

Service Efficiency Update

Date:	September 13, 2011
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

This report responds to the Toronto Public Library Board’s request at the July 26, 2011 meeting for a report on the status of the service efficiency studies by providing an update on the Library’s efficiency savings and the City Manager’s Service Efficiency Study.

As part of the 2012 operating budget process, Toronto Public Library (TPL) has been assigned a 10% reduction target or \$17.044 million. The efficiency savings identified by Library staff are presented in this report within the context of the reduction target.

Efficiencies include consolidations, introducing technology and automation, and reducing management and other support staff, resulting in budget savings estimated at \$4.1 million, which includes the elimination of approximately 50 full-time equivalent (FTE) positions.

The results of the City Manager’s Service Efficiency Study are not included in this report as they are not available at this time.

FINANCIAL IMPACT

As part of the 2012 operating budget process, TPL has been assigned a 10% reduction target or \$17.044 million.

Library staff has identified efficiency savings which are summarized below:

	Estimated Savings	
	\$ millions	FTEs
Consolidations	1.6	16
Technology and Automation	1.7	25
Management and Other Support Staff	0.8	9
	<u>4.1</u>	<u>50</u>

A capital investment is required to achieve some of these savings, and this will be managed through budget adjustments that do not impact the Library's approved debt levels. The *2011 Capital Budget Technical Adjustments – June 30, 2011* report seeks approval for these budget adjustments.

The results of the City Manager's Service Efficiency Study are not included in this report as they are not available at this time.

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

DECISION HISTORY

City Council approved the Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process on April 12, 2011. City agencies are included in the proposed Core Services Review and User Fee Study, and the Library is participating in the Service Efficiency Study.

At its meeting on July 26, 2011, the Board considered the *Core Service Review - City Manager's Report* and adopted the following motion:

That the Toronto Public Library Board:

- *requests the City Librarian to report on the status of the service efficiency studies.*

ISSUE BACKGROUND

To address Toronto's 2012 budget gap of \$774 million, City Council has launched a review of services. The outcome of the Core Service Review, the User Fee Review and the Service Efficiency Study will provide guidance to the development of the City's 2012 budget and multi-year budget-planning process.

At its meeting on June 7, 2011, the *2012 Service Review Program and Budget Update* report informed the Board that Library staff was undertaking an internal efficiency review with training in continuous improvement techniques using Lean Six Sigma methodologies. This approach to finding efficiencies focuses on customer service and maps processes to eliminate unnecessary steps and reduce errors. Library operations and processes for selection, acquisition, processing of new materials, materials handling in the branches and delivery were the areas identified for review by Library staff. This report provides an update on the outcome of the Library efficiency savings identified to date.

The City Manager's Service Efficiency Study of the Library using third-party consultants began in August 2011 and is not yet complete.

COMMENTS

The focus of the Library reviews has been to identify efficiencies and minimize any impact on customer service. Front-line staff and supervisors throughout the Library have been involved in work groups, questionnaires and brainstorming sessions in an effort to utilize staff expertise and gather suggestions. Also, an email account, efficiencyideas@torontopubliclibrary.ca was established to gather efficiency suggestions.

Library staff has identified efficiency savings estimated at \$4.1 million with efficiencies through consolidations, introducing technology and automation, and reducing management and other support staff. Included in the savings is a reduction of approximately 50 FTEs, including six management/exempt positions.

Consolidations (Estimated savings of \$1.6 million including 16 FTEs):

Annualized savings from the consolidation of the Urban Affairs Library at Toronto Reference Library (TRL) and the integration of periodicals at TRL, both included in the approved 2011 operating budget, contribute to the 2012 budget savings.

The on-going renovation at TRL has afforded another opportunity for savings with the consolidation of separate business desks that result in additional staff savings for 2012.

The consolidation of two delivery hubs into one of the existing hubs at 1076 Ellesmere Road results in the ability to reduce delivery routes and allows greater opportunity for sharing staff resources leading to cost savings.

Another consolidation involves reducing the number of locations for the Bookmobile and Home Library Service operations. Moving to one central location adjusts the operational configuration by consolidating staff, collections and vehicles. The current service delivery model and customers are not impacted by this change. The consolidation allows greater opportunity for sharing resources leading to reduced staffing and vehicle costs, and more consistent, uninterrupted service for customers.

Capital Investment

To realize savings in 2012, work on these consolidations need to start as quickly as possible. The 2011 capital cost for consolidations of the delivery hubs and the Bookmobile and Home Library Service is estimated at \$0.7 million. The proposal is to fund these projects by advancing \$0.7 million from the 2012 multi-branch capital project for the 2011 multi-branch project to be used to fund the consolidations. As the Malvern project spending is delayed, an equivalent \$0.7 million of cash flows can be deferred from 2011 to 2012, with no resulting impact on overall approved debt levels. This budget adjustment is included in the *2011 Capital Budget Technical Adjustments – June 30, 2011* report. As these adjustments impact 2012 cash flows for the multi-branch and Malvern projects, the 2012-2021 capital budget submission will need to be adjusted, and this will be presented to the Board for approval at a future meeting.

By redirecting \$0.7 million of the 2012 multi-branch capital project towards consolidations, this will result in a one-year deferral for planned state of good repair work related to Danforth/Coxwell (renovations), Perth/Dupont (building envelope) and York Woods (parking lot) branches.

Technology and Automation (Estimated savings of \$1.7 million including 25 FTEs):

For the 2009 capital budget, Council approved a four-year capital project totalling \$6.6 million to install self-service RFID technology for check-out in 40 of the busier library branches and the efficiencies gained have been reinvested to expand branch open hours with existing staff. To assist with meeting the budget target, the proposal is to continue with the approved capital project and apply further efficiencies resulting from the introduction of self-service RFID technology towards reducing staff costs. This proposal, along with other efficiencies and budget reductions, will be presented to the Board for review as part of the 2012 operating budget submission.

Staff has identified additional opportunities for implementing self-service RFID technology for check-out at ten new branch locations that will result in staff savings.

An automated RFID check-in sorting system was installed at Cedarbrae Branch to evaluate its effectiveness in handling the busyness of a large branch with high circulation, and its impact on materials handling. The findings of the evaluation indicate that for the Library's busiest branches, staff savings of approximately three FTEs can be realized where an automated check-in sorter is installed. Additional sorters are now planned for North York Central Library, Agincourt and Richview branches for staff savings in 2012. Fairview has been identified for a sorter in 2013 as part of the approved Fairview capital project.

Capital Investment

An additional \$1.0 million is required to accelerate and extend the implementation of self-service RFID technology. The proposal is to reduce the scope of the 2011 Virtual Branch Services project by \$1.0 million and transfer the funds to the Self-Service RFID project in order to fund the investment in technology and automation. This budget adjustment, which transfers funds between the two approved projects, is included in the *2011 Capital Budget Technical Adjustments – June 30, 2011* report.

By redirecting \$1 million of funding from the 2011 Virtual Branch Services project, the time-lines for certain projects will be extended and deferred to future years. The renewal projects for children and youth websites are now expected to begin in 2012. Other initiatives, including the development of self-service account management, personalization (reading lists and alerts) and mobile initiatives will also be delayed to 2012.

To fund the Richview sorter in 2012, \$0.3 million will be transferred from the 2012 multi-branch project to the self-service RFID project, requiring an adjustment to the 2012-2021 capital budget submission, and this will be presented to the Board for

approval at a future meeting. The \$0.3 million reduction to the 2012 multi-branch project will result in further delays in state of good repair projects.

Management and Support Staff Reductions (Estimated savings of \$0.8 million including Nine FTEs):

A review of management and support areas has resulted in the deletion of nine FTEs, including six management/exempt positions.

On-going Library Efficiencies:

Other Lean Six Sigma reviews are on-going at the Library, and the results will be reported to the Board at the October or November 2011 meeting. These reviews focus on the process-intensive areas for selection, acquisition and processing of new materials; and the processes involved in staff scheduling, timesheets and payroll.

City Manager's Service Efficiency Study

The City Manager's Service Efficiency Study is being led by external consultants, DPRA Canada. The areas of focus for the City Manager's review include the rationalization of services such as the number and distribution of Library locations, days and hours of operation, space and facilities utilization; the use of digital technology and the viability of increased use of virtual services and e-business; and the materials-handling processes involved in borrowing, returning, delivery and shelving library materials.

DPRA Canada's review started at the beginning of August with completion expected by the end of September. Library staff has participated in this review through meetings, by providing background information and tours of representative locations, including the delivery hub. DPRA Canada will report the results of the Service Efficiency Study to the City Manager and the findings will be incorporated into the 2012 operating budget process. There is some overlap between the City Manager's Service Efficiency Study and the Library's staff-led efficiency reviews, specifically with regard to circulation and delivery processes and the use of technology.

City's Facilities Management and Real Estate Study

KPMG was selected by the City as the consultant to conduct the Service Efficiency Study for the cross-corporate review of Facilities Management and Real Estate functions. Library staff has participated in interviews and provided background information.

Major cost-driver areas for the purposes of the City's Service Efficiency Study of Facilities Management have been identified as: custodial services; security services; maintenance services; and administration of charge-back/inter-divisional recovery systems. The study will include an examination of cost-saving opportunities in one or more of the cost-driver areas. The Library has already contracted out many of these operations after amalgamation.

Major cost-driver areas for the purposes of the Service Efficiency Study of Real Estate Services have been identified as policy & appraisal services; sales, acquisitions & expropriations; portfolio management, planning & development; lease transactions, administration and property management; contracted services for each real estate unit, including brokers, appraisers, and consultants; and management, administration and operation of the St. Lawrence Market Complex. The study will include an examination of cost-saving opportunities in one or more of the cost-driver areas. The Library has a service agreement with the City to purchase real estate expertise for leasing and other real estate matters.

City's Fleet Management Study

Western Management Consultants and Supply Chain Alliance were selected by the City to conduct the Service Efficiency Study for the cross-corporate review of Fleet Management functions. Library staff has participated in interviews and provided background information. The Library has a service agreement with the City who manages the replacement and maintenance of the Library's fleet.

The consultant will assess service efficiency within the areas to be focussed on: the costs and cost drivers of current practice; services, activities and methods; comparison against service providers in other jurisdictions using comparable and relevant best practices; and comparison of service benchmarks and measures. The study will identify and recommend opportunities for improved efficiency and cost savings.

2012 Operating Budget Timeline

- The 2012 operating budget submission will be presented at the October 17 or November 21, 2011 Board meeting for approval. The budget submission will include other efficiencies and budget reduction options, including recommendations from the City Manager.
- Budget Committee will launch both the operating and capital budgets on November 28, 2011 with reviews during December.
- Executive Committee will review the budgets on January 12, 2012.
- Council will approve the budgets on January 18-20, 2012.

CONTACT

Vickery Bowles; Director, Collections Management and City-Wide Services;
Tel: 416-395-5506; Fax: 416-395-5500; Email: ybowles@torontopubliclibrary.ca

Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946; Fax: 416-393-7115;
Email: lhughsam@torontopubliclibrary.ca

SIGNATURE

Jane Pyper
City Librarian