



STAFF REPORT ACTION REQUIRED

12.

2010 Operating Budget Submission

Date:	November 16, 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 Operating Budget submission.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. adopts the 2010 Operating Budget request (Attachment 1) of \$170.339 million net (\$183.139 million gross), which has been provided to the City for discussion and consideration;
2. adopts the 2010 Program Overview (Attachment 2), which has been provided to the City for discussion and consideration;
3. adopts the principles of the budget Reduction Framework provided on page 6 of the report;
4. reviews the Preliminary Reduction Options to meet City targets provided on page 7 of the report, and provide guidance to staff; and
5. authorizes and directs the appropriate staff to take the necessary action to give effect thereto.

FINANCIAL IMPACT

The 2010 requested total operating budget of \$170.339 million net (\$183.139 million gross) represents an increase of \$6.431 million net or 3.9% over the 2009 budget. The increase is comprised of a base budget increase of \$5.394 million net (3.3%) to maintain current services and a request for a service enhancement of \$1.037 million net (0.6%) to expand Sunday service, beginning in the Fall of 2010.

The \$12.800 million difference between the gross and net budget is explained by non-City funding received by TPL comprised of \$5.681 million in Provincial grants, \$4.130 million of fees, fines and rentals, \$0.500 million contribution from Development Charges, and \$2.489 million of other revenues.

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 annually to City Council estimates of all amounts required during the year for the purposes of the Board. This report covers the operating budget submission.

COMMENTS

Budget Context

It is well documented that library use increases significantly during an economic downturn, and Toronto Public Library (TPL) is certainly experiencing this. Comparing the first nine months of 2009 to 2008 shows that computer use is up 14.3%, visits up 8.1%, the number of holds filled up 11.4% and circulation is up 4.6%. The Library provides many resources for people looking to access employment assistance or to find jobs. In difficult times, the library plays an increasingly important role.

Over the last decade, activity levels have increased steadily with an annual average growth rate of 4%, and the additional workload has been managed with almost no addition of staff. TPL's use of technology extends its services 24/7 and not only makes it easier for customers to find information, but it has allowed the Library to manage increasing demand in an effective and efficient manner without adding staff. While technology and other efficiency measures implemented over the years have allowed TPL to cope with growing demand, staffing resources are stretched to the limit and TPL's gapping target of 2.9% is significantly higher than the 2% City average.

Budget Request

TPL's 2010 Operating Budget request is \$170.339 million (net) (see Attachment 1 for details), an increase of \$6.431 million or 3.9% over the 2009 approved budget comprised of:

- a Base Budget request of \$169.302 million (net), an increase of \$5.394 million or 3.3%, which is required to maintain existing services and service levels; and
- a Service Enhancement request of \$1.037 million or 0.6%, to expand Sunday service, beginning in the Fall of 2010, as part of the implementation of the Board-approved plan to extend open hours.

Base Budget Request

The base budget increase is comprised of pressures in staffing costs of \$3.005 million (1.8%), library materials of \$1.348 million (0.8%) and services, utilities, maintenance and the operating impact of capital projects of \$1.041 million (0.7%).

Salaries and benefits account for \$3.005 million or 1.8% of the base budget increase comprised of:

- COLA increase of \$2.396 million (1.5%);
- progression increases of \$0.206 million (0.1%);
- step increases of \$0.176 million (0.1%); and
- fringe benefits of \$0.227 million (0.1%).

The library materials increase of \$1.348 million (0.8%) is comprised of:

- \$0.348 million (0.2%) cost increase due to a 2% inflation factor; and
- funding of \$1.0 million (0.6%) for library materials which was previously funded by drawing from development charge reserves, but which will now need to be funded from the operating budget.

Services, utilities and a maintenance increase of \$1.041 million (0.6%) reflect inflationary increases for utilities, fuel, rent and general maintenance costs calculated according to City guidelines, and additional operating costs resulting from expanded branches reopened after major capital renovations.

Base Budget Issues

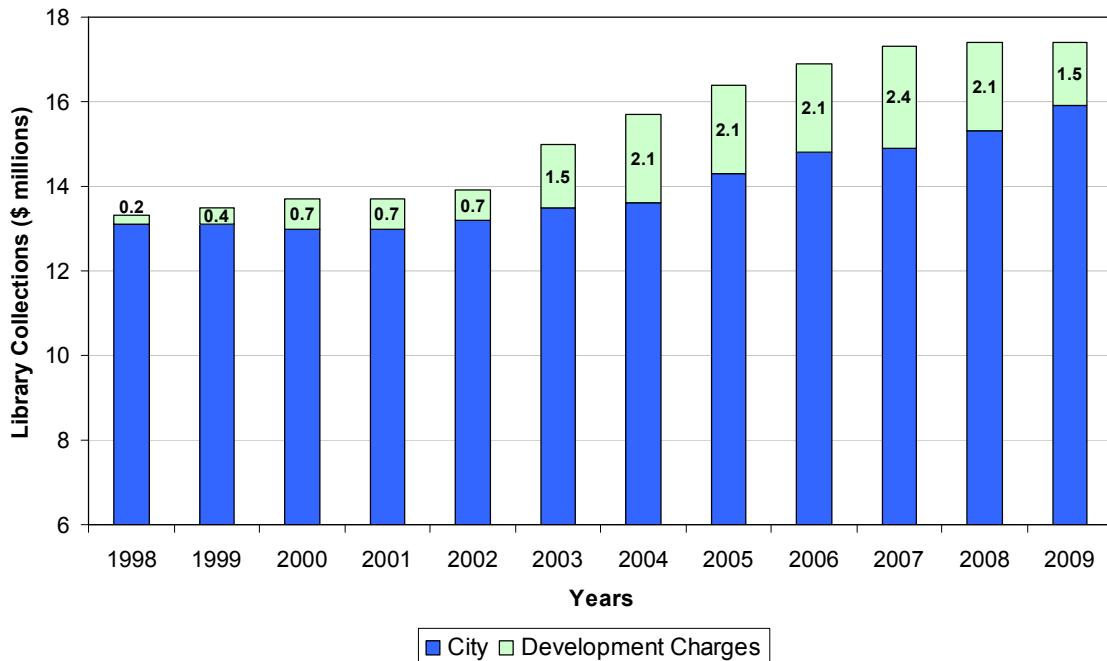
• 2010 Bargaining Unit COLA

A tentative three-year agreement for 2009 - 2011 was achieved with the Toronto Public Library Workers Union, CUPE Local 4948 on November 4, 2009. This agreement was ratified by the Board on November 9, 2009; it is subject to Union ratification on November 10 and 11, 2009. The related costs are included in the 2010 Operating Budget request. As per City instructions, for non-bargaining unit staff there is a 1% COLA in 2010.

TPL is requesting a budget adjustment for the 2009 COLA cost for bargaining unit staff in the amount of \$2.024 million.

• Library Materials Funding from Development Charges

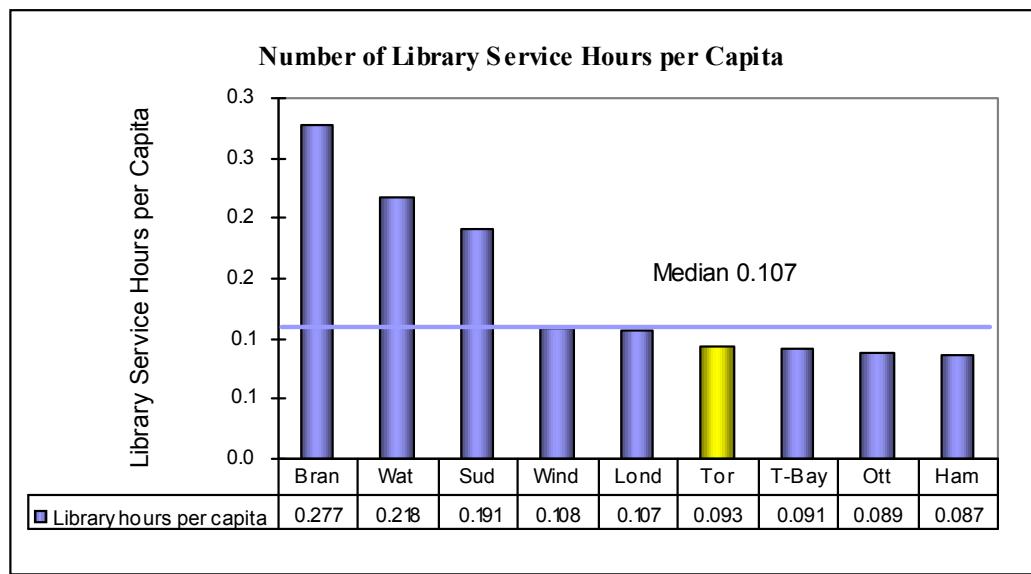
In an effort to recoup pre-amalgamation library materials budget reductions and post-amalgamation loss in purchasing power, an agreement was reached with the City to draw on available Development Charges (DC) reserves to supplement the funding for library materials and avoid pressures on the operating budget. This was a temporary opportunity which allowed the library material budget to grow significantly during a period of constrained budget increases, but it was recognized that this was a temporary measure and not a sustainable strategy. The following chart shows historic funding sources for library materials:



In 2007, the draw from DC reserves peaked at \$2.4 million, and since then attempts have been made to reduce the draw. To reduce the annual DC draw down from the current \$1.5 million to a more sustainable \$0.5 million, creates a \$1.0 million (0.6%) pressure for the 2010 operating budget. If the current rate of DC draw is maintained, then by 2013 there would not be available DC reserves to support the capital program. Council's decision earlier this year to delay the implementation of the new development charges by-law has compounded the issue.

Operating Budget Enhancement

According to the Ontario Municipal Benchmarking Initiative (OMBI) measures, in comparison with other Ontario cities, TPL is below the median for service hours per capita, as illustrated below:



The Board has endorsed a plan for extending open hours, which would see service hours expand by 25% at the end of a three-year implementation period. To reduce the overall cost of the plan, a two-pronged approach was devised as part of the 2009 operating budget request: (1) one-time capital funding of \$6.6 million to implement self-service in larger branches, which would result in operational changes enabling longer service hours with no additional staffing; and (2) request operating budget funding totalling \$13.5 million for additional staff, which represented a 9% budget increase.

The \$6.6 million capital budget request was approved by Council, with a four-year implementation beginning in 2009, which will result in 262 service hours per week being added by 2013, with no additional staffing.

Operating funds of \$2.8 million requested in 2009 for the first of a three-year implementation were not approved. The request is being resubmitted as part of the 2010 budget, updated to reflect 2010 part-year costs of \$1.037 million (0.6%), with a full-year cost of \$2.947 million (1.8%). If approved, this would allow Sunday service to be expanded from the current 27 branches to 51 branches, with year-round Sunday service in 19 of the largest branches.

Extending open hours is very desirable as it:

- responds to community needs, e.g., more access to computers, collections and quiet study space;
- supports priority neighbourhoods and community safety;
- connects people in a welcoming community space;
- promotes reading and achievement at school for children and youth;
- integrates newcomers into Canadian life;
- offers opportunities to enjoy the city's cultural and literary life; and
- maximizes the investment in library branches in neighbourhoods across the city by making them more accessible.

This is the first major service enhancement funding being requested by TPL.

Council Motion

As part of the 2009 operating budget approval, Council recommended the following:

Request the Budget Committee Chair and the Deputy City Manager and Chief Financial Officer to meet with representatives of the Library Board after the Operating Budget is approved, to address the issue of sustainable funding for library materials, sick leave costs, and the Library Board's plan to increase open hours, for the 2010 budget.

The meeting was held on November 5, 2009 with Councillor Shelley Carroll, Budget Committee Chair; Cam Weldon, Deputy City Manager and Chief Financial Officer; and Josie LaVita, Director of Financial Planning; and Board Members Matthew Church and Councillor Janet Davis, to discuss the issues.

This meeting provided the opportunity to thoroughly discuss the Board plan for extending open hours and sustainable funding for library materials, and City representatives, while supportive of the Library's goals, explained the fiscal constraints currently being faced by the City.

Budget Reductions to Meet Targets

As part of the budget guidelines, the City Manager has asked that each department, agency, board and commission prepare reduction options to achieve a 5% reduction from the 2009 approved budget, in each of 2010 and 2011, or \$8.196 million each year for the Library. To achieve this, TPL would need to implement severe service cuts, impacting most customers.

● *Reduction Framework*

Given the magnitude of the required reductions, the Library has taken the only practical approach and looked at the sources of its major costs. Staffing comprises 81% of the net budget and library materials 11%. Any substantial savings therefore requires major service reductions in staffing (library service hours) and collections.

Some general principles were used in creating a framework for developing reduction options:

Service Considerations:

- avoid a disproportionately negative service impact on one or a few neighbourhoods;
- avoid a disproportionately negative service impact on one segment of customers, especially those most vulnerable;
- try to minimize the number of customers affected and the impact of the service cut;
- minimize the impact on priority neighbourhoods;
- spread the impact of the reduction equitably between service hours and library materials;
- 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;

Operational Considerations:

- 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 2011 operating budget, or whether the budget reduction is permanent;
- attain the target reductions within the shortest reasonable period;
- a strategy for the reduction in hours which would be relatively consistent and relatively simple to communicate to the public;

By applying the framework, a number of reductions options were assessed and eliminated such as permanently closing branches and eliminating specific programs.

- ***Preliminary Reduction Options***

A preliminary review has shown that it would be very difficult to achieve a 10% or \$16.391 million budget reduction by 2011, so a longer implementation period for the service cuts may be required. Using the framework described above, the \$16.391 million reduction target could be achieved by 2012 using a combination of:

1. 19% reduction in Monday-Saturday service hours (\$10.625 million savings);
2. complete elimination of Sunday Service (\$2.462 million savings); and
3. 19% reduction in library materials budget (\$3.304 million savings).

Staff continue to work on identifying and refining budget and service reductions options and assessing their impacts, and a more complete report will be submitted to the December Board meeting.

2010 Program Overview

The 2010 Program Overview, included as Attachment 2, provides the Library's 2008 – 2011 Strategic Plan Themes and Goals as approved by the Board, and outlines key accomplishments to-date for 2009.

Performance measures charts describe the results and targets for key indicators such as visits and use per capita and also contextual information comparing Toronto Public Library results with results from other Ontario municipalities.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1: 2010 Operating Budget Request Summary

Attachment 2: 2010 Program Overview