

2021 Operating Budget – Base Pressures Preview

Date:	June 22, 2020
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to provide the Toronto Public Library (TPL) Board with a preview of the preliminary 2021 operating base budget pressures as a starting point for the operating budget process. Cost increases over 2020 are mostly due to staff COLA and benefits, inflationary pressures, and the second-year impact of 2020 budget enhancements. Revenue from venue, community room, and theatre rentals, and fines and fees, are expected to decrease in 2020 due to the continuing impact of COVID-19. A 2021 net base budget pressure of \$6.657 million net (\$5.791 million gross), or 3.4%, which is comprised of \$5.758 million net (\$4.892 million gross), or 2.9%, to maintain current service levels and \$0.899 million net and gross, or 0.5%, related to previous Council-approved budget enhancements, which are planned for implementation in the second half of 2020.

TPL’s 2021 operating budget, which will include an assessment for additional cleaning and supplies related to COVID-19, will be updated and refined over the summer and efficiencies and other measures will be sought to offset budget pressures. Service enhancements may also be included in the submission.

The complete 2021 operating budget submission is expected to be presented for Board consideration at its meeting on September 21, 2020. The City has not yet provided 2021 budget guidelines.

FINANCIAL IMPACT

The preliminary 2021 operating base budget pressure is \$6.657 million net (\$5.791 million gross), or 3.4%, over the previous year approved budget and is comprised of \$5.758 million net (\$4.892 million gross), or 2.9%, to maintain current service levels and \$0.899 million net and gross, or 0.5%, related to 2020 Council-approved budget

enhancements, which are planned for implementation in the second half of 2020. The 2021 base pressures are presented as a starting point for the operating budget process.

The Director, Finance and Treasurer has reviewed this financial impact statement and agrees with it.

COMMENTS

The preliminary 2021 base pressure of \$6.657 million net (\$5.791 million gross), or 3.4%, is detailed in Table 1.

Table 1: 2021 Operating Budget - Base Pressures (\$ millions)

	<u>Gross</u>	<u>Revenue</u>	<u>Net</u>	<u>%</u>
2020 Council Approved Operating Budget	217.334	20.640	196.695	
2021 Budget Pressures & Reliefs				
Salary and Benefits COLA	2.054	-	2.054	1.0%
Reduction in revenue	-	(1.095)	1.095	0.6%
Operating impact of capital	0.757		0.757	0.4%
Contracted services increase	0.578		0.578	0.3%
Supplies & services economic increase	0.527		0.527	0.3%
Library Collection economic increase	0.523	0.105	0.418	0.2%
Utilities economic increase	0.348		0.348	0.2%
Contribution to City reserves	(0.020)		(0.020)	0.0%
Capital Budget project coordinators	0.124	0.124	-	0.0%
	<u>4.892</u>	<u>(0.866)</u>	<u>5.758</u>	<u>2.9%</u>
Second Year Impact of 2020 Council-approved Budget Enhancements				
Increased open hours at 8 Neighbourhood branches	0.578		0.578	0.3%
Seasonal Sunday Service	0.212		0.212	0.1%
Ten new Youth Hubs	0.060		0.060	0.0%
Digital Safety & Literacy Programming	0.050		0.050	0.0%
	<u>0.899</u>	<u>-</u>	<u>0.899</u>	<u>0.5%</u>
Base Budget Increase	5.791	(0.866)	6.657	3.4%
Preliminary 2021 Operating Budget - Base	223.126	19.774	203.352	3.4%

Budget Pressures & Reliefs

Salary and Benefit COLA: Costs related to salary and benefits are expected to increase by \$2.054 million mainly attributed to cost of living adjustments (COLA), partially offset

by savings related to the number of working days in 2021 versus 2020, which was a leap year.

Reduction in revenue and associated expenditures: An estimated budget pressure of \$1.095 million related to the impact of COVID-19 on venue rentals, and fines and fees.

Operating Impact of Capital – Building and Technology Projects: An estimated increase of \$0.757 million due to completed capital projects, and this estimate will be revised as work is finalized on the 2021-2030 capital budget and plan.

Contracted Services: Known and expected increases result in a pressure of \$0.578 million. Not included in this estimate are possible cost increases related to increased cleaning in response to COVID-19.

Supplies and Service Costs: Estimated inflationary increase for supplies and general services results in an expected budget pressure is \$0.527 million. Not included in this estimate are additional pressures for supplies related to COVID-19, including personal protective equipment (PPE), hand sanitizer and other cleaning products.

Library Collections Costs: Library collection costs are impacted by both inflationary pressures and currency exchange rates. A factor of 2.5% was applied and results in a projected budget pressure for collections of \$0.418 million net (\$0.523 million gross), and is partially offset by an increase in development charges for library materials.

Utility Costs: Estimated inflationary increase for hydro, natural gas and water results in an increase of \$0.348 million.

Contribution to City's reserve fund: Known reduction in TPL's contribution to the City's insurance reserve fund of \$0.030 million as allocated by the Insurance Allocation Algorithm, partially offset by an increase of \$0.010 million in TPL's contribution to the fleet reserve.

Capital Budget Project Coordinators: Second year impact of the two new project coordinators approved in the 2020 budget. There is zero net impact (\$0.124 million gross) as these costs are offset through a transfer from the capital budget.

2020 Council-Approved Service Enhancements

The approved 2020 operating budget included a number of service enhancements that are planned for implementation in the second half of 2020. The second year cost for these budget enhancements total \$0.899 million, or 0.5%, would become part of the 2021 base budget pressures:

- Increased open hours at eight Neighbourhood branches to enhance Youth Hub service totalling \$0.578 million (\$1.436 million total);

- Seasonal Sunday service at eight Neighbourhood branches totalling \$0.212 million (\$0.420 million total);
- Additional ten new Youth Hubs for \$0.060 million (\$2.365 million total); and
- Digital Safety and Literacy Programming totalling \$0.050 million (\$0.100 million total).

Further Budget Work

The 2021 operating budget submission is expected to be presented for Board consideration at its September 21, 2020 meeting.

Over the summer, TPL staff will continue to work on the 2021 operating budget which include:

1. reviewing the City's 2021 Budget Guidelines;
2. performing line-by-line reviews to identify budget pressures and reliefs with particular attention to COVID-19 related impacts;
3. identifying opportunities that leverage innovation to further modernize library service while providing budget reliefs;
4. developing projects to rationalize service and achieve efficiencies;
5. identifying additional revenue bridging strategies and increased revenue opportunities;
6. identifying essential service priorities and additional budget enhancements, including the Open Hours Plan, that support the Library's Strategic Plan, the City's Poverty Reduction Initiatives and other Council priorities; and
7. developing strategies to manage ongoing demand, improve customer service, and fund the modernization of library services while furthering TPL's strategic priorities and limiting the impact on the budget.

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SIGNATURE

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