

2017 Operating Budget – City Target

Date:	October 24, 2016
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to present, for Toronto Public Library Board consideration, options to meet the City’s 2017 operating budget reduction target of -2.6%, given the Library has already achieved a 2.0% efficiency savings.

Toronto Public Library’s (TPL’s) 2017 operating base budget submission, approved by the Board at the meeting on September 26, 2016, represents a \$1.588 million net, or 0.9%, increase over the 2016 operating budget, and includes efficiencies totalling \$3.529 million or 2.0%. The 2017 base budget is a reasonable and responsible funding request necessary to maintain existing services and service levels. TPL has an excellent fiscal track record of continuously improving services by responding to increasing and changing service demands while controlling and reducing costs through the implementation of efficiencies, innovation and new technology. TPL’s average budget increase over the last six years represents less than one-half of the rate of inflation.

In order to meet the -2.6% target, TPL would need to find additional savings totalling \$6.195 million, or 3.5%. A reduction of this magnitude would negatively impact both service hours and the collections budget. This report presents strategies to further reduce the budget, including a reduction to weekday service hours saving of \$4.412 million, and a \$1.782 million, or 9.2%, reduction to the library materials budget to meet the City’s budget target.

TPL staff will continue to look for additional efficiencies and new revenue opportunities.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. considers service reductions totalling \$6.195 million, or 3.5% of the budget, comprised of reductions to Monday to Friday open hours saving \$4.412 million and a \$1.782 million reduction to the collections budget, required to meet the City’s operating budget reduction target of -2.6%.

FINANCIAL IMPACT

The 2017 operating base budget submission of \$178.763 million net (\$198.371 million gross) represents a \$1.588 million net, or 0.9%, increase over the 2016 operating budget, and includes efficiencies totalling \$3.529 million or 2.0%.

In order to meet the City's operating budget reduction target of -2.6%, TPL would need to find additional savings totalling \$6.195 million, or 3.5%. A reduction of this magnitude would negatively impact both service hours and the collections budget. This report presents strategies to further reduce the budget to achieve the budget target, including a reduction to service hours saving \$4.412 million and a reduction of \$1.782 million, or 9.2%, to the library materials budget.

TPL will continue to look for additional efficiencies and new revenue opportunities.

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

ALIGNMENT WITH STRATEGIC PLAN

Reductions to service hours and collections required to meet the City's target do not align with TPL's strategic plan as they would increase barriers to access for Toronto residents, and reduce local, easy access to the library services they want and need. In particular, it would reduce the responsiveness of service hours and access to public and community spaces, and reduce the availability and selection of materials for research, study and recreation.

DECISION HISTORY

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

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.37>

At its meeting on September 26, 2016, the Board considered the 2017 Operating Budget Submission report 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.

<http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2016/sep26/11-2017-operating-budget-submission.pdf>

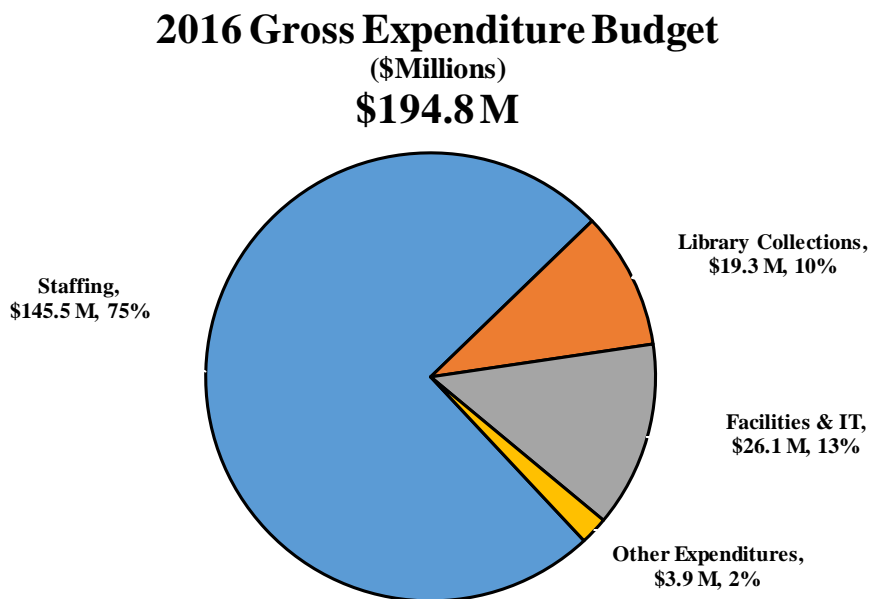
ISSUE BACKGROUND

TPL's 2017 operating base budget submission represents a \$1.588 million net, or 0.9%, increase over the 2016 operating budget, and includes efficiencies totalling \$3.529 million net, or 2.0%, resulting from technological innovations related to integrated payment solutions and operational efficiencies, and increased revenues.

As part of the 2016 operating budget, Council approved a budget reduction for TPL of \$0.370 million, or 0.2%. Staff identified savings that reduced the 2016 budget; these savings would normally have been realized and applied towards achieving the 2017 budget target. When combined with the 2017 budget efficiencies, this would result in total efficiencies of \$3.899 million, or 2.2%.

COMMENTS

As illustrated in the chart below, the vast majority of TPL’s budget, approximately 98%, is comprised of staffing to deliver service, collections for borrowing, and operating costs for buildings and IT infrastructure. This does not provide much flexibility to manage budget reductions without impacting service delivery.



In order to meet the City’s operating budget reduction target of -2.6%, TPL would need to find additional savings totalling \$6.195 million, or 3.5%, and a reduction of this magnitude would negatively impact both service hours and the collections budget. A budget reduction strategy to meet the City target includes a reduction to Monday to Friday service hours saving \$4.412 million, or 10.8% less service, and a reduction of \$1.782 million, or 9.2%, to the library materials budget. In allocating the service reductions, measures have been taken to mitigate the negative impacts so that no neighbourhoods or customer groups are disproportionately impacted. Also, popular weekend hours are not being considered, and programs targeted to serve particular groups are excluded because of the disproportionate impact on those groups.

Major Service Reductions to meet target (\$000s)

	<u>FTE</u>	<u>NET</u>	<u>%</u>
Monday to Friday Service Hours Reduction	(49.1)	(4,412.3)	-2.5%
Library Collections Reduction		(1,782.2)	-1.0%
Service Reductions to meet target	<u>(49.1)</u>	<u>(6,194.5)</u>	<u>-3.5%</u>

Hours of Service Reduction

Service hours reductions of \$4.412 million (including 49.1 Full Time Equivalent positions) would result in a loss of almost 30,000 Monday to Friday hours of service per year, which represents approximately 10.8% less service and the impact is illustrated in the table below:

Number of Branches	Current hrs / wk	New hrs / wk	Change in Service	Outcome per branch / wk
2 R&R	65.5	59.0	(7.0) hrs	loss of 1 morning & 1 evening
17 District	65.5	59.0	(7.0) hrs	loss of 1 morning & 1 evening
2 Neighbourhood	62.0	40.0	(22.0) hrs	loss of 1 full day, 2 mornings & 1 evening
5 Neighbourhood	65.5	50.5	(15.0) hrs	loss of 2 mornings & 2 evenings
20 Neighbourhood	62.0	50.5	(11.5) hrs	loss of 2 mornings & 1 evening
9 Neighbourhood	50.5	40.0	(10.5) hrs	loss of 1 full day
9 Neighbourhood	50.5	50.5	no change	no change
34 Neighbourhood	40.0	40.0	no change	no change
2 Neighbourhood	28.0	28.0	no change	no change

After the hours reductions, which includes cuts to service in Neighbourhood Improvement Areas, the resulting Monday to Friday service schedules would be (Saturday and Sunday hours remain unchanged):

- 2 R&R and 17 District: 59.0 hours per week is five days Monday to Friday with four evenings
- 34 Neighbourhood: 50.5 hours per week is five days Monday to Friday with three evenings
- 45 Neighbourhood: 40.0 hours per week is five days Tuesday to Friday with two evenings

Hours of Service Reduction Framework

The following factors are considered in equitably allocating open hour reductions to branches:

- distributed access to library resources across the city;
- greatest number of open hours at largest and busiest branches across the city;
- a balance of morning, evening and weekday hours;
- standard schedules to maximize efficiency of operations; five, six and seven day service at branches across the city, with a minimum service level of five days, 40 hours per week, with the exception of Swansea Memorial and Todmorden Room;
- existing Sunday service maintained at two Research & Reference, 17 District and 14 Neighbourhood branches across the city, which have the greatest access to collections and services accessible in all areas of the city;
- given the magnitude of budget reductions required to meet the -2.6% target, some branches that are located within the City's TSNS (Toronto Strong Neighbourhood Strategy) will have reduced Monday to Friday service hours.

Impact of Service Hours Reductions

Library open hours both during the weekdays and on the weekends provide access to library service to a broad range of individual users and to those attending programs. Morning hours are important to seniors, preschool children and their caregivers; lunch hours to students and workers; afternoon and after school times to elementary and high school students and evening hours provide access to workers, mature students and recreational users.

Residents of all ages, including students, and those engaged in lifelong learning, use the library for computer and wireless access, study space, research materials and attend programs. Access to community meeting rooms by community groups builds community capacity.

Fewer open hours reduces service levels in two ways: the branch is open fewer hours for residents to visit and it limits the time available for study, accessing collections, programs, and technology, less access to safe spaces, cooling centres, government services, newcomer services, job placement information etc.; and when the library is open, the space will be more congested and crowded, reducing access to study and work space, computers/wireless access and to zoned spaces, including those for teens, children and preschoolers.

If the service hours reductions are approved by Council in February 2017, this would result in an additional one-time cut of approximately \$1.100 million to the collections budget in order to phase in and achieve the full-year savings in 2017.

Library Collections Service Reduction

TPL collections include items in a range of formats, languages, reading levels and subjects to serve Torontonians of all ages, backgrounds and abilities. A reduction of \$1.782 million, or 9.2%, to the 2017 collections budget will be allocated to minimize the impact on the public

as much as possible. However, this is significant and would result in a loss of approximately 105,000 items. As noted above, if Council approves the service hours reductions and a one-time \$1.100 million cut to the collections budget is required to phase in the full-year savings, then the total cut to the collections budget would be \$2.882 million, or 14.9%, representing a loss of approximately 170,000 items.

There are already additional pressures on the budget due to the unreasonably high price of e-books and the impact of a strong U.S. dollar relative to the Canadian dollar. In 2016, TPL will pay an estimated \$1.300 million in U.S. conversion costs for collections. Use of the physical collection remains strong so it must also be maintained in multiple formats and languages. A decrease in spending on library materials results in longer wait times and more holds on material to support education, lifelong learning and leisure reading; reduced scope and currency of collections; gaps in some subject areas like children's picture books and fiction because of the deferral of replacements; and reduced satisfaction with the collections among the 70% of Torontonians who use Toronto Public Library resources. Users expect to access library resources in a timely and convenient manner. Circulation, which is directly linked to the availability of current collections, will fall and the Library will no longer be the leader in North American libraries.

Alternative Reduction Options

As part of the 2012 operating budget process, various other budget reduction options were considered, including eliminating: kindergarten and school outreach programs; Ready For Reading early literacy program (pre-schoolers); Leading to Reading program (school age children); adult literacy programs; and Bookmobile service. While the elimination of these programs could produce some savings, they would have a significant negative impact on the most vulnerable customers and undermine the goals of the Library's Strategic Plan and the City's Poverty Reduction Strategy. Furthermore, many of these programs are partially funded by the Toronto Public Library Foundation and Provincial grants and with the elimination of City funding, external support would also be lost. Collectively, the elimination of these services would not significantly contribute towards achieving the City's budget target. For these reasons, these reduction options are not being presented for consideration.

CONCLUSION

The 2017 base budget is a reasonable and responsible funding request necessary to maintain existing services and service levels. TPL has an excellent fiscal track record of continuously improving services by responding to increasing and changing service demands while controlling costs and reducing staff through the implementation of efficiencies, innovation and new technology. TPL's average budget increase over the last six years represents less than one-half of the rate of inflation.

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SIGNATURE

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