



STAFF REPORT ACTION REQUIRED

10.

2010 – 2019 Capital Submission

Date:	September 21, 2009
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to obtain Toronto Public Library Board approval for the 2010 – 2019 Capital Submission.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the 2010 – 2019 Capital Submission, which has been provided to the City for discussion and consideration.

FINANCIAL IMPACT

The capital submission requests funding approval of \$14.650 million debt (\$21.981 million gross) in 2010 and \$63.810 million debt (\$101.267 million gross) over 2010 – 2014. The submission also requests \$87.148 million debt (\$118.883 million gross) over 2014 – 2019.

The gross capital budget request is comprised of City debt funding and non-debt sources of funding such as City reserves, contributions from developers, Federal Infrastructure Stimulus Fund (ISF) and transfers from the operating budget.

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 to City Council annually, estimates of all amounts required during the year for the purposes of the Board. This report covers the ten-year capital submission for Toronto Public Library (TPL).

2009 Capital Budget Process

Significant progress was made during last year's budget process as the City recognized the Library's need for additional funding by approving increases to its original targets over 2009 – 2013 for the following:

- \$2 million for building program State of Good Repair (SOGR);
- \$6.6 million for Self Service express check-out to partially achieve the Plan to Extend Open Hours; and
- \$2.1 million gross (\$1.1 million debt from Partnership Opportunities Legacy Fund) for a media lab at Malvern.

2009 Capital Achievements

Some highlights from 2009 include:

- the following branches completed renovation and were reopened in 2009:
 - Bloor/Gladstone renovation and expansion;
 - Jane/Sheppard relocation and expansion;
 - Kennedy/Eglinton renovation and expansion, including a Media Lab;
 - Thorncliffe renovation and expansion planned reopening at the end of 2009 or early 2010
 - Toronto Reference Library (TRL) expansion – The Bram and Bluma Appel Salon.
- 11 Branches will have implemented Self Service express check-in during 2009 by the end of the year: Jane/Sheppard, Bridlewood, Kennedy/Eglinton, Steeles, Bloor/Gladstone, Danforth/Coxwell, Pape/Danforth, Yorkville, Agincourt, Fairview and North York Central.
- the Virtual Branch Services and Technology Asset Management Program (TAMP):
 - will launch the redesigned Library website in fall 2009 with improved access to library collections, services and programs online;
 - will expand WiFi Internet access from 33 to 99 branches by end of the year;
 - doubled Internet Bandwidth; and
 - expanded access to TPL's digital collections and continued large scale digitization project of TPL Canadiana collections.

COMMENTS

The 2010 – 2019 capital submission, informed by the Strategic Plan and Service Delivery Model, has been created with consideration of the City’s current financial constraints, the recent increases in funding secured and the Library’s need to address the SOGR backlog balanced against the need for new library branches and expansions, growing virtual branch e-services and funding for the Plan to Extend Open Hours.

Strategic Plan goals being advanced by this submission include:

- creating an outstanding virtual library;
- ensuring sustainability of the infrastructure; and
- addressing the needs of vulnerable groups by expanding open hours in branches.

2010-2014 Capital Submission Request

Much progress has recently been made on the capital funding envelope and as a result, TPL’s capital submission **meets the City’s debt targets in the first five years**. The context for the 2010 – 2014 capital submission is as follows:

- recognizes and maintains funding increases achieved during prior year’s budget process. The Gross Budget in 2010 is \$21.98 million, the highest ever for a single year. This would increase if additional Federal funding is received as grant applications are being made. The 2014 debt target of \$13.23 million (\$15 million “base” City debt less \$1.770 million ISF acceleration to earlier years of the Multi-Branch program) is a significant increase in City funding and reflects the impact of expected rising construction costs;
- incorporates additional funding secured during 2009 from the Federal Infrastructure Stimulus Fund for the Multi-Branch Renovation Program and POL funding for the York Woods Arts Hub, which significantly increases funding for 2010 and to a lesser extent, 2011;
- grows the annual investments in Multi-Branch Renovation Program to \$2.5 million and Virtual Branch Services to \$2.0 million, which more closely reflects TPL’s needs.

A summary of the Library’s 2010 – 2014 capital submission, reconciling gross funding to debt funding, is summarized as follows:

2010 - 2014 Capital Submission Summary
(\$000's)

	2010	2011	2012	2013	2014	Total 2010-2014
Buildings - Gross	16,108	10,708	14,611	15,414	16,480	73,320
IT - Gross	5,873	6,179	6,179	4,508	5,208	27,947
Total Gross Request	21,981	16,887	20,790	19,922	21,688	101,267
Other Sources of Funding						
- Development Charges	(1,337)	(1,559)	(3,021)	(7,244)	(6,170)	(19,331)
- Section 37 / 45			(3,460)			(3,460)
- City Reserves	(1,580)	(580)	(580)		(580)	(3,320)
- Transfer from Operating Budget	(1,708)	(1,708)	(1,708)	(1,708)	(1,708)	(8,540)
- Partnership Opportunites Legacy (POL)	(1,695)					(1,695)
- Federal ISF Funding	(1,010)	(100)				(1,110)
Debt Request	14,650	12,940	12,020	10,970	13,230	63,811
City Debt Target	14,650	12,940	12,020	10,970	13,230	63,811
Excess of Request Over Target	-	-	-	-	-	-

The complete ten-year capital submission with gross and debt funding for all capital projects is included on Attachment 1.

Key Elements of 2010

Key elements of the 2010 capital program are:

- continuing construction work at Toronto Reference Library, Cedarbrae, Brentwood, and Malvern Media Lab;
- second-year investment in Self Service express check-out which is part of a multi-year, two-pronged approach (also involves funding requests in the operating budget) to achieve the Board's Plan to Extend Open Hours;
- refresh and upgrade the Information Technology infrastructure (Technology Asset Management Program) and continuing development of Virtual Branch Services;
- continuation of the Multi-Branch Renovation Program, which has been enhanced with funding from the Infrastructure Stimulus Fund;
- continuing planning work on St. Lawrence, West Waterfront and Scarborough Centre;
- construction of an Arts Hub at York Woods Branch;
- beginning planning work for three projects: Mount Dennis, Fairview and Bayview.

Attachment 2 describes the status of all active 2010 projects.

Federal Infrastructure Stimulus Fund (ISF)

Earlier this year, the Federal government released its budget which laid out a plan to stimulate the economy and included significant new infrastructure stimulus funding. The Infrastructure Stimulus Fund (ISF) is available to the City under the municipal government stream, and Library projects can be included in the City's application. The Library has worked closely with the City on applying for ISF funds for municipal buildings. Some key features are:

- funding requirement is 1/3 Federal and 2/3 from the City/Library for cost of project;
- focus will be on rehabilitation of existing assets and new infrastructure; and
- work must be completed by March 31, 2011.

As the City did not wish to add any new debt to its ten-year capital plan, Agencies, Board, Commissions and Divisions were instructed that only projects already in a future year capital budget are eligible to be accelerated in order to attract this ISF funding. In order to meet the March 31, 2011 completion deadline, only projects "ready-to-go" could be submitted. In analyzing timelines for capital projects, TPL determined that large branch renovations or new construction could not be completed by the deadline. Instead, TPL has proposed to accelerate its Multi-Branch Renovation Program, which typically deals with smaller renovation projects, and which can be completed by March 31, 2011.

On September 11, 2009, the Federal government announced that it approved funding a number of City projects which included some funding for TPL. ISF funding in the amount of \$1.42 million has been approved towards five smaller library projects totalling \$4.26 million as part of the Multi-Branch Renovation program as follows:

	\$000s
Fairview	900
North York Central	1,100
Northern District	950
Agincourt	810
Richview	500
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	4,260

As a result of the ISF funding, \$4.26 million of gross funding has been advanced to 2009, 2010 and 2011 and corresponding amounts have been reduced in 2012, 2013 and 2014. Also, City debt has been reduced overall by \$1.42 million, which is replaced with ISF funding, freeing up future debt room which the City will use for its capital needs. The gross funding changes to the Multi-Branch Renovation Program are summarized in the following table:

Multi-Branch Renovation Program

(\$000s)

	2009	2010	2011	2012	2013	2014	Total
GROSS FUNDING							
Previously approved	1,080	1,300	1,300	2,500	2,500	2,500	11,180
ISF Funding Accceleration	930	3,030	300	(720)	(1,770)	(1,770)	-
Gross funding adj. for ISF	<u>2,010</u>	<u>4,330</u>	<u>1,600</u>	<u>1,780</u>	<u>730</u>	<u>730</u>	<u>11,180</u>

Toronto Reference Library

An application has been made for ISF funding in the amount of \$3 million for the second phase of the revitalization of the Toronto Reference Library. The required 2/3 or \$6 million matching funds for this ISF grant would come from non-City sources (Provincial and private funds secured by the TPL Foundation) and so this does not impact City debt. If approved, the total \$9 million project phase would need to be spent by March 31, 2011.

The additional funding would allow various elements of the revitalization program to proceed more quickly. In addition to the work about to begin on the Yonge Street extension and entrance cube, it will be possible to accelerate some of the SOGR backlog such as roofing upgrades, conversion of atrium lighting and improved building automation controls. It may also be possible to begin a new phase of the public service areas while work proceeds on the Yonge Street phase.

2015-2019 Capital Submission Request

The City has focussed primarily on the first five years of the budget, especially in the last few years as it moved to a “firm five-year capital plan”. Beginning this year, the City has started to move to a ten-year capital budget and outlook approval so there will be increased scrutiny of the second five years’ funding request.

TPL’s capital request for the second five years’ outlook, 2015 – 2019, is in line with the long-term outlook used in last year’s capital budget, and reflects a five percent inflation increase each year starting from 2014. While the City’s debt targets have been increased by inflation starting from 2015 to 2018, the City’s target had an effective decrease between 2014 and 2015. As a result of this decrease, TPL’s funding request exceeds the City’s debt target by \$1.3 million in each year 2015 to 2018, rising to \$2.21 million in 2019 when there is no inflation adjustment:

2015 - 2019 Capital Submission Request (\$000s)							
	2014	2015	2016	2017	2018	2019	Total 2015 - 2019
"Base" Debt Request	15,000	15,750	16,538	17,365	18,233	19,262	87,148
ISF Acceleration	(1,770)	-	-	-	-	-	-
Debt Request	13,230	15,750	16,538	17,365	18,233	19,262	87,148
City "Base" Debt Target	15,000	14,450	15,238	16,065	16,933	16,933	79,619
ISF Acceleration	(1,770)	-	-	-	-	-	-
Adj. City Debt Target	13,230	14,450	15,238	16,065	16,933	16,933	79,619
Exceed City target	-	1,300	1,300	1,300	1,300	2,329	7,529

A summary of the Library's 2015 - 2019 capital submission, reconciling gross funding to debt funding, is summarized below:

2015 - 2019 Capital Submission Summary (\$000's)						
	2015	2016	2017	2018	2019	Total 2015-2019
Buildings - Gross	20,204	18,896	16,647	16,070	21,027	92,843
IT - Gross	5,208	5,208	5,208	5,208	5,208	26,040
Total Gross Request	25,412	24,104	21,855	21,278	26,235	118,883
Other Sources of Funding						
- Development Charges	(7,954)	(5,858)	(2,782)	(1,337)	(5,264)	(23,195)
- Transfer from Operating Budget	(1,708)	(1,708)	(1,708)	(1,708)	(1,708)	(8,540)
Debt Request	15,750	16,538	17,365	18,233	19,262	87,148
City Debt Target	14,450	15,238	16,065	16,933	16,933	79,619

Adequacy of Future Capital Funding

Although significant progress has been made on growing the capital envelope, the following issues create pressures for future years:

- the rising cost of construction and the need to implement "green" standards for buildings;
- the demand for new and expanded branches;
- the growing demands for virtual branch e-services;
- the need to implement express check-in and sorting at larger branches for operating efficiency;

- an accumulated \$50 million building SOGR backlog which needs to be addressed in future capital submissions; and
- a new Development Charge By-Law was expected in 2008 which would have significantly increased a non-debt funding source for TPL building projects. However, earlier this year, City Council chose to defer the implementation of the new by-law by two years followed by a phased implementation. TPL will continue to monitor the situation and incorporate the impact of the delay into future capital submissions.

Timetable

The timetable for the 2010 Capital Budget Process is shown on Attachment 3.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1: 2010 - 2019 Capital Submission - Gross and Debt Funding
Attachment 2: Status of 2010 Projects
Attachment 3: 2010 Capital Budget Process Timetable