



STAFF REPORT ACTION REQUIRED

12.

2014 Year-End Capital Budget Adjustments

Date:	March 23, 2015
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval for adjustments to the 2014 and 2015 capital cash flows to match the timing of expenditure requirements for projects. Projects which require cash-flow advances from 2015 to 2014 are matched with equivalent cash-flow deferrals from 2014 to 2015 from projects with unspent cash flow at the end of the year.

RECOMMENDATIONS

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

1. year-end cash flow reallocations that have no net impact on total gross, debt or development charges funding for the 2014 and 2015 capital budgets:
 - a. advance development charges funded cash flows of \$0.204 million from 2015 to 2014 for the Virtual Branch Services project, offset by a \$0.204 million deferral of unspent cash flow from 2014 to 2015 for the Library Processing Centre project; and
 - b. advance debt funded cash flows of \$0.288 million from 2015 to 2014 for the Albion Library project, offset by a \$0.288 million deferral of unspent cash flow from 2014 to 2015 for the Technology Asset Management Program; and
2. the final 2014 under-spending balance of \$2.052 million gross (\$0.770 million debt) be carried forward to 2015; and
3. authorizes staff to forward this report to the City to obtain Council approval.

FINANCIAL IMPACT

At the end of 2014, Virtual Branch Services and Albion Library renovation projects were ahead of schedule, requiring \$0.204 million in development charges funding and \$0.288 million in debt funding, respectively, to be advanced from 2015 committed cash-flow funding for these projects. To offset the cash-flow advances, unspent cash flows from Technology Asset Management Program (TAMP) and Library Processing Centre projects are available to defer from 2014 to 2015. There is no net impact on the Council approved annual gross and debt levels for 2014 and 2015 as a result of these adjustments.

Based on final 2014 expenditures, \$2.052 million gross (\$0.770 million debt) of unspent balances will be carried forward to 2015 and will adjust the available 2015 cash flow.

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

ISSUE BACKGROUND

Financial control policies for the City and the Library allow for cash flows to be advanced and spent on accelerated projects to offset cash-flow deferrals resulting from projects that are experiencing delays, as long as the overall approved debt level is not exceeded in any year. Effectively, to overcome timing issues, debt room freed up from delayed projects is replaced by additional debt spending on other approved accelerated projects in a single year, resulting in a better match of funding and expenditures and an efficient capital program delivery.

COMMENTS

A separate report, Capital Budget Monitoring Report – December 31, 2014, provides a brief description of 2014 capital projects, including accomplishments, completion status and significant expenditure variances, including cash flow over or under spending.

1. Cash Flow Reallocation

As part of the close-out of the year-end capital spending, the City requires that cash flows over-spent be offset by under-spent amounts between projects on a gross basis as well as by individual funding sources. To meet this requirement, the following adjustments are required.

1a. Development Charges (DC) funded cash flow re-allocation

Description	2014		2015	
	Gross	DC	Gross	DC
Advance Virtual Branch Services cash flow Defer Library Processing Centre cash flow	204,276 (204,276)	204,276 (204,276)	(204,276) 204,276	(204,276) 204,276
Total cash flow adjustment	0	0	0	0

The Virtual Branch Services project spending was ahead of schedule at the end of 2014 as a result of re-prioritizing initiatives to coordinate work on developing a responsive website design, redesign of the home page, improvements on Account Management and the Ready for Reading interim site, requiring an acceleration of \$0.204 million cash flow, funded by DCs, from 2015 to 2014. At the end of 2014, the Library Processing Centre project had under-spent its available cash flow as a result of outstanding issues related to programme requirements that need to be addressed in 2015 and thus could defer \$0.204 million, funded by DCs, from 2014 to 2015 to offset the cash flow advance required by the Virtual Branch Services project.

1b. Debt funded cash flow re-allocation

Description	2014		2015	
	Gross	Debt	Gross	Debt
Advance Albion cash flow Defer TAMP	288,074 (288,074)	288,074 (288,074)	(288,074) 288,074	(288,074) 288,074
Total cash flow adjustment	0	0	0	0

The Albion Library renovation project spending was ahead of schedule at year end due to the unexpected approval of the building permit prior to site plan approval. The acceleration of \$0.288 million cash flow, funded by debt, from 2015 to 2014 will be offset by a \$0.288 million unspent cash flow deferral from 2014 to 2015 for the Technology Asset Management Program, which experienced delays in system installations.

There is no net impact on the Council approved annual gross and debt levels for 2014 and 2015 as a result of these adjustments.

2. Carry-Forward Funding

Based on final 2014 expenditures, the total under-spending balance is \$2.052 million gross (\$0.770 million debt), which will be carried forward to 2015 and will adjust the available 2015 cash flow.

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SIGNATURE

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