

2009 Operating Budget Reduction – City Target

Date:	November 24, 2008
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to provide the Toronto Public Library Board with options to reduce the 2009 operating budget request by \$14.127 million in order to achieve the City target of minus 2 percent (“-2%”). A reduction target of this magnitude cannot be achieved without major cuts to service. This report also proposes a Board Advocacy Strategy to support the budget.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves a request to the City to fund \$500,000 for Toronto Public Library sick leave payouts in 2009 from a reserve account; and
2. reviews the 2009 operating budget reduction options totalling \$14.127 million, as shown on Attachment 1, and provides guidance to staff; and
3. approves the Library Board Budget Advocacy Communication Strategy as shown on Attachment 4.

FINANCIAL IMPACT

The City target for the 2009 operating budget is no increase over the 2008 operating budget. Negotiated wage increases for 2009 are budgeted by the City corporately, therefore, the 2009 budget target is -2%, which represents a \$14.127 million or a 9.1% reduction to the budget submission.

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% over the 2008 approved budget. The increase is comprised of a base budget increase of \$8.211 million net (5.3%) to maintain current services and a request for a service enhancement of \$2.8 million net (1.8%) to expand Sunday Service.

The City requires that each budget submission include a description of reductions which would bring the budget request in line with the City target, which has been set at -2% for 2009.

COMMENTS

Budget Context

Since amalgamation, Toronto Public Library (TPL) has reduced its workforce by 10% or nearly 200 full-time equivalents, and this has been essentially maintained despite a significant growth in activity of 26%. TPL has managed this activity growth without staff increases by introducing efficiencies which include e-services, streamlining operations and implementing best practices. According to the latest published (2006) Ontario Municipal Benchmark Initiative (OMBI), TPL has the second lowest cost per use among its comparators in Ontario, despite having a significant research and reference collection which does not circulate and serving a complex urban environment with a highly diverse population.

The Library's original budget submission was prepared within the context of the City's instructions of maintaining current service levels and investing in priorities outlined in the Mayor's and Council's mandate as well as the Board's strategic priorities. The total 2009 request of 7.1% is comprised of 5.3% to maintain current service levels and 1.8% to expand Sunday service. The service enhancement request is part of an overall multi-year Board plan to increase service hours by 25%.

Budget Meetings

The 2009 operating budget request was reviewed with the City Manager on October 22 and November 12, and there is a planned review with Councillor Rae and Councillor Heaps, Budget Committee members assigned to review TPL's budget, on November 21.

Framework for Reduction Options

In assessing options for reducing the budget, the City instructs that the following groupings be used, which have an increasing impact on current service:

1. service enhancements are eliminated as the City's priority is to first fund existing services;
2. savings from efficiencies or additional revenue sources which should have little to no impact on service;
3. budget reductions which do have a service impact but the impact could be considered relatively minor; and
4. budget reductions which are considered to have a major negative impact on service.

In developing major service reduction options, the following criteria were considered:

- avoid a disproportionately negative service impact on one or a few neighbourhoods;
- avoid a disproportionately negative service impact on one segment of customers;
- minimize the number of customers affected and the impact of the service cut;
- minimize the impact on at-risk customers and priority neighbourhoods;
- assess impact on the Mayor's and Council's priorities;
- avoid eliminating programs or services which receive external support, e.g., from volunteers or the TPL Foundation;
- feasibility of implementing reductions within the framework of current employment agreements;
- assess whether the impacted service or program can be reinstated relatively simply if funding is subsequently restored;
- assess whether the reduction is one-time, which places pressure on the 2010 operating budget, or whether the budget reduction is permanent;
- time period required to implement a permanent service reduction will impact on the amount of savings which can be achieved in 2009; another temporary service reduction may be required to achieve the full year savings target in 2009.

Reduction Options

TPL staff performed a line-by-line review of the budget and all service contracts were assessed for potential savings. After extensive analysis and consideration of all reduction strategies, three reduction options were created in order to achieve the -2% budget target with a reduction of \$14.127 million, as shown on Attachment 1. Throughout the review process certain options for reduction were considered, but are not being recommended; these are shown on Attachment 3.

Sunday Service Enhancement

The City's budget instructions state that the first priority should be to secure funding to maintain existing services before considering adding costs for service enhancements.

Therefore, the \$2.800 million or 1.8% request to expand service is the first item to be eliminated under the reduction options.

Efficiency and Revenue Adjustments

As a result of the detailed review, three potential revenue adjustments and three efficiencies were identified totalling \$0.807 million and \$0.777 million, respectively.

Revenue Adjustments:

- *City to fund Sick Leave Pressure.* TPL expects a budget pressure of approximately \$0.500 million in 2009 related to sick leave payouts as employees retire and leave the organization. The City maintains an employee reserve account which it uses to fund its own sick leave payouts. In 2004 and 2005 this City reserve was used to fund TPL's sick payouts. If the City were to once again fund TPL's \$0.500 million sick leave budget pressure, this would reduce the 2009 operating budget request by 0.32%;
- *Development Charges.* Over the past five years, TPL has been utilizing a City-approved strategy of significantly drawing from a development charge reserve to supplement the library materials budget. This strategy was not sustainable, and in order to ensure development charges are available for the capital building program, the 2009 operating budget request had a \$1.051 million pressure 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 reduces the 2009 operating budget request by 0.16%;
- *Grants.* TPL has recently learned that it will receive two grants in 2009 from the (Federal) Community Access Program and Service Ontario which total \$0.057 million and will provide budget relief of 0.04%.

Service Efficiencies:

- *Contracts.* A new contract to replace the photocopier fleet has been negotiated and savings have been achieved. By reducing the number of leased photocopiers and negotiating lower prices, savings of approximately \$0.3 million will be achieved in 2009. Other potential reductions identified in the line-by-line budget review totalled \$0.086 million, which brings the total savings to \$0.386 million or 0.25%.
- *Delivery Service.* Inter-branch delivery schedules were revised in 2008 which results in savings of \$0.2 million or 0.13%.
- *Construction Delays.* An update of the current construction schedules shows that the reopening of Bloor/Gladstone and Thorncliffe in 2009 will both be delayed by several months, which results in estimated savings of \$0.191 million or 0.12%.

Minor Service Impacts:

- *Library Materials Economic Adjustment.* For the second consecutive year, the economic adjustment is being relinquished. The 2009 economic adjustment amount

of \$344,000 will result in the loss of 14,300 new items for the collections and will impact circulation. This is a 0.22% reduction to the budget.

Major Service Impact Reductions

After the reductions listed above which total \$4.728 million or 3.1%, a further \$9.399 million or 6.0% is required to achieving the -2% budget target. Reductions in library materials and service hours are the only remaining tools which can achieve savings of this scale. At this magnitude, it is not possible to protect priority neighbourhoods or the Library's strategic priorities.

Three reduction options have been identified on Attachment 1, which have varying impacts on collections and service hours:

- Option A – Larger Reduction in Collections;
- Option B – Blended Reduction to Hours and Collections;
- Option C – Larger Reduction in Hours.

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 29 million, the highest in North America, is directly linked to the availability of current materials which meet the needs of Torontonians.

The three reduction options on Attachment 1 show a permanent reduction to the materials budget ranging from \$0.868 million to \$2.872 million, or 5% to 17% of the materials budget. Note that while the reduction scenarios include cost savings from reduced service hours, because of the late budget approval in March 2009 and the need for notice to the public and staff, only 50% of savings from Monday to Saturday hours reductions could be achieved in 2009. The remaining 50% of savings would need to come from a further temporary reduction in library materials in 2009.

In aggregate, the reductions to library materials in 2009 range from \$5.061 million (29% of materials budget) to \$6.063 million (35% of materials budget) comprised of:

1. foregoing the 2009 economic adjustment of \$0.344 million;
2. a permanent materials budget reduction ranging from \$0.868 million to \$2.872 million; and
3. a temporary reduction to the 2009 materials budget ranging from \$2.847 million to \$3.849 million, in order to achieve full year savings from the reduction in service hours.

A reduction to the materials budget of this magnitude is the equivalent of eliminating all adult books in English, a collection used by both adults and high school students. Not only would this eliminate access to new recreational and educational materials but it would leave large permanent gaps in the collection.

Monday to Saturday Service Hours Reductions

Attachment 1 shows three cost-cutting options to reduce Monday to Saturday service hours ranging from \$5.694 million to \$7.698 million. Attachment 2 which groups branches by size, by busyness and by priority classification, shows the reduced weekly hours of operations under the three options. Access to collections, programs, information services and study space will be reduced as there would be less morning, evening and Saturday service. To achieve this amount of reductions, priority neighbourhoods and at-risk groups will be impacted. In addition, most of the page jobs, usually held by youth workers, would be eliminated, contrary to the Mayor's priority of offering youth employment.

As noted above, because of the late approval for the budget, only 50% of these savings can be achieved in 2009, with a full year savings to be achieved in 2010. The balance of the 2009 savings would come from further temporary reductions to the library materials budget.

Sunday Service Reductions

Attachment 1 also shows a reduction of \$0.833 million under all three options which represents the loss of Sunday services at all 27 locations from September to December. Sundays are especially busy and well used by families and students, and are currently delivered at less than 1/3 of the branches. Access to collections, programs, information services and study space will be completely eliminated on Sundays.

Budget Reductions Not Recommended

In assessing all strategies to reduce the budget, a number of reduction options were rejected as they impacted significantly on a particular neighbourhood or at-risk customer group, or are externally funded or supported. Generally, the approach taken was to make more balanced cuts across the system. Reduction options which were considered and are not being recommended are described on Attachment 3 and include:

- temporary or permanent branch closures;
- eliminate specific programs;
- eliminate the home library service;
- eliminate the bookmobile service; and
- increased gapping.

Library Board Budget Advocacy Communication Strategy

A Budget Advocacy Communication Strategy for TPL's 2009 operating budget, included as Attachment 4, was prepared in response to the October 20, 2008 Library Board recommendation that *“requests staff to develop a communications strategy for Board Advocacy for the 2009 Operating Budget for discussion at the next Budget Working Group meeting and for consideration at the November Board meeting”*.

The Budget Advocacy strategy will communicate to key decision makers, stakeholders and residents the critical importance and increasing demand for library service in the city of Toronto, with a particular emphasis on the value of library services during times of economic uncertainty.

The Budget Advocacy communications will be rolled out in escalating phases as the Library and the City work through the budget review and approval process.

CONCLUSION

The current 2009 operating budget target set by the City is -2% and major service cuts would be required to achieve this target. The operating budget will be publicly launched by the City on February 10, 2009 with approval on March 31 or April 1, 2009. Budget updates will continue to be provided at Board meetings.

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SIGNATURE

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ATTACHMENTS

- Attachment 1: 2009 Reduction Options to Meet -2% City Target
- Attachment 2: 2009 Options to Reduce Monday - Saturday Library Hours
- Attachment 3: Budget Reductions Not Recommended
- Attachment 4: Library Board Budget Advocacy Communication Strategy