



STAFF REPORT ACTION REQUIRED

11.

2010 – 2019 Capital Reductions – City Targets

Date:	October 19, 2009
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is for the Toronto Public Library Board to review the impact of and approve reductions to the second five years of the 2010 – 2019 Capital Budget request in order to meet City targets.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. receives the 2010 – 2019 Capital Reductions – City Targets report outlining the impact of project reductions, delay and cash flow adjustments required to meet City targets for the 2010 – 2019 period; and
2. approves the budget adjustments required to meet City targets for the 2010 – 2019 period.

FINANCIAL IMPACT

The revised capital submission, as reported under Agenda Item No. 10, *2010 – 2019 Capital Submission – Revised*, requests funding approval of \$64.311 million debt (\$110.277 million gross) over 2010 – 2014, which meets City targets.

For the second five years, 2014 – 2019, the revised submission requests \$87.148 million debt (\$118.883 million gross), exceeding the City's debt target by \$7.529 million over the period. To meet targets, this report presents options to reduce the capital request by \$1.3 million annually over 2015 to 2018, and \$2.329 million in 2019, for a total reduction of \$7.529 million.

The Director, Finance and Treasurer has reviewed this financial impact statement and is in agreement with it.

DECISION HISTORY

The 2010 – 2019 Capital Submission was approved by the Board at its meeting on September 21, 2009 (<http://www.torontopubliclibrary.ca/pdfs/board/09sep21/10.pdf>).

The 2010 – 2019 capital submission has been revised for approved ISF funding for the Toronto Reference Library (TRL) and a debt transfer from the City for the York Woods Arts Hub, and this is covered under Agenda Item No. 10, *2010 – 2019 Capital Submission – Revised*.

Under both the original and revised capital submissions, TPL's capital request met the City targets in the first five years, 2010 – 2014, and exceeded City targets by \$7.529 million over the second five years, 2015 – 2019.

ISSUE BACKGROUND

Toronto Public Library (TPL) staff has met with the Deputy City Manager and Chief Financial Officer to review the 2010 – 2019 capital request. One of the recommendations City staff will be making to Budget Committee is that TPL report back on reductions required to meet City targets.

COMMENTS

In order to meet City targets, the capital debt request needs to be reduced by \$1.3 million annually over 2015 to 2018, and \$2.329 million in 2019, for a total reduction of \$7.529 million. The proposed strategy to meet the City targets over 2015 – 2019 is to:

- reduce the scope of two projects – Virtual Branch Services and Agincourt;
- delay the start of construction for two projects – St. Clair / Silverthorn and Northern District; and
- adjust cash flows for five projects without impacting their construction schedules – St. Lawrence, Ellesmere, Albion, Albert Campbell and Parliament Street.

Project reductions, delays and cash flow debt adjustments are shown on the following table:

Project Debt Adjustments - 2015-2019

PROJECT NAME	ADJUSTMENTS	DEBT					TOTAL 2015-2019
		2015	2016	2017	2018	2019	
1 Virtual Branch Services	Reduce funding each year by \$250k	(250)	(250)	(250)	(250)	(250)	(1,250)
2 Agincourt	Reduce scope of project by eliminating third floor expansion	-	-	(2,501)	36	1,898	(567)
3 St. Clair Silverthorn	Delay start of construction from 2015 to 2016	(890)	(50)	1,001	-	-	61
4 Northern District	Delay start of construction from 2016 to 2018	-	(279)	-	(2,152)	(2,542)	(4,973)
5 St. Lawrence	Reallocate cash flows	-	(450)	450	-	-	-
6 Ellesmere	Reallocate cash flows	(160)	160	-	-	-	-
7 Albion	Reallocate cash flows	-	(431)	-	1,066	(635)	-
8 Albert Campbell	Reallocate cash flows	-	-	-	-	(600)	(600)
9 Parliament Street	Reallocate cash flows	-	-	-	-	(200)	(200)
Total Reductions		(1,300)	(1,300)	(1,300)	(1,300)	(2,329)	(7,529)

More details on adjustments to project cash flows, gross and debt, are shown in Attachment 1.

Project Reductions

1. Virtual Branch Services

The annual funding for Virtual Branch Services has been reduced by \$250,000 each year, from \$2 million to \$1.750 million, for a total reduction of \$1.25 million over five years, 2015 – 2019. At the \$1.750 million annual funding level, this is still significantly more than the current budget of \$1.300 million.

The higher level of funding is required to transition to a flexible technical environment that builds capacity for continuous improvement. This will include the migration of the infrastructure and user interfaces of older sites including the children and youth sites. Significant funding is required to respond to the exponential pace of change in on-line technologies, increasing expectations from the public for self serve options and the need to provide comprehensive online library services. Funding is also required to support the acceleration of digitization projects which will enhance access to rare and specialized resources. TPL continues to assess the market and technology required to delivery modern and responsive library services.

2. Agincourt

The original plan for Agincourt Branch was to renovate the 27,000 sq. ft. branch and add a third floor of 10,000 sq. ft. To meet targets, consideration was given to deferring the project to a later date, but given the busyness and its strategic importance, this option is not being recommended. Rather than a deferral, the recommended approach is to proceed with the project as scheduled in 2017 without the third floor expansion and focus on renovating and reconfiguring the public space to maximize its utilization potential. In eliminating the third floor addition, this reduces the overall project cost by \$1.929 million

debt (\$5.812 million gross). The reduced scope of the project will also reduce the planned increase in operating costs related to the third floor addition.

Agincourt is the busiest district branch in the city and operates at capacity seven days a week. Agincourt serves a diverse and growing area of the city and the nearby neighborhood branches are under-sized and also operating at capacity. Without the increased public library space at Agincourt, the Library will not be able meet the growing demand for individual and group study space, meeting and program space.

Project Delays

3. St Clair / Silverthorn

The renovation of St. Clair / Silverthorn Branch has been delayed from 2015 to 2016. However, earlier funding for planning remains in 2013 and further, work was done to improve the front facade of the branch in 2008. For St. Clair / Silverthorn, the delay will defer needed state of good repair and required upgrades to make the building accessible. St. Clair / Silverthorn is one of a small number of library branches that do not meet the basic accessibility requirements under the Ontario Building code, e.g., not having an accessible washroom or an elevator. The project delay will result in a total cost increase due to inflation.

4. Northern District

Over the next 18 months, \$950,000 related to ISF funding will be expended at Northern District branch to make improvements to public areas including flooring and furniture. The branch major renovation project has been delayed from 2018 to 2020. Northern District is a location with identified significant state of good repair requirements, including extensive structural remedial work. If further structural deterioration occurs, remedial action may be required to accelerate this project. The project delay will result in a total cost increase due to inflation.

Project Cash Flow Adjustments

5. St. Lawrence
6. Ellesmere
7. Albion
8. Albert Campbell
9. Parliament Street

For each of the projects listed above, minor cash flows reallocations have been made between years in order to meet annual debt targets, but the planned timing for construction has not been impacted.

CONCLUSION

The capital adjustments in this report focus on the second five years and will decrease the Library's debt funding by \$7.529 million over 2015 – 2019, meeting the City's debt target each year. There are a number of issues which will impact the future capital program including: the rising cost of construction and the need to implement green building standards; the need to address the state of good repair backlog currently estimated at \$50 million; the uncertainty around available funding from development charges; and the potential costs involved in meeting the requirements of the Accessibility for Ontarians with Disability Act.

Over the more immediate next five years, 2010 – 2014, the Library's capital request meets City targets. Recently approved funding from the Federal Infrastructure Stimulus Fund (ISF) for Multi-Branch Renovations (\$1.420 million ISF, \$4.260 million gross) and Toronto Reference Library (\$3 million ISF, \$9 million gross) serves to significantly increase the capital funding over the next two years.

The City continues to recognized TPL's capital funding needs by increasing the 10-year funding targets significantly above those set in the previous year.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1: 2015 - 2019 Capital Reductions to Meet City Targets