



STAFF REPORT ACTION REQUIRED

2017–2026 Capital Budget and Plan Submission – Revised

Date:	September 26, 2016
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval of the revised 2017–2026 capital budget and plan submission of \$19.967 million debt (\$29.525 million gross) for 2017 and \$215.999 million debt (\$313.725 million gross) over 2017–2026, which is an increase of \$3.879 million debt (\$6.794 million gross) over the original 2017–2026 submission mainly due to a \$4.056 million additional request for capital investment in technological improvement initiatives over 2017-2018, which result in operating budget savings to help meet the City target.

The ten-year budget and plan funding request of \$215.999 million debt (\$313.725 million gross) is comprised of 24 projects totalling \$159.432 million debt (\$250.431 million gross), which meet the City debt target, and nine projects totalling \$56.567 million debt (\$63.294 million gross), which exceeds the City debt target.

The above target capital funding request will help to address state of good repair (SOGR) needs, but the backlog is estimated to grow to \$120.076 million by 2026.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the revised 2017-2026 capital budget and plan submission of \$19.967 million debt (\$29.525 million gross) for 2017 and \$215.999 million debt (\$313.725 million gross) over 2017–2026, which is an increase of \$3.879 million debt (\$6.794 million gross) over the original 2017–2026 submission, comprised of:
 - a. 24 projects totalling \$16.565 million debt (\$25.919 million gross) in 2017 and \$159.432 million debt (\$250.431 million gross) over 2017-2026, which meets the City debt target; and

- b. nine projects totalling \$3.402 million debt (\$3.606 million gross) in 2017 and \$56.567 million debt (\$63.294 million gross) over 2017–2026, which exceeds the City debt target.

FINANCIAL IMPACT

The revised capital submission requests funding of \$19.967 million debt in 2017 and \$215.999 million debt over 2017–2026, which is \$3.879 million debt (\$6.794 million gross) higher than the original 2016–2025 submission mainly due to a \$4.056 million additional request for capital investment in technological improvement initiatives that result in operating budget savings to help meet the City target. The budget includes funding over the ten-year period to accomplish many objectives, including partially addressing the growing SOGR backlog, advancing digital service delivery, and increasing access for all Torontonians to library service. The Library's revised 2017-2026 capital submission, including funding sources and the impact on the operating budget, is summarized as follows:

REVISED 2017 - 2026 Capital Submission Summary (\$000's)													
	2017	2018	2019	2020	2021	Total 2017-2021	2022	2023	2024	2025	2026	Total 2022-2026	Total 2017-2026
Buildings - Gross	21,819	26,084	31,682	33,270	28,253	141,108	22,479	21,768	23,637	21,249	19,547	108,680	249,788
IT - Gross	7,706	7,050	5,600	5,600	5,600	31,556	5,600	6,400	6,610	6,440	7,331	32,381	63,937
Total Gross Request	29,525	33,134	37,282	38,870	33,853	172,664	28,079	28,168	30,247	27,689	26,878	141,061	313,725
Non-Debt Sources of Funding													
- Development Charges	6,437	9,834	10,419	12,800	10,269	49,759	5,349	5,855	5,295	3,367	2,043	21,909	71,668
- Library operating budget	1,378	1,378	1,378	1,378	1,378	6,890	1,378	1,378	1,378	1,378	1,378	6,890	13,780
- Section 37	485	-	3,625	1,515	-	5,625	-	518	2,405	727	-	3,650	9,275
- City Reserves	700	-	-	1,100	-	1,800	-	-	-	-	-	-	1,800
- Other internal	-	480	-	-	-	480	-	-	-	-	-	-	480
- Other external	558	165	-	-	-	723	-	-	-	-	-	-	723
Total Non-Debt Funding	9,558	11,857	15,422	16,793	11,647	65,277	6,727	7,751	9,078	5,472	3,421	32,449	97,726
Total Debt Request	19,967	21,277	21,860	22,077	22,206	107,387	21,352	20,417	21,169	22,217	23,457	108,612	215,999
Incremental Operating Impacts													
FTEs	(881)	(62)	92	227	105	(519)	807	857	31	86	55	1,836	1,317
	(8.7)	-	-	3.7	-	(5.0)	14.0	-	-	-	-	14.0	9.0

The gross capital plan request is comprised of City debt funding (\$215.999 million or 69%) and non-debt sources of funding (\$97.726 million or 31%) such as development charges (\$71.668 million or 23%), a transfer from the Library operating budget (\$13.780 million or 4%), Section 37 funding (\$9.275 million or 3%), City reserves (\$1.800 million or 1%), and other funding (\$1.203 million or 0.1%). The ten-year funding request exceeds City debt target of \$159.432 million by \$56.567 million.

Incremental net operating budget increases over the 2017-2026 period total \$1.317 million and 9.0 full-time equivalents (FTEs) net, resulting from efficiency savings of \$1.033 million (8.7 FTEs reduction of clerical work) due to the \$4.056 million capital investment in technological improvement initiatives – Integrated Payment Solutions and Operational

Efficiencies – over 2017-2018; offset by increases for the planned expansion of Dawes Road Branch and the relocation and expansion of the Bayview-Bessarion and St. Lawrence branches (\$1.924 million and 17.7 FTEs).

The complete revised ten-year capital submission summary with gross and debt funding for capital projects is included in Attachments 1 and 2.

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

ISSUE BACKGROUND

At the meeting on June 27, 2016, the Library Board approved the 2017–2026 capital budget and plan submission, which requested funding of \$212.120 million debt (\$306.931 million gross) over 2017–2026, and exceeded debt targets by \$52.688 million over the ten-year period.

The Library Board submitted a ten-year funding request which is above the assigned debt target for a number of reasons including TPL’s ageing facilities, increase in the SOGR backlog and decreasing City debt targets. The majority of TPL properties were constructed 40–50 years ago and are now in need of upgrade or replacement. While some progress has been made on increasing the funding from the City, the debt target assigned to TPL is inadequate to address the Library’s SOGR requirements over the ten years. This ten-year fiscally responsible funding request is still well below the true SOGR requirements.

The requested capital budget and plan achieves the following strategic objectives:

1. budget submission that is fiscally responsible;
2. transform branches for modern library service;
3. focus on addressing state of good repair for branches;
4. address City growth intensification areas;
5. maximize alternative (non-debt) funding sources; and
6. minimize the operating impact of the capital program.

COMMENTS

Revised 2017–2026 Capital Budget and Plan

The following table shows the capital submission split onto two lines, projects which meet debt target and projects that exceed debt target.

2017-2026 Capital Budget and Plan

Summary (\$'000s)

	Original Submission		Changes		Revised Submission	
	<u>Gross</u>	<u>Debt</u>	<u>Gross</u>	<u>Debt</u>	<u>Gross</u>	<u>Debt</u>
Request meeting Debt Target	247,693	159,432	2,738	-	250,431	159,432
Request above Debt target	59,238	52,688	4,056	3,879	63,294	56,567
Total Budget Request	306,931	212,120	6,794	3,879	313,725	215,999
Remaining Unfunded SOGR Backlog	120,789				120,076	

The original submission of \$17.475 million debt (\$27.095 million gross) in 2017 and \$212.120 million debt (\$306.931 million gross) over 2017–2026 is being increased by \$3.879 million debt (\$6.794 million gross).

The revised 2017–2026 capital budget and plan submission requests funding of \$19.967 million debt (\$29.525 million gross) in 2017 and \$215.999 million debt (\$313.725 million gross) over 2017–2026, which is comprised of:

- 24 projects totalling \$16.565 million debt (\$25.919 million gross) in 2017 and \$159.432 million debt (\$250.431 million gross) over 2017–2026, which meets City debt target (shown in Attachment 1); and
- nine projects totalling \$3.402 million debt (\$3.606 million gross) in 2017 and \$56.567 million debt (\$63.294 million gross) over 2017–2026, which exceeds City debt target (shown in Attachment 2).

Changes from Original Submission

Request meeting City Debt Target

Since June 27, 2016, the original request meeting debt target in the 2017–2026 capital submission of \$16.565 million debt (\$26.095 million gross) in 2017 and \$159.432 million debt (\$247.693 million gross) over 2017–2026 is being decreased by \$0.176 million gross in 2017 and increased by \$2.738 million gross (\$0 debt) over 2017–2026 as shown in the table below. There is no net change to the annual debt funding which meets City targets. More information about these changes is provided below the table.

	Gross (\$'000s)		Debt (\$'000s)	
	2017	2017-2026	2017	2017-2026
Original Request Meeting Debt Target (June 27, 2016)	26,095	247,693	16,565	159,432
<u>Adjustments</u>				
2016 In-Year Budget Adjustments	1,077	1,125		
2017 cash flow adjustments	(2,866)	-	-	
Dawes Rd reclassification	-	-	(1,468)	(1,468)
Multi-Branch additional request	1,613	1,613	1,468	1,468
Total Adjustments	(176)	2,738	-	-
Revised Request Meeting Debt Target	25,919	250,431	16,565	159,432

2016 In-Year Budget Adjustments

	Gross (\$'000s)	
	2017	2017-2026
Multi-Branch Q1 2016 cash flow advance from 2017	(383)	(383)
Wychwood Q1 2016 cash flow deferral to 2017	1,460	1,460
Wychwood Q2 2016 cash flow deferral to 2018		250
Mimico - decreased gross and debt by \$202K in 2025		(202)
2016 In-Year Budget Adjustments	<u>1,077</u>	<u>1,125</u>

The 2016 in-year budget adjustment results in a cash flow increase of \$1.077 million in 2017 and \$1.125 million over 2017-2026 comprised of:

1. The Q1 2016 in-year budget adjustment, approved by the Board on May 30, 2016, to advance \$0.383 million gross cash flow for the Multi-Branch minor renovation program (funded by \$0.183 million debt and \$0.200 million development charges) from 2017 to 2016 and the adjustment to defer \$1.460 million cash flow from the Wychwood Library project (funded by \$0.568 million debt and \$0.892 million development charges) from 2016 to 2017 was incorrectly omitted from the original 2017-2026 capital budget submission requests and is now being corrected.
2. \$0.250 million cash flow for the Wychwood Library Project, funded by Parks, Forestry and Recreation (PF&R) was deferred from 2016 to 2018 to align with PF&R's budget.
3. A minor reduction of \$0.202 million gross and debt was made to the Mimico Library Project in 2025 to meet the debt target.

2017 Cash flow Adjustment

Base on a current review of the status of two projects, 2017 cash flows totaling \$2.866 million gross (\$0 debt) comprised of the Wychwood Library project (\$1.866 million gross) and the North York Central Library project (\$1.000 million gross), was deferred to 2019 and 2018 respectively. There was no net change to the annual debt funding which meets City targets.

Dawes Road

\$1.813 million of costs related to site acquisition were reallocated from the renovation sub-project to the expansion sub-project. These site acquisition costs are directly related to the expansion of the branch from 6,500 sq. ft. to a two-storey branch with a size of approximate 14,000 square feet. The reallocation has increased development charges funding by \$1.468 million and decreased debt funding, which allows an increase to the funding for SOGR needs in the Multi-Branch project.

Multi-Branch Minor Renovation Program

Reclassification of costs within the Dawes Road Library project has allowed an increase in funding for the Multi-Branch Minor Renovation Program of \$1.613 million gross (\$1.468 million debt) for SOGR needs, while remaining within the City's debt targets.

Request Exceeds City Debt Target

	Gross (\$'000s)		Debt (\$'000s)	
	2017	2017-2026	2017	2017-2026
Original Request Above Debt Target	1,000	59,238	910	52,688
<u>Adjustments</u>				
Capital Investment - Integrated Payment Solutions	1,150	2,250	1,100	2,152
Capital Investment - Operational Efficiencies	1,456	1,806	1,392	1,727
Total Adjustments	2,606	4,056	2,492	3,879
Revised Request Above Debt Target	3,606	63,294	3,402	56,567
Exceeds City Debt Targets			3,402	56,567

As part of the 2017 Operating Budget process to identify reductions, TPL has identified operational savings of \$1.033 million over 2017–2018 (\$0.933 million in 2017 and \$0.100 million in 2018) that would result from a \$3.879 million debt (\$4.056 million gross) capital investment in technological innovation spread over the two years by focusing on front desk efficiencies and improvements to business processes while advancing the priorities contained within the Strategic Plan.

Two additional projects totalling \$2.492 million debt (\$2.606 million gross) in 2017 and \$1.387 million debt (\$1.450 million gross) in 2018 have been added to the original request above debt target in the 2017–2026 capital budget and plan submission of \$0.910 million debt (\$1.000 million gross) in 2017 and \$52.688 million debt (\$59.238 million gross) over 2017–2026.

The capital investments will be used for:

1. Integrated Payment Solutions – With an investment of \$2.250 million gross (\$2.152 million debt) over 2017-2018, technological improvements will be made to the customer experience in the branch in order to provide more modern library services and improve the efficiency of the customer interaction. This initiative will save \$0.526 million in 2017 and allow a reduction in staff of 6.8 FTEs of clerical work:
 - customers will be able to pay fines at the self-checkout terminals at the same time as checking out materials. Currently this is not possible and fine payments can only be made from a face-to-face interaction with Library staff at the check-out desk or on-line from a personal device;
 - modernizing service delivery by implementing cash drawers would allow the consolidation of equipment at the service desk and transactions would be integrated with the Library's Integrated Library System, thus eliminating

duplication of work while improving the customer experience. The cash drawer allows for improved controls and reduction of errors and eliminates the need for multiple reconciliations at each branch each day.

2. Operational Efficiencies – With an investment of \$1.806 million gross (\$1.727 million debt) over 2017–2018 in technology and printing hardware, savings of \$0.507 million will be achieved over the two years (\$0.407 million in 2017 and \$0.100 million in 2018) and allow a reduction of 1.9 additional FTEs of clerical work. These initiatives include:
 - conversion of the current land-line phone system to VOIP (Voice Over Internet Protocol) technology;
 - introduction of mini-sorters at three branches (Albion, Lillian H. Smith and Scarborough Civic Centre) to increase materials handling efficiencies;
 - replacement of public, staff and shared printers, scanners, fax machines and copiers with more efficient Multi-Function Devices and improved payment processes for public printing. Streamlining of devices will also have a positive environmental impact through reduced paper use.

Despite the higher debt funding request in the revised capital budget submission of \$19.967 million debt (\$29.525 million gross) in 2017 and \$215.999 million debt (\$313.725 million gross) over 2017–2026, which exceeds City debt targets by \$56.567 million over the ten years, there would still be a remaining unfunded SOGR backlog that will grow to \$120.076 million by 2026.

CONCLUSION

The revised capital submission requests funding of \$19.967 million debt (\$29.525 million gross) in 2017 and \$215.999 million debt (\$313.725 million gross) over 2017–2026, which exceeds City debt targets by \$56.567 million over the ten years, represents a fiscally responsible budget submission and does not attempt to completely address the significant SOGR backlog issue. With the additional \$4.056 million capital investment in technological innovation, TPL will be able to realize operational savings of \$1.033 million over two years (\$0.933 million in 2017 and \$0.100 million in 2018) by modernizing library services and improving the efficiency of the customer interaction.

Considering the age of the TPL buildings, the increase in population in the City core and the changing technologies in the delivery of library services, the revised capital submission is in excess of the assigned debt targets in order to deliver on strategic priorities such as neighbourhood improvement, service transformation and access to technology through digital innovation.

TPL has achieved a three-year average capital completion rate of close to 90%, one of the highest in the City. This demonstrates TPL's readiness and ability to execute its capital program within the approved budget, which results in more efficient and improved services and better maintained assets.

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SIGNATURE

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ATTACHMENTS

- Attachment 1: Revised 2017–2026 Capital Budget and Plan Submission – Project funding request meeting Debt Target
- Attachment 2: Revised 2017–2026 Capital Budget and Plan Submission – Project funding request which exceeds Debt Target