

20.



STAFF REPORT INFORMATION ONLY

Operating Budget Monitoring Report - April 30, 2023

Date: June 19, 2023

To: Toronto Public Library Board

From: City Librarian

SUMMARY

The purpose of this report is to provide the Toronto Public Library Board with a summary of the gross and net operating expenditures of Toronto Public Library (TPL) for the four-month period ended on April 30, 2023 and a forecast for year-end.

TPL has a proven track record of financial stewardship, through fiscally responsible budgeting and policies, procedures and controls around spending public funds. 2023 has proven to be an exceptionally challenging year, starting with a Council-approved operating budget significantly below what was requested by the Library Board and this, along with the lingering effect of the pandemic, has resulted in additional budget pressures.

As of April 30, 2023, TPL is reporting a net budget overspending of \$2.244 million, mainly due to: overspending in staffing costs mainly due to the re-hiring of approximately 50 staff in December 2022 who were previously terminated for non-compliance with the vaccine mandate and also the budget being reduced by an additional staff vacancy savings; revenue shortfall in printing and room rentals; an unallocated 2023 budget reduction; and higher costs for materials and service contracts.

Measures have been implemented to mitigate the budget over-spending while preserving service levels, including reinstatement of TPL's attendance management program, which was suspended during the pandemic; reviewing staff accommodations to assist staff who can return to normal duties; additional monitoring of each payroll and other staff costs, including overtime and extra hours; analyzing weekly operating costs and performing line-by-line reviews; and reducing discretionary spending.

The current projection is a year-end net budget overspending of approximately \$5.5 million. The projected budget over-expenditure has been reported to the City's Chief Financial Officer (CFO) who will assess the situation within the overall City budget context. Discussions are underway with the CFO and if further budget mitigation measures are required for TPL, which could impact services, a special Library Board meeting could be held over the summer.

TPL has always returned its operating budget surplus to the City and over the past 10 years, approximately \$18 million has been returned, including \$5.0 million in 2021.

It is understood that the City will therefore cover any TPL operating deficit, similar to other agencies and boards of the City.

The over-spending reflects a structural deficit in the operating budget, which will need to be addressed as part of the 2024 operating budget.

FINANCIAL IMPACT

For the four-month period ended on April 30, 2023, TPL is reporting a net unfavourable operating budget variance of \$2.244 million comprised of an unfavourable expenditure variance of \$2.164 million and an unfavourable revenue variance of \$0.080 million. Measures have been implemented to mitigate the budget over-spending and the current projection is a year-end net budget overspending of approximately \$5.5 million.

As required by the [Financial Control Policy](#), the anticipated overspending of the operating budget is also being reported to the City's CFO, who will assess the projected overspending within the overall City budget context.

The over-spending reflects a structural deficit in the operating budget which will need to be addressed as part of the 2024 operating budget.

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

ALIGNMENT WITH STRATEGIC PLAN

The operating budget supports TPL's strategic plan by supporting digital literacy and inclusion, enhancing access to information, technology and e-learning and transforming library operations for 21st century service excellence.

The operating budget monitoring report is a public-facing reporting and tracking tool that demonstrates openness and accountability and is a key performance indicator to support the Financial Stewardship strategic objective within TPL's Strategic Plan.

EQUITY IMPACT STATEMENT

TPL's 2023 budget supports an inclusive economic recovery as part of the City's recovery initiatives; provides affordable, accessible and resilient digital supports as a public service; and advances equity in the city and workplace. The budget will have a positive impact on many equity-deserving groups, including newcomers and low-income families and individuals. Access to library resources and programs can increase access to learning opportunities, City information, training and employment opportunities, as well as opportunities for civic engagement and community participation.

DECISION HISTORY

At its meeting on February 27, 2023, the Board considered [2023 Operating Budget – Adoption](#) and adopted the TPL 2023 operating budget of \$213.559 million net (\$234.610 million gross).

At its meeting on May 23, 2023, the Board considered [TPL Workforce Overview](#) and received a presentation which noted that the staff budget is being overspent and that further information would be provided at the June 19, 2023 Board meeting.

ISSUE BACKGROUND

Operating budget monitoring reports are usually reported to the Board on a quarterly basis and also when a financial report is required by the City outside of quarter-ends, such as this report as of April 30, 2023.

Fiscal Stewardship

TPL has a proven track record of fiscal stewardship through responsible budgeting, policies, procedures and controls around spending public funds, and constantly innovating. Over the last 12 years, TPL has received modest annual budget increases, usually below the rate of inflation, while implementing technology and process improvements resulting in efficiencies and cost savings and improved services.

Some of the efficiencies implemented include:

- Expansion of service hours through RFID self-serve check-out and efficient staff scheduling;
- Introduction of self-service technology for many transactional operations such as bill payments and holds management;
- Installation of a central automated sorter, as well as mini-sorters in a number of branches, to significantly reduce materials and shorten delivery times which increases the availability of the collections for customers;
- Replacement of public, staff and shared printers, scanners, fax machines and copiers with more efficient Multi-Function Devices and improved payment processes for public printing;
- Consolidation of operational areas including service desks and divisions within branches, delivery hubs and Mobile Library Services
- Conversion of land-line phone system to VOIP (voice over Internet protocol) technology;
- Applying lean six sigma techniques to high-volume transactions to find efficiencies and savings while improving service;
- Enhanced purchasing power through participation in provincial consortiums and City contracts resulting in preferential pricing for collections, electronic databases, and many goods and services;
- Development of premium rental spaces to increase revenues (NOTE: The Public Libraries Act does not allow charging for core library services resulting in limited revenue opportunities);

- Strategic service partnerships including funding, grants and embedded service partnerships; and
- Benefits from ongoing contribution of volunteers for TPL programs.

Over the past 10 years, TPL has returned approximately \$18 million in surpluses to the City, including \$5.0 million in 2021.

Approved 2023 Budget

The 2023 budget process was particularly challenging for both TPL and the City with the continuing impacts of the pandemic, high inflation, supply chain disruptions and staffing challenges. There have also been steady increases in the usage of TPL services across all service areas and increased incidents of violence and disruptive behaviour in library branches that reflect trends occurring more broadly in the city.

The Library Board submitted a 2023 operating budget, which included a request for additional funding for base pressures of \$9.7 million net, or 4.7% increase, and COVID pressures of \$5.0 million net. As noted in [2023 Operating Budget – Adoption](#) at the February 27, 2023 Board meeting, through a very difficult budget process and in order to meet the City allocation and avoid service cuts, the budget was reduced and the Council-approved budget provided additional funding for base pressures of \$5.0 million net, or 2.4% increase, and COVID pressures of \$3.5 million. The lower budget was achieved through: spending reductions; spending deferrals; higher revenues; additional \$1.5 million of savings through staff vacancy experience; and a \$0.9 million unallocated budget reduction. These reductions have resulted in a 2023 budget with no room to manage unexpected pressures.

COMMENTS

2023 has so far proven to be an exceptionally challenging year, which started out with a Council-approved operating budget significantly below what was requested by the Library Board, and the lingering effect of the pandemic which has resulted in additional budget pressures. For the four-month period ended on April 30, 2023, TPL is reporting a net budget overspending of \$2.244 million related to pressures in staffing costs, revenue shortfalls and higher other costs.

Staffing

At its meeting on May 23, 2023, the Board received a presentation regarding [TPL Workforce Overview](#) which noted that the staffing budget, which represents 72% of the operating budget, is being overspent and this is due to the following:

- the 2023 budget was reduced by \$1.5 million through higher savings from staff vacancies, which is in addition to the recurring \$5 million of annual vacancy savings in the base budget;
- the rehiring of approximately 50 staff in December 2022 who were terminated due to non-compliance with TPL's COVID-19 vaccination policy, with an annual cost of \$2.5 million; and
- increased costs due to staff absenteeism related to the pandemic.

The year-to-date staffing costs are overspent by \$1.353 million.

Revenues

The lingering impact of the pandemic, as well as the delayed reopening of York Woods branch and theatre, and North York Central Library lower level venue, have resulted in a shortfall in printing and venue rentals of \$0.525 million.

Other Costs

There continues to be higher costs for materials such as gasoline and tools which are overspent by \$0.149 million.

Service contracts, including security guards, continue to see high inflationary and service pressures and are projected to be overspent.

Actuals vs. Budget - April 30, 2023

Table 1 below summarizes the operating budget spending by category.

TABLE 1: Operating Budget Monitoring for the period ending April 30, 2023

Expenditure/Revenue Category	YEAR TO DATE			
	Actuals	Budget	Variance to Budget	
	\$ M	\$ M	\$ M	%
1 Staffing Costs	51.818	50.465	(1.353)	(2.7%)
2 Materials and Supplies	0.943	0.794	(0.149)	(18.8%)
3 Library Materials	7.149	7.149	-	0.0%
4 Equipment, Services and Rent	12.382	12.393	0.011	0.1%
5 Contributions & Transfers to Reserves	(0.067)	(0.054)	0.013	(24.0%)
6 Other Expenses	0.009	(0.302)	(0.311)	103.0%
7 subtotal	72.235	70.445	(1.790)	(2.5%)
8 Library initiatives funded by TPL Foundation and others	1.026	0.652	(0.374)	(57.4%)
9 Total Gross Expenditures	73.260	71.097	(2.164)	(3.0%)
10 Grants	1.905	1.905	-	0.0%
11 Fines, Fees and Room Rentals	0.758	1.283	(0.525)	(40.9%)
12 Contributions & Transfers from Reserves	-	-	-	0.0%
13 Other Revenues	0.837	0.766	0.071	9.3%
14 subtotal	3.500	3.954	(0.454)	(11.5%)
15 Grants from TPL Foundation and others	1.026	0.652	0.374	57.4%
16 Total Revenues	4.526	4.606	(0.080)	(1.7%)
17 Net Expenditures	68.735	66.491	(2.244)	(3.4%)

Mitigation Measures

TPL has implemented measures to mitigate the budget over-spending while maintaining services including:

- reinstatement of TPL's attendance management program which was suspended during the pandemic;

- reviewing staff accommodations to assist staff who can return to normal duties, and in-so-doing, eliminate back-filling those positions;
- seeking opportunities to transfer into vacant positions the over-establishment staff who were reinstated following their termination due to their unvaccinated status;
- additional monitoring of each payroll and other staff costs, including overtime and extra hours;
- closely monitoring and analyzing weekly operating costs and performing line-by-line reviews with department heads;
- managing service contracts to identify savings;
- reducing discretionary spending;
- deferring non-urgent projects; and
- deferring expenditures where feasible.

2023 Year-End Forecast

The current projection is a year-end net budget overspending of approximately \$5.5 million, which is comprised of: \$4 million overspending in staffing costs; \$0.5 million overspending in materials and service contracts; and a \$1 million shortfall in revenues. The overspending reflects a structural deficit in the operating budget which will need to be addressed as part of the 2024 operating budget.

Financial Control Framework

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 which states: *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 TPL operating surplus is expected to be returned to the City and applied as described above; over the past 10 years TPL has returned approximately \$18 million of surpluses. It is therefore understood that any TPL budget deficits will be funded by the City, similar to other agencies and boards of the City.

TPL's Financial Control policy states that the City Librarian should make efforts to mitigate budget pressures and report any anticipated over-expenditure of the operating budget to the Library Board and the City's CFO as soon as the potential over-expenditure is known.

The anticipated overspending of the operating budget has been reported to the City's CFO who will assess the projected overspending within the overall City budget context. Discussions are underway with the CFO and if further budget mitigation measures are required by TPL, which could impact services, a special Library Board meeting could be held over the summer.

CONTACT

Larry Hughsam; Director, Finance & Treasurer; Tel: 416-397-5946;
Email: lhughsam@tpl.ca

Howard Balter; Manager, Budget & Financial Reporting; Tel: 416-393-7003;
Email: hbalter@tpl.ca

SIGNATURE

Vickery Bowles
City Librarian

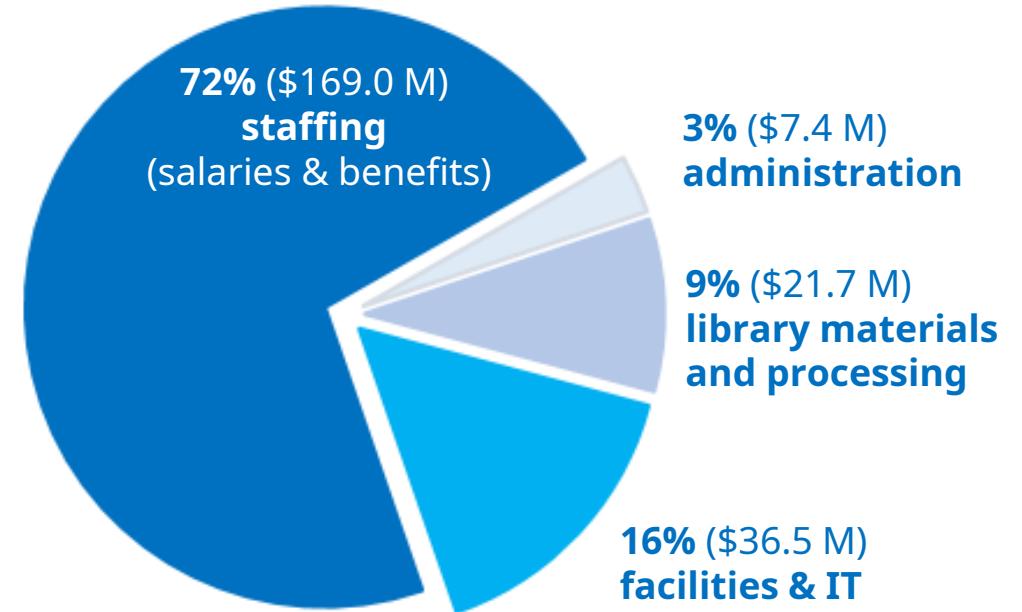
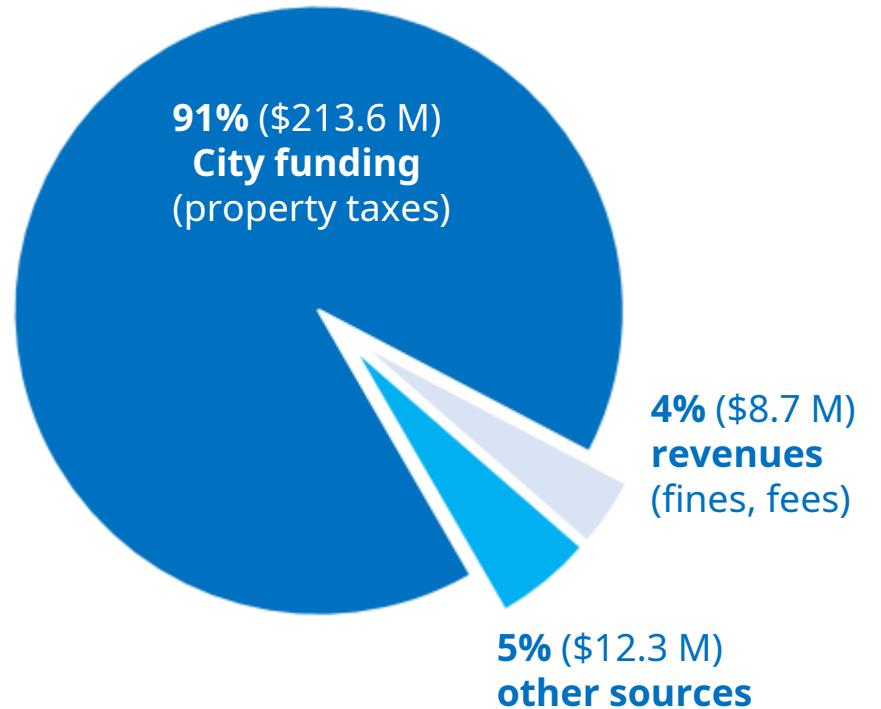
Operating Budget Monitoring Report

April 30, 2023

Toronto Public Library Board Meeting
June 19, 2023

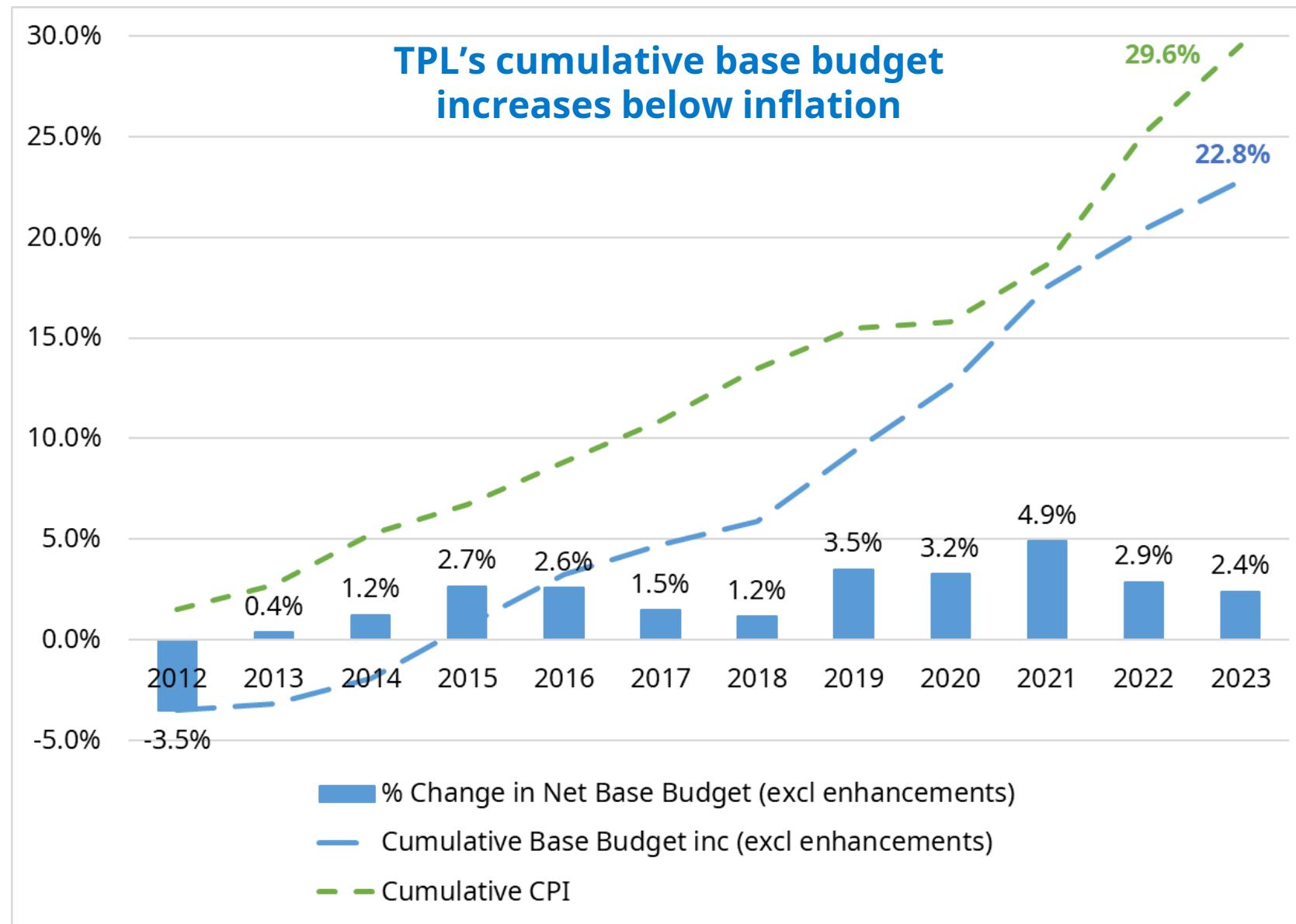


2023 operating budget \$213.6 million net



history of TPL budget increases

2012 to 2023



operating efficiencies

Focus on **efficiency, continuous improvement** and **excellent customer experiences**

Self-serve checkout

In all 100 branches (90% usage)

Sorters

13 in-branch (74% usage by public); one central

Lean Six Sigma efficiencies

Holds processing; materials acquisition & processing; shelving; scheduling

Technological efficiencies

VOIP; enhanced/integrated printing and payment systems; self-checkout payments; consolidated customer service desks; BI & Analytics



Increased open hours

535 hrs/week of open hours added since 2007



Shorter delivery times

from **7 days** to **3 days**



Reduced cycle time of materials processing

from **4-6 weeks** to **2-3 days**



Improved customer service

Shorter wait times for materials; staff freed up to deliver **higher value services** to customers; **high customer satisfaction ratings**

- ▶ While meeting steadily increasing demand
- ▶ With high customer satisfaction

TPL operating surplus 2010 to 2022

- Since 2010, TPL has returned **\$18.4 million** in operating budget surpluses
- On average 1% per year
- A budget deficit is an anomaly for TPL

2023 operating base budget increase board submission vs council approved (in \$ millions)

	Board Submission Oct 25, 2023	Council Approved	CHANGE
Recurring base budget pressures	11.539	11.539	-
Affordability measures/savings	(1.835)	(4.133)	(2.298)
Vacancy experience		(1.500)	(1.500)
Unallocated budget reduction		(0.906)	(0.906)
Base Budget increase	9.704	5.000	(4.704)
COVID pressures	5.053	3.553	(1.500)
Base Budget increase, including COVID	14.758	8.553	(6.204)

- TPL's Council-approved budget **\$6.2 million lower** than TPL Board submission
- Resulting in a budget with no contingency for unanticipated costs

2023 operating base budget increase year end forecast

Staffing budget pressures	(\$4 million)
• Unable to meet vacancy savings due to accelerated hiring, staff illness and accommodation	(\$1.5 million)
• Return of terminated staff for non-compliance with TPL's COVID-19 vaccination policy	(\$2.5 million)
Revenue shortfall	(\$1 million)
• Decreased printing revenues and room rentals	
Inflationary pressures	(\$0.5 million)
• Unable to offset all of \$900k unallocated cut due to increased operating costs	

\$5.5 million year end deficit

2023 operating budget ongoing mitigation strategies while maintaining service levels

- Closely monitoring and analyzing weekly operating costs, performing line-by-line reviews
- Managing service contracts to identify savings
- Reducing discretionary spending
- Reinstatement of TPL's attendance management program
- Reviewing staff accommodations
- Additional monitoring of payroll and other staff costs
- Deferring non-urgent projects

As required by TPL Financial Control Policy and City practice,

- TPL is expected to return annual surpluses and the City is expected to cover any deficits
- TPL has reported the anticipated overspending to the City's CFO
- CFO will assess the projected overspending within overall City budget context
- If further budget mitigation measures are required which impact services, a special Library Board meeting would be held over the summer

Structural deficit will need to be addressed as part of the 2024 budget process



thank you
questions?