



## STAFF REPORT ACTION REQUIRED

### 2012 Operating Budget Surplus

<b>Date:</b>	June 25, 2012
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

### SUMMARY

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The purpose of this report is to respond to the Library Board's request for spending options regarding the projected 2012 operating surplus of \$2.566 million resulting from the recent labour disruption. As a result of this request, staff has undertaken a review of policies and practices related to operating surpluses.

The savings from the labour disruption are a one-time, unusual occurrence and the practice has always been to return operating surpluses to the City. Operating surpluses are used by the City to balance the next year's budget. In addition in 2004, Council adopted a *City Policy on Managing Operating Budget Surpluses* that is applied to any portions of the City's surplus that is in excess of the amount required to balance the budget.

The City has a longstanding practice of funding the Library's costs resulting from labour settlements such as changes to wages through collective bargaining, wage harmonization, pay equity and more recently from the voluntary separation program.

The *Public Libraries Act* requires the Board to submit its budget in a form as specified by Council, and the Council-approved budget must be adopted by the Board. The Board is required to spend the budget as approved; the only way for the Board to vary in the spending of its budget is to request Council approval to do so.

Based on all these considerations, the recommendation is to return to the City at year-end, the Library's 2012 operating budget surplus including the savings resulting from the March 2012 labour disruption.

### RECOMMENDATIONS

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

1. returns to the City at year-end, the Toronto Public Library 2012 operating budget surplus, including savings resulting from the March 2012 labour disruption.

## FINANCIAL IMPACT

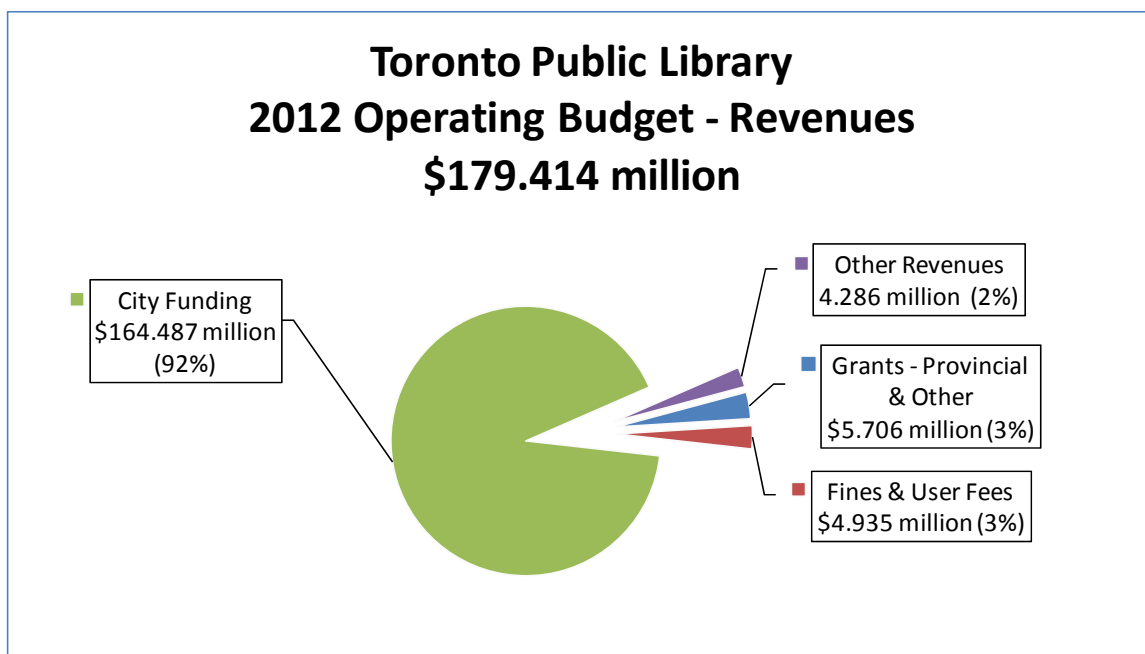
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The Library is currently projecting a year-end operating surplus of \$2.566 million primarily as a result of net savings from the labour disruption. If the Board wishes to spend any portion of the projected surplus, a request to seek Council approval would be required.

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

## BACKGROUND

The City funds the vast majority (92%) of TPL's operating budget.



In addition, the City issues debt to fund approximately 60% to 80% of the Library's capital program each year.

## DECISION HISTORY

At its meeting on May 28, 2012, the Board reviewed the *Operating Budget Monitoring Report – April 30, 2012* and approved motions requesting the City Librarian to report on:

- *options for utilizing the \$2.5 million salary budget surplus for a) increasing collections or b) the possibility of transferring it to capital reserves; and*
- *options for using the \$2.5 million salary budget surplus on projects that meet the needs of the Library.*

## COMMENTS

### *Public Libraries Act*

Section 24 of the *Public Libraries Act* (PLA) deals with the process for budget approval and expenditure. Section 24(1) requires the Board to submit its budget in the form specified by Council in respect to all sums required by the Board during the year. Under subsection 24(2) Council can approve the budget as submitted but it can also amend the budget. Subsection 24(3) provides that the Library Board “shall apply the money paid to it...in accordance with the estimates as approved, subject to subsection 24(4)”.

Subsection 24(4) provides that, in approving the Board’s budget or when requested by the Board, Council may “authorize the board to apply a specified amount or percentage of the money paid to it otherwise than in accordance with the estimates as approved”.

As part of the annual budget submission process, the City provides forms and templates that need to be completed with detailed budget information including: salaries of each position in the workforce; expenditure categories including salaries, benefits, utilities, contracted services, etc.; expenditures by service; and business cases to support cost and revenue changes.

The PLA states that the Board is required to expend funds in accordance with the budget as approved and can only vary with Council’s permission.

### **City Policy on Managing Operating Budget Surpluses**

Subsection 228(5) of the City of Toronto Act allows the City to use the surplus from the previous year as part of estimated revenues for balancing the current year’s budget. If a portion of the prior year’s surplus is not required to balance the current year’s budget, the *City Policy on Managing Operating Budget Surpluses* is applied.

At the meeting on September 28, 29, 30 and 31 and October 1, 2004, Council adopted a *City Policy on Managing Operating Budget Surpluses* report that included the following recommendation:

*Starting with fiscal 2005, for any surplus, the Chief Financial Officer and Treasurer be authorized....to apply any additional surplus, in priority order to:*

- a) Capital Financing Reserve Fund (at least 75% of the additional surplus); and*
- b) The remainder to fund any under-funded liabilities, and/or reserves/reserve funds as determined by the Chief Financial Officer and Treasurer.*

Any annual TPL operating surplus is returned to the City and applied as described above.

### **Collective Bargaining**

In the year of collective bargaining negotiation, it is standard practice for City divisions and agencies, including Toronto Public Library, to not budget for the cost of a potential wage settlement. Instead, the budget for potential settlements is held at the City corporate level, and divisional and agency budgets are adjusted once settlements have been reached.

For 2012, which is a collective bargaining year, TPL's operating budget was approved without any potential settlement costs. In a similar way that the City commits to adjust the Library's budget for settlement costs, the City expects that any savings from labour disruptions would be returned to the City.

### **City Funding for Other Wage Settlements**

At the meeting on September 13, 2011, the Board approved a request to Council to fund a Voluntary Separation Program (VSP). Council approved funding for TPL's VSP which was to be funded first from any TPL year-end surplus and then the City's. At the end of 2011, TPL's year-end surplus was \$0.16 million which was used to partially offset the total VSP cost of \$7.2 million funded by the City. In returning the 2012 projected surplus of \$2.566 million to the City, this would partially reimburse the cost of the VSP program.

Other special one-time payouts for wages have also been funded by the City such as in 2010, there was a \$2.4 million special payout to employees who transferred to the Illness or Injury Plan (IIP).

### **CONCLUSION**

There is a longstanding practice of the Library returning operating budget surpluses to the City. The City uses operating surplus to balance the next year's budget, and for any remaining budget surplus, the *City Policy on Managing Operating Budget Surpluses* is applied. In addition, the City funds the costs of the Library's labour settlements.

The PLA requires the Board to submit its budget in a form as specified by Council. The Board is required to spend the budget as approved, and the approved budget. The only way for the Board to vary in the spending of its budget, is to request Council approval to do so.

### **CONTACT**

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### **SIGNATURE**

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City Librarian