



## STAFF REPORT ACTION REQUIRED

# 9a.

### 2010 Operating Budget – Reductions to Meet City Manager Recommendation

<b>Date:</b>	February 16, 2010
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

#### SUMMARY

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Report No. 9a replaces Report No. 9 distributed earlier.

The purpose of this report is to present reduction options to the Toronto Public Library Board in order to meet the City Manager recommended 2010 operating budget of \$166.885 million net which represents a 1.8% year-over-year net increase and is \$208,000 less than the Board's 1.9% budget request. In addition, the City Manager is recommending that the unallocated budget reduction be no greater than \$326,600 which is \$117,000 lower than the \$443,600 amount approved by the Board at its meeting on January 18, 2010. If the recommended \$326,600 of unallocated reduction is accepted, then an additional reduction of \$325,000 or 0.2% is required to meet the City Manager recommendation.

#### RECOMMENDATIONS

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

1. receives the information on the City Manager recommendation for the 2010 operating budget;
2. considers the reduction options to achieve the City Manager recommended 2010 operating budget of \$166.885 million net, which represents a 1.8% year-over-year net increase; and
3. forwards this report and any Board decisions to the City's Budget Committee.

## FINANCIAL IMPACT

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The City Manager is recommending a 1.8% year-over-year net budget increase, which is \$208,000 less than the Board's 1.9% budget request. In addition, the City Manager is recommending that the unallocated budget reduction be no greater than \$326,600 which is \$117,000 lower than the \$443,600 amount approved by the Board at its meeting on January 18, 2010. If the recommended \$326,600 of unallocated reduction is accepted, then an additional reduction of \$325,000 or 0.2% is required to meet the City Manager recommendation.

## ISSUE BACKGROUND

### Board Meeting November 16, 2009 – Budget Submission

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 a base increase of 3.3% and Sunday service enhancement of 0.6%. (<http://www.torontopubliclibrary.ca/pdfs/board/09nov16/12.pdf>)

### Board Meeting December 12, 2009 – Reductions of \$2.584 Million

At its meeting on December 14, 2009, the Board approved reducing the budget request by \$2.584 million or 1.6%, which brought the 2010 net budget request down to \$167.754 million or 2.3%. The \$2.584 million reduction was comprised of:

Reductions - Board meeting Dec 12, 2009	\$000s	%
Eliminate enhancement request to expand Sunday service (Fall 2010 start)	1,037	0.63%
Eliminate library materials economic increase	348	0.21%
Reinstate 50% of the draw from development charge reserves to fund library materials	500	0.31%
Eliminate general economic increase	699	0.43%
subtotal - base reductions	1,547	0.94%
	2,584	1.58%

The purpose of the \$0.699 million general economic increase is to fund cost increases for service contracts, maintenance and utilities. 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 2009 year to identify opportunities for further cost efficiencies and additional revenue sources to offset budget pressures. To date, \$387,000

(0.2%) of additional revenues and \$246,000 (0.2%) of efficiencies have been identified, with the balance of \$66,000 remaining unallocated:

<b>Offset to Loss of General Economic Increase</b>	<b>\$000s</b>	<b>%</b>
Revenue increase	387	0.24%
Efficiencies	246	0.15%
Unallocated reduction	66	0.04%
	<u>699</u>	<u>0.43%</u>

The unallocated budget pressure will need to be managed by monitoring spending during the year to take advantage of any cost saving opportunities as they arise.

(<http://www.torontopubliclibrary.ca/pdfs/board/09dec14/10.pdf>)

### **Board Meeting January 18, 2010 – Reductions of \$667,000**

At its meeting on January 18, 2009, the Board was presented with an operating budget report, which contained additional options to reduce the operating budget by a further \$875,700 in order to achieve a 1.8% net increase, equivalent to the cost of living increase for staff. Specific service reductions totalling \$615,300 were identified, including \$325,000 for shortening the Sunday season by five Sundays, with a balance of \$260,400 as a further unallocated budget reduction. The unallocated budget reduction totalled \$326,600 if a previously approved \$66,200 unallocated reduction is included.

The Board did approve additional reductions totalling \$667,700 (detailed on Attachment 1) which brought the overall net budget request down to \$167.087 million or a 1.9% increase, which reflects a rejection of the Sunday service reduction and an increase to the unallocated reduction of 117,000 which now totals \$443,600.

#### **Reductions - Board Meeting Jan 12, 2010**

Institutional service realignment

Branch programming reduction

Reduce collection preservation

Additional Unallocated Budget Reductions:

**A** Total unallocated reduction is **\$326.6K**, including Dec.14, 2009 Board approved reduction of \$66.2K

**B** Total unallocated reduction is **\$443.6K**, including Dec.14, 2009 Board approved reduction of \$66.2k

<b>FTEs</b>	<b>\$000's</b>	<b>%</b>
1.4	105	0.06%
	81	0.05%
0.6	105	0.06%
2.00	290	0.17%
	260	0.16%
	117	0.07%
2.00	668	0.41%

The higher unallocated budget reduction of \$443,600 is more difficult to manage, and if enough savings are not achieved during the year, then a service reduction will be necessary by reducing the library materials budget.

## COMMENTS

The City Manager is recommending a 1.8% year-over-year net budget increase, which is \$208,000 less than the Board's 1.9% budget request. In addition, the City Manager is recommending that the unallocated budget reduction be no greater than \$326,600 which is \$117,000 lower than the \$443,600 amount approved by the Board at its meeting on January 18, 2010. If the recommended \$326,600 of unallocated reduction is accepted, then an additional reduction of \$325,000 or 0.2% is required to meet the City Manager recommendation. Staff has performed detailed spending and budget reviews and over the past four months, various budget reduction options have been presented to the Board for consideration.

### Unallocated Reduction at \$326,600

If the unallocated reduction is fixed at \$326,600, then \$325,000 of additional savings are required to meet the City Manager recommendation. While the City Manager is recommending that the \$325,000 reduction be achieved by reducing the Sunday service season by five Sundays, other reductions options involving a mix of Sundays and library materials are presented for consideration.

\$000s				
Unallocated Reduction at \$326.6k	Option A	Option B	Option C	Option D
	5 Sundays	3 Sundays	1 Sunday	No Sundays
Sunday service reduction (\$65k / Sunday)	325	195	65	-
Library Materials	-	130	260	325
Reduction to meet City Manager recommendation	<b>325</b>	<b>325</b>	<b>325</b>	<b>325</b>

### Unallocated Reduction at \$443,600

If the unallocated reduction is maintained at \$443,600, then \$208,000 of additional savings are required to meet the City Manager recommendation. Reduction options involving a mix of Sundays and library materials are presented for consideration.

\$000s			
Unallocated Reduction at \$443.6k	Option A	Option B	Option C
	3 Sundays	1 Sunday	No Sundays
Sunday service reduction (\$65k / Sunday)	195	65	-
Library Materials	13	143	208
Reduction to meet City Manager recommendation	<b>208</b>	<b>208</b>	<b>208</b>

## **Sunday Service Reduction**

Sunday service is currently delivered at 27 locations over 37 Sundays. Access to collections, programs, information services and study space will be completely unavailable on each Sunday eliminated. Each day of Sunday service eliminated saves \$65,000.

## **Library Materials Reduction**

TPL has worked diligently at rebuilding its library materials budget after significant cuts in the 1990's. Today, the library materials budget of \$17.4 million has recovered back to the level it was in 1993, after adjusting for inflation. However, additional pressures are placed on the budget as new formats and multiple languages need to be accommodated. TPL's circulation of over 31 million, the highest in North America, is directly linked to the availability of current materials which meet the needs of Torontonians.

In 2010, similar to 2009 and 2008, the Library has foregone the economic increase for library materials. A reduction of \$325,000 to library materials is the equivalent of 19,100 items. A reduction of \$208,000 to library materials is the equivalent of 12,200 items.

Depending on the number of Sundays eliminated, full year savings may not be achievable in 2010, and so an additional one-time reduction to library materials may be required to phase-in the Sunday service reduction savings.

## **CONCLUSION**

This report presents reduction options required to meet the City Manager's recommended operating budget of \$166.885 million net which represents a 1.8% year-over-year net increase.

## **CONTACT**

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## **SIGNATURE**

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Jane Pyper  
City Librarian

Attachment 1: Budget Reductions to Meet City Manager Recommendation