	

Details of these reductions are provided on Attachment 1.

Other Budget Reductions

As noted in the *2010 Operating Budget Submission* report, in applying the approved reduction framework, a number of reductions options were assessed and eliminated because they disproportionately impacted specific neighbourhoods or customers. Given the current serious fiscal constraints being faced by the City, various specific groups of reductions options are being presented below for consideration.

	<u>\$000's</u>	<u>%</u>	<u>FTE's</u>
Reduce Institutional Services	104.8	0.06%	1.4
Reduce Branch Programming	120.0	0.07%	
Reduce Leading to Reading	150.0	0.09%	4.0
Eliminate Digital Design Studio	59.4	0.04%	1.0
Reduce Collection Preservation	104.5	0.06%	0.6
Reduce Bookmobile Service	128.3	0.08%	2.0
Branch Closures	3,000.0	1.83%	40.9

Details of these reductions are provided on Attachment 2.

CONCLUSION

This report presents reduction options totalling \$9.227 million required to meet the City operating budget target of \$161.112 million net (\$174.874 million gross), which is a minus 1.71% year-over-year net budget target. A summary of City staff recommended specific budget deductions totalling \$2.584 million and general budget reductions

totalling \$6.643 million, for an overall reduction of \$9.227 million, is summarized on Attachment 3.

CONTACT

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SIGNATURE

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Attachment 1 – General Budget Reductions

Attachment 2 – Other Budget Reductions

Attachment 3 – 2010 Operating Budget - Reductions to Meet City Target