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To: Toronto Public Library Board – September 15, 2003

From: City Librarian

Subject: **2004 Operating Budget – Financial Options**

Purpose:

To present the Toronto Public Library Board with three financial options relating to the 2004 Operating Budget request and seek guidance on the options for submission to the City.

Funding Implications and Impact Statement:

S24(2) of the Public Libraries Act states:

“The amount of the board’s estimates that is approved or amended and approved by the council shall be adopted by the board and shall be paid to the board out of the money appropriated for it.”

Recommendation:

It is recommended that the Toronto Public Library Board:

- (1) review the financial options for the 2004 Operating Budget submission, appended as Attachment 1; and
- (2) provide guidance to staff on how to proceed.

Background:

S24(1) of the Public Libraries Act states:

“A public library boardshall submit to the appointing council, annually on or before the date and in the form specified by the council, estimates of all sums required during the year for the purposes of the board.”

Attachment 1 outlines three financial options for the 2004 Operating Budget submission for consideration by the Library Board.

The budget submission is the basis for discussion with senior City staff and for the political review process.

Comments:

2004 Cost Pressures

The Library is continuing to experience increases in activity levels. Over the last five years there has been an increase in circulation (16%), visits (7%), virtual visits (1,168%) and holds filled (144%). Total activity has increased 38% over the last five years. Since amalgamation, the Library has successfully absorbed significant cuts to the operating budget despite the increase in activity. At this point however, the efficiency and productivity savings cannot keep pace with the new and ever changing demands. In 2004, the Library faces budget pressures for statutory and legal obligations for salary and benefits; inflationary increases; information technology; and maintenance costs.

The staffing cost pressures include the following:

- statutory obligations relating to sick leave liability costs, which prior to amalgamation were funded by the City but are no longer being funded;
- one extra day's salary as a result of 2004 being a leap year;
- COLA increases which include the collective agreement between the Toronto Public Library Board and the Toronto Civic Employees Union Local 416 Library Division;
- legislative increases in CPP and OMERS contributions and inflationary pressures in dental and extended health plans; and
- a high gapping target, currently one of the highest in the City at 3.6% or approximately 75 fulltime equivalents.

Other cost pressures include:

- inflationary increases in library collections of 4.4% and general inflation of 2%;
- replacement and upgrade of aging hardware and software relating to the Library's current \$25 million investment in IT; and
- opening of St. James Town Neighbourhood Branch and increasing maintenance costs.

Financial Options

In addition to the above-mentioned constraints, the following three financial options assume no significant service cuts. Option 1 fully addresses the need to maintain the existing service level by allowing the Library to manage the increasing activity and inflationary pressures, and meet its statutory and legal obligations. Option 3 maintains the high gapping target and has no inflationary adjustment for library collections but has no major service reductions. Option 2 represents an interim point between option 1 and option 3. The following is a summary of three financial options for the 2004 Operating Budget submission.

<u>Description</u>	<u>Option 1 (8.4%)</u>		<u>Option 2 (7.5%)</u>		<u>Option 3 (6.9%)</u>	
	<u>\$ millions</u>	<u>%</u>	<u>\$ millions</u>	<u>%</u>	<u>\$ millions</u>	<u>%</u>
2003 Base Budget	121.767		121.767		121.767	
Prior Year Impacts & Economic Factors	<u>7.791</u>	<u>6.4%</u>	<u>7.270</u>	<u>5.9%</u>	<u>6.946</u>	<u>5.7%</u>
2004 Adjusted Base	129.558		129.037		128.713	
Operating Pressures	<u>2.409</u>	<u>2.0%</u>	<u>1.909</u>	<u>1.6%</u>	<u>1.509</u>	<u>1.2%</u>
2004 Requested Base Budget	131.967	8.4%	130.946	7.5%	130.222	6.9%
New/Enhanced Service Changes	-	-	-	-	-	-
2004 Total Budget	<u>131.967</u>	<u>8.4%</u>	<u>130.946</u>	<u>7.5%</u>	<u>130.222</u>	<u>6.9%</u>
Total Increase	<u>10.200</u>	<u>8.4%</u>	<u>9.179</u>	<u>7.5%</u>	<u>8.455</u>	<u>6.9%</u>

The financial options for the 2004 Operating Budget are prepared in a format as specified by City Finance, consisting of prior year impacts and economic factors, operating pressures and new/enhanced service changes. No requests are being made for new/enhanced services in 2004.

A detailed breakdown of all three financial options for the 2004 Operating Budget submission is provided in Attachment 1.

Option 1 (8.4%)

Option 1 has a 2004 funding request increase over 2003 of 8.4% or \$10.200 million. Included in this amount are the following:

- staffing costs of \$7.361 million or 6.0%, consisting mainly of salary and benefits costs of \$4.711 million relating to COLA, rate increases for health and dental plans, CPP and OMERS; a gapping reduction request of \$0.900 million; and sick leave liability costs of \$0.800 million;
- economic adjustment of \$1.587 million or 1.3%, consisting of \$0.986 million for general expenditures and \$0.601 million for library collections;
- information technology costs of \$1.003 million or 0.8%, which includes the cost for the replacement and upgrade of hardware and software;
- other costs of \$0.248 million or 0.3%, which consists mainly of general maintenance costs.

Option 2 (7.5%)

Option 2 has a reduced request of \$9.179 million or 7.5%, down \$1.021 million or 0.9% from option 1. The \$1.021 million lower request results from the following:

- a reduced gapping request of \$0.500 million;
- a reduced economic adjustment for library collections of \$0.321 million; and
- a reduced general maintenance costs of \$0.200 million.

Option 3 (6.9%)

Option 3 has a funding request of \$8.455 million or 6.9%, which is a reduction of \$0.724 million or 0.6% from option 2 or a total reduction of \$1.745 million or 1.5% from option 1. The \$0.724 million reduction from option 2 consists of the following:

- a further reduction of \$0.400 million which eliminates the gapping reduction request and maintains the gapping target at the high 2003 level;
- a further reduction of \$0.280 million, eliminating any inflationary adjustment for library collections;
- a delay in the opening of the St. James Town Neighbourhood Branch from September 2004 to November 2004, resulting in a reduction of \$0.044 million.

A 2004 Budget Process Timetable is included in Attachment 2.

Conclusion:

Upon the Board's review and comments on the options, Library staff will prepare and submit the complete 2004 Operating Budget submission to the City in the required format on September 23, 2003. A copy of this submission will be provided to the Board for approval at its meeting on October 20, 2003.

The financial options for the 2004 Operating Budget submission are presented to the Board for review and discussion and the Board's guidance is sought in order for Library staff to prepare the 2004 Operating Budget submission.

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List of Attachments:

Attachment 1 – 2004 Operating Budget – Financial Options
Attachment 2 – 2004 Budget Process Timetable