



## STAFF REPORT ACTION REQUIRED

# 11.

### 2017 Operating Budget – Update

|              |                              |
|--------------|------------------------------|
| <b>Date:</b> | December 12, 2016            |
| <b>To:</b>   | Toronto Public Library Board |
| <b>From:</b> | City Librarian               |

### SUMMARY

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The purpose of this report is to update the Toronto Public Library (TPL) Board on the status of the 2017 Operating Budget.

At its meeting on December 6, 2016, the City's Budget Committee considered the 2017 Tax-Supported Capital and Operating Budget as presented by the City Manager. The 2017 Preliminary Operating Budget for TPL as presented at this meeting was \$178.763 million net (\$198.371 million gross), which represents a \$1.588 million net, or 0.9%, increase over 2016; in line with the base budget submission approved by the Board.

TPL's Preliminary Operating Budget does not include the \$0.826 million of budget enhancements included in the Board submission. TPL's budget enhancements will be considered for funding separately through the budget process along with all Poverty Reduction Strategy initiatives.

The City's Preliminary Operating Budget, including an assumed 2% property tax increase, has a shortfall of \$90.6 million that will be addressed by the City before final budget approval. Final budget approval by City Council is expected on February 15 and 16, 2017.

### RECOMMENDATIONS

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

1. considers the 2017 Preliminary Operating Budget of \$178.763 million net (\$198.371 million gross), which represents a \$1.588 million net, or 0.9%, increase, excluding funding for budget enhancements.

### FINANCIAL IMPACT

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TPL's 2017 Preliminary Operating Budget is \$178.763 million net (\$198.371 million gross), which represents a \$1.588 million net, or 0.9%, increase.

The Preliminary Budget does not include the \$0.826 million of budget enhancements included in the Board submission.

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

## BACKGROUND

At its meeting on July 12, 2016, City Council considered the [2017 Budget Process – Budget Direction and Schedule](#) and adopted an across the board budget reduction target of -2.6 percent net below the 2016 approved net operating budgets.

At its meeting on September 26, 2016, the Board considered the [2017 Operating Budget Submission](#) and endorsed a base budget of \$178.763 million net (\$198.371 million gross), which represents a \$1.588 million net (\$3.604 million gross), or 0.9%, increase over the 2016 operating budget. Also endorsed by the Board were budget enhancements totalling \$0.826 million, which support the City's Poverty Reduction Strategy. A summary of the base budget changes from 2016 and the submitted 2017 enhancements are shown in the following table:

|  |                  |                 |                  |             |                |
|--|------------------|-----------------|------------------|-------------|----------------|
| <b>2016 Operating Budget</b>                           | <b>194,767.5</b> | <b>17,593.0</b> | <b>177,174.5</b> |             | <b>1,741.0</b> |
| <b>2017 Base Budget</b>                                |                  |                 |                  |             |                |
| Budget pressures                                       | 4,698.7          | (418.3)         | 5,117.0          | 2.9%        |                |
| Expenditure Efficiencies & Budget Reliefs              |                  |                 |                  |             |                |
| Expenditure efficiencies                               | (161.9)          |                 | (161.9)          | -0.1%       |                |
| Technological Innovation - Capital Investment Required | (933.3)          |                 | (933.3)          | -0.5%       | (8.7)          |
| Revenue Increases                                      |                  | 2,433.8         | (2,433.8)        | -1.4%       |                |
|  | (1,095.2)        | 2,433.8         | (3,529.0)        | -2.0%       | (8.7)          |
| <b>2017 Base Increase</b>                              | <b>3,603.5</b>   | <b>2,015.5</b>  | <b>1,588.0</b>   | <b>0.9%</b> | <b>(8.7)</b>   |
| <b>2017 Operating Base Budget</b>                      | <b>198,371.0</b> | <b>19,608.5</b> | <b>178,762.5</b> | <b>0.9%</b> | <b>1,732.3</b> |
| <b>Budget Enhancements</b>                             |                  |                 |                  |             |                |
| Wi-fi Hotspot Lending Program expansion                | 300.0            |                 | 300.0            | 0.2%        |                |
| Youth Hubs - Two new locations                         | 234.0            |                 | 234.0            | 0.1%        | 2.0            |
| Youth Hubs - Additional programming costs              | 153.0            |                 | 153.0            | 0.1%        |                |
| Sunday Hours - full year at 6 District branches        | 139.3            |                 | 139.3            | 0.1%        |                |
| <b>Total Enhancements</b>                              | <b>826.3</b>     | <b>-</b>        | <b>826.3</b>     | <b>0.5%</b> | <b>2.0</b>     |
| <b>2017 Increase (Base+Enhancements)</b>               | <b>4,429.8</b>   | <b>2,015.5</b>  | <b>2,414.3</b>   | <b>1.4%</b> | <b>(6.7)</b>   |
| <b>2017 Operating Budget Submission</b>                | <b>199,197.3</b> | <b>19,608.5</b> | <b>179,588.8</b> | <b>1.4%</b> | <b>1,734.3</b> |

The Technological Innovation efficiencies of \$0.933 million, including the reduction of 8.7 FTEs of clerical work, require an additional capital investment of \$4.056 million over two years (\$2.606 million in 2017 and \$1.450 million in 2018).

The \$2.434 million in revenue increases, include the following draws on reserves:

- a one-time \$0.300 million for sick leave payouts from City reserves;
- a one-time \$0.481 million for a Library Collections economic increase from Development Charges reserves; and
- a temporary increase of \$1.300 million draw from the Development Charges reserves for collections allowable under the Development Charges by-law.

At its meeting on October 24, 2016, the Board rejected service reductions totalling \$6.195 million, or 3.5% of the budget required to meet the City's operating budget reduction target of -2.6%.

## COMMENTS

At its meeting on December 6, 2016, the City's Budget Committee considered the [2017 Preliminary Operating Budget & 2017-2026 Capital Budget & Plan](#) as presented by the City Manager. The 2017 Preliminary Operating Budget for TPL is \$178.763 million net (\$198.371 million gross) which represents a \$1.588 million net, or 0.9%, increase. This is in line with the Board-approved base budget, but does not include the \$0.826 million of budget enhancements included in the Board submission. These enhancements will be considered for funding separately through the budget process as part of the City's Poverty Reduction Strategy.

Overall, the City's 2017 Preliminary Operating Budget has a shortfall of \$90.6 million that will be addressed by the City before the budget is approved. Actions to reduce the \$90.6 million gap and their impact, if any, on TPL's budget are not known at this time.

TPL will be presenting its budgets to Budget Committee on December 20, 2016. Budget Committee meetings, including public consultation, will be held throughout January with a final meeting on January 24, 2017. The Executive Committee will meet on February 7 to review Budget Committee recommendations and Council will meet on February 15 and 16 to approve the 2017 Operating Budget.

## CONTACT

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## SIGNATURE

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City Librarian