



August 15, 2008

To: Josie La Vita
Director of Financial Planning

From: Vickery Bowles
Acting City Librarian

Subject: Toronto Public Library 2009 – 2013 Capital Budget and Plan

SUMMARY

- Toronto Public Library (TPL) has shown that it can deliver on its capital program with a consistently high expenditure rate and with exceptional results.
- The City's assigned 2009-2013 debt targets are inadequate to meet TPL's capital funding needs for building state of good repair (SOGR) renovations and expansions, new branches and virtual branch e-services.
- The Board has endorsed a plan for extending Library branch open hours which will result in a 25% increase in service hours. A mix of capital and operating budget funding was devised as the most cost effective way to achieve the extended open hours, funded over 3 years. This is the first major service enhancement funding being requested by TPL since amalgamation when TPL reduced staffing and cut its operating budget by 10%.
- TPL's 2009 capital budget funding request is \$3.2 million above the assigned debt target as there is a need for an additional \$1 million for building SOGR renovations and \$2.2 million for implementing self-service with the use of Radio Frequency Identification (RFID) technology, which is one component of the Board's plan for extending Library branch open hours.
- The 2009-2013 capital budget request recognizes the need to address the growing SOGR backlog and balances this requirement against the need for library expansions, growing virtual branch e-services and funding for the plan for extending open hours, within the context of the City's current fiscal constraints.

2008 ACCOMPLISHMENTS

TPL is projecting that 96% of the \$22.5 million gross 2008 approved capital budget will be spent by the end of the year.

2008 highlights include:

- Re-opening of branches:
 - **Dufferin/St Clair:** Renovations to this listed heritage building focused on restoring the original architecture and character of the library while introducing new services and technology. Murals painted by Canadian artists George A. Reid and Doris McCarthy in the

1920's were uncovered and restored. Reading lounges for adults, a separate teen area, an early literacy-based interactive area for young children (*KidsStop*), increased computer access, wifi internet access extending to a reading garden, self-service check out and a multipurpose room were designed to attract new users and to meet the growing needs of the community. Opening Fall, 2008.

- **Cliffcrest:** Since Cliffcrest re-opened its doors in April, the branch has seen a significant increase in visitors (+ 33%) attributable to its exciting new layout with eye-catching window and floor displays as well as new programs that have become an integral part of on-going service made possible with the new multi-purpose room. The provision of a teen area, popular reading lounge, self-service check out, more Internet workstations and wifi internet access have successfully attracted new clients to the branch from the general community and local businesses. Floor space doubled to 4,600 sq ft.
- **S. Walter Stewart:** Extensive interior and exterior repairs, barrier free accessibility and energy efficiency measures within the original circular building all contributed to creating a new modern library. Large windows and a raised roof flood the branch with natural light. TPL's first *KidsStop* – an early literacy-based interactive area for young children, a new teen centre, a new computer learning centre, wifi internet access, self-service checkout, a multipurpose room, and a café area all provide something for every member of the community in this popular district branch which re-opened in May 2008.
- **Jane/Dundas Branch:** This renovation included extensive repairs to the building structure, a glass curtain wall providing natural light and a strong street presence, barrier free access and an interior redesign. The colourful children's area and the new teen area have become destinations for the community. Customers appreciate the new merchandizing areas as is evident by the increase in circulation. The branch re-opened in February 2008.
- At the **Toronto Reference Library** the construction of the new event space is well underway with an expected opening in spring 2009. Work is also underway for the replacement of the fire alarm system. The Toronto Public Library Foundation was successful in its request to the Province to contribute \$10 million towards the project. Further, the Foundation has undertaken a capital campaign to raise an additional \$10 million from private sources to support the project.
- The **Multi-branch Minor Renovation Program** will have impacted 18 branches with projects addressing flooring (1), roofing (1), building systems (5), landscaping (1), interior renovations (7), elevators (1), windows and entrance doors (5) and security systems (6).
- For the **Virtual Branch** and electronic services:
 - An award of contract was made for the graphic design and web development work for the re-design of the Library's web site and implementation is underway. The focus of the re-design is usability and integration of TPL web services;
 - The new Integrated Library System went live in February 2008 with a number of new features including e-mail notification of holds;
 - Greater presence at community events, promotional campaigns and contests, and even a new "Dewey" mascot helped to promote Toronto Public Library's services, specifically those available through *KidsSpace*, the library's website designed specifically to children;

- Access to Virtual Books was provided through a variety of access points on the Library's web sites, including through the catalogue, Digital Collections site and *KidsSpace*.
- WiFi was introduced at 14 branches in 2008, which brings the number of branches with WiFi to 33. WiFi in branches enables more users to work online which relieves demand pressure on the Library's public computers. It also helps to create collaborative learning environments for students and other library users;
- Added capacity for mass digitization of special collection books expanded user access to rare and historic material;
- The redesigned digital collections websites improved performance and enhanced search and browse features;
- Bandwidth was increased within many Toronto Public Library branches;
- A new program and event database application was acquired to allow for interactive searching and registration of library programs and events.

STRATEGIC DIRECTION

TPL's capital planning framework is informed by its Strategic Plan and Service Delivery Model, in order to meet Toronto's present and future needs. The 2009-2013 capital budget and plan submission deals with the following priorities:

- An appropriate physical plant annual SOGR program and the need to manage the associated growing backlog;
- The need for new and expanded branches to respond to City development and population growth;
- The Board's plan for extending open hours which will result in a 25% increase in branch service hours; and
- The growing demands placed on TPL's Virtual Branch e-services and the need for maintaining and upgrading electronic technologies in delivering library services.

Buildings

TPL's capital budget and plan recognizes the importance of public spaces in communities, and addresses the continued revitalization of public buildings. This investment in safe and welcoming public space provides additional and more adequate space for public programming, increased collections, and public meeting facilities – all of which contribute to Council's priority of improving services to the public. TPL continues to receive accolades for its building program and the community has consistently responded with increased branch visits and circulation activity after a building has been renovated.

Key to supporting TPL's strategic direction is the need to keep its existing assets in an acceptable state of good repair. Today, the average TPL building is 37 years old and one third of the branches have not had a major renovation in over 20 years.

When a major renovation is scheduled, the branch size is assessed to determine if it is adequate to deliver the appropriate level of services for the community served, as determined by the Service Delivery Model. If justified and feasible, the size of a branch may be increased as part of the capital project.

Virtual Branch e-Services

The capital plan also addresses the need to maintain TPL's \$30 million investment in information technology infrastructure. A key component of TPL's service delivery strategy is the creation of a Virtual Branch for e-services. The use of technology makes it easier for Toronto citizens to find information, to access library and government services and to conduct business and personal transactions on-line. It has allowed TPL to manage increasing demand in an effective and efficient manner, without adding staff.

TPL has addressed the "digital divide barrier" by providing more than 1,550 PCs with high-speed Internet access in all 99 branches. Training is provided in classroom settings in 13 branches across the city. The Library's web site provides 24/7 access to the library catalogue with its 11 million items, as well as a variety of digital information resources and services for users, including specialized gateways for children and youth, digital special collections, and access to commercial full-text databases. More than 21 million searches of TPL's online resources were conducted in 2007. The online catalogue allows customers to reserve library materials without staff intervention, to check the status of current transactions with TPL and to receive e-mail notification of their holds. More than 5.5 million holds were placed in 2007. TPL's library catalogue and circulation systems support 29 million circulation transactions per year – the 2nd highest in the world.

Plan for Extending Open Hours

The Board has endorsed a plan for extending open hours which would see service hours expanded by 25% at the end of a 3-year implementation period. If the plan was funded completely from the operating budget, a \$17.4 million funding increase would be required, which represents an 11% budget increase. Instead, to reduce the overall cost of the plan, a two-pronged approach has been devised: (1) request capital funding totaling \$6.6 million to implement self-service in larger branches to gain operating efficiencies valued at \$3.9 million, which would be reinvested in extending open hours and reduce the operating budget ask; and (2) request operating budget funding totaling \$13.5 million for additional staff, which represents a 9% budget increase. The implementation is being phased-in over 3 years and the capital funding being requested to implement the plan is \$2.2 million each year over 2009 to 2010.

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 since amalgamation when TPL reduced staffing and cut its operating budget by 10%.

ADEQUACY OF CAPITAL BUDGET

The 2009-2013 City assigned debt targets, intended to address all building and virtual branch needs for TPL are:

2009: \$11 million target
2010: \$11 million target
2011: \$12 million target
2012: \$12 million target
2013: \$12 million target

Non-debt sources of funding, mainly from contributions from developers, increase the total gross funding available for TPL's capital program.

Although significant progress has been made on growing the capital envelope since amalgamation, the following issues have created significant pressures on the capital debt target, which is inadequate to meet TPL's needs:

- the rising cost of construction and the need to implement "green" standards for buildings;
- an accumulated State of Good Repair (SOGR) backlog for buildings, which keeps growing;
- the demand for new and expanded branches;
- the growing demands for virtual branch services; and
- implementation of self-service with the use of Radio Frequency Identification (RFID) technology at larger branches as part of the Board's plan for extending open hours.

In deciding on the 2009-2013 capital budget request, the need to address the growing SOGR backlog was acknowledged, but this requirement was balanced against the need for library expansions, growing virtual branch e-services and funding for the plan for extending open hours, within the context of the City's current fiscal constraints.

The assigned debt target provides cash flow only for the completion of ongoing projects, with no funding to start new renovation projects in 2009.

2009-2013 CAPITAL BUDGET AND PLAN REQUEST

The 2009-2013 capital budget and plan request is summarized below:

**2009 - 2013 Capital Budget and Plan Summary
(\$000's)**

	2009	2010	2011	2012	2013	Total 2009-2013
Buildings - Gross	17,209	17,187	20,998	17,073	16,191	88,658
IT - Gross	6,441	6,675	6,708	4,508	4,508	28,840
Total Gross Budget Request	23,650	23,862	27,706	21,581	20,699	117,498
Other Sources of Funding						
- Development Charges	(6,623)	(4,965)	(10,298)	(7,873)	(6,991)	(36,750)
- Section 37 / 45 Reserves	(50)	(1,808)	(1,500)			(3,358)
- Transfer from Operating Budget	(1,708)	(1,708)	(1,708)	(1,708)	(1,708)	(8,540)
- Partnership Opportunity Legacy	(550)	(550)				(1,100)
- Other External Funding	(519)	(631)				(1,150)
City Debt Funding Request	14,200	14,200	14,200	12,000	12,000	66,600
City Funding Target	11,000	11,000	12,000	12,000	12,000	58,000
Excess of Request Over Target	3,200	3,200	2,200	-	-	8,600

As shown in the table above, TPL's debt budget request is over the City target in 2009, 2010 and 2011. In 2009 and 2010, the \$3.2 million excess is explained by an additional \$1 million to address building SOGR renovation needs and \$2.2 million for the plan for extending open hours. In 2011, when the City debt target increases to \$12 million, the excess of \$2.2 million is all due to funding for the plan for extending open hours.

It should be noted that for the 2008 capital budget the City-assigned debt target was \$11 million, but Council approval at the \$12 million level recognized that TPL's needs were greater.

Details of the projects comprising the 2009-2013 capital budget and plan are shown on Appendix 1. A description and status of 2009 projects is provided on Appendix 2.

CHALLENGES AND ISSUES

Construction Costs

During the last 4 years, construction costs have risen over 25 percent while the City's funding target has remained relatively unchanged, which has resulted in a shrinking budget due to a loss in purchasing power of over \$2 million. In addition, the City's approved green standards for buildings will add 10% to 15% to construction costs.

State of Good Repair (SOGR)

- **Backlog**

Past under-funding of TPL's capital budget has resulted in over \$17 million of building SOGR backlog. Using an industry benchmark of 2% of asset replacement value, the City-assigned debt targets will result in the SOGR backlog increasing by approximately \$3 million in 2009 alone. At the requested funding level, the backlog will increase by approximately \$2 million in 2009.

- **Multi-branch renovation project**

The multi-branch renovation project is a very cost effective way to maintain the functionality of branches until a major renovation can be executed. This project is also used to respond to unexpected capital needs, such as a landlord's decision to relocate a branch in a mall, a co-development opportunity or emergency repairs. Funding for the multi-branch project averages \$1.5 million annually over 2009-2013, but the more appropriate level would be \$2 million. Without adequate funding, public service may be impacted negatively.

- **Northern District Branch**

The Northern District Branch is co-located with the Stanley Knowles Co-Operative (SK), a not-for-profit corporation comprised of a 103 unit apartment building, the majority of which are rented to senior citizens. There is a 50-year lease between SK and TPL. There are major building deficiencies, including a particular concern with deterioration of post tension cables affecting the building structure. In addition, there is a significant amount of asbestos within the building. Extensive work is needed, especially on the building structure, to prevent further deterioration and to reduce operating costs. Currently, the capital budget makes allowance for a \$10.1 million project to begin in 2013 for renovations including repairs to shelving, flooring, furniture and lighting, and for asbestos removal. However, it would be very expensive to make all structural repairs to the building, and this would consume a significant portion of TPL's capital budget. Long-term options will be explored for the branch, but the 50-year lease with SK has placed restrictions on TPL's strategies for the building and branch.

- **Dawes Road Branch**

The Dawes Road Branch is part of York Condominium Corporation No. 260, which includes the branch and eight residential units. Despite repairs and improvements achieved since amalgamation, the building continues to be a facilities maintenance problem. TPL has continued to make repairs in order to keep the branch open and operational, and has continued to provide staff time to assist in property management. Due to the extremely poor condition of the building and the small number of residential units, in the long-term it is not financially viable to sustain the branch and condo corporation. TPL is undertaking a study on options to deal with this site.

- **Toronto Reference Library (TRL)**

The TRL project requires an estimated \$33 million investment to retrofit and renovate the 31 year old building over the next five years. The Toronto Public Library Foundation has successfully requested the Province to contribute \$10 million towards the project and a capital campaign is underway to raise an additional \$10 million privately. The successful Provincial funding and private capital campaign reduce the City's required funding for the project and will allow the project to be completed over a reasonable time period.

New Branches

- At its meeting in June 2004, the Board reconfirmed its support for pre-amalgamation plans which called for two additional branches to provide service in growing areas of the city – Scarborough Centre (\$8.2 million of which \$1.9 million is debt funded) and the West Waterfront (\$7.4 million all financed by developers' contributions) areas. Both projects are identified in the 2009-2013 capital budget and the cost of these branches places further pressure on a constrained budget.

Relocation & Reconstruction

• **St. Lawrence Relocation and Expansion**

281 Front Street East (at Parliament), the location of the library materials processing site, will become a significant site with the planned development and population growth in the West Donlands area. A new 25,000 sq. ft. project for the St. Lawrence branch relocation and expansion to 281 Front Street East has been introduced to start in 2009, for a total cost of \$15 million (\$5.3 million debt), placing pressure on the funding envelope. There is a potential for additional non-debt funding for this site and staff is investigating further.

Waterfront Toronto has plans to develop the 281 Front Street East site with condominiums which, if it happens, would require the relocation of staff and facilities involved in the procurement and processing of new library materials. The logical place to relocate the staff would be at 1076 Ellesmere, currently the main delivery and sorting hub. The cost of this relocation has not been included in the budget. Preliminary discussions are in process with Waterfront Toronto.

• **Ellesmere Reconstruction**

A project is planned to start in 2009 for the reconstruction of the Ellesmere facilities to consolidate delivery services and introduce an automated central sorting station for a total cost of \$14.8 million (\$10.1 million debt), placing pressure on the funding envelope. An automated central sorting station would reduce the risk of worker injury, reduce the physical effort and time required to sort materials in the branches as well as at the station, and result in materials getting onto the shelves faster. In addition, consolidation of the two existing delivery hubs would result in greater efficiency and improved customer service.

As noted above, if the Toronto Waterfront Panel plans to develop condominiums at the 281 Front Street East site materializes, the logical place to relocate the staff would be at 1076 Ellesmere, currently the main delivery and sorting hub. The cost of this relocation has not been included in the budget.

Virtual Branch e-Services

- In order to address the continually increasing public demand for e-services, TPL must keep its systems in a state of good repair using current technologies. These systems support both the in-branch systems and the use of TPL's online resources from home, work, or school. Building and storing online digital content requires the necessary technical infrastructure to be maintained and funding has not grown to reflect the needs in this area.

- The Library needs to continually take advantage of new innovations and changing modes of delivering virtual services. Inadequate funding in this area diminishes the Library's ability to provide basic public library services using current technologies.

2014 – 2018 CAPITAL PLAN

The City's assigned annual debt target for 2014 to 2018 is \$12 million. TPL feels strongly that the debt target should be adjusted each year for inflation, otherwise this effectively results in a budget reduction each year. If the \$12 million debt request in 2009 is adjusted for 5% inflation each year, then by 2014 the debt target should be \$15 million which is the TPL budget request for that year. TPL's budget request has been increased by 5% each year thereafter.

CONCLUSION

TPL has demonstrated its ability to deliver on its capital program with a consistently high expenditure rate and with exceptional results.

Contact Name:

Larry Hughsam, Director, Finance and Treasurer, Phone: 397-5946, Fax: 393-7115, E-mail: lhughsam@torontopubliclibrary.ca

Vickery Bowles
Acting City Librarian

List of Attachments:

Appendix 1 – 2009 – 2018 Capital Budget and Plan – Gross and Debt Funding
Appendix 2 – Description and status of 2009 Projects

Copies to: Bert Riviere, Alan Cohen, Tim Lam