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STAFF REPORT INFORMATION ONLY

Operating Budget Monitoring Report – September 30, 2023

Date: December 4, 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 nine-month period ended on September 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 combined with the lingering effect of the pandemic, this has resulted in additional unfunded budget pressures.

As of September 30, 2023, TPL is reporting a net budget overspending of \$5.013 million, resulting mainly from: 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; the budget being reduced by additional staff vacancy savings; revenue shortfalls in printing and venue rentals; and an unallocated 2023 budget reduction.

Measures have been implemented to mitigate the budget overspending, 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 updated projection is a year-end net budget overspending of approximately \$6.5 million and has been reported to the City. It is understood that the City will cover any TPL operating deficit, similar to other agencies and boards of the City.

The overspending reflects a structural deficit in the operating budget which has been addressed as part of TPL's 2024 operating budget submission.

FINANCIAL IMPACT

For the nine-month period ended on September 30, 2023, TPL is reporting a net unfavourable operating budget variance of \$5.013 million comprised of an unfavourable expenditure variance of \$4.610 million and an unfavourable revenue variance of \$0.402 million. Measures have been implemented to mitigate the budget overspending and the updated projection is a year-end net budget overspending of approximately \$6.5 million.

The overspending reflects a structural deficit in the operating budget which has been addressed as part of TPL's 2024 operating budget submission.

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 has 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). 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 the report, after 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 only 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 and required savings to be identified.

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.

At its meeting on June 19, 2023, the Board considered [Operating Budget Monitoring Report – April 30, 2023](#) which reported a net budget overspending

of \$2.244 million as of April 30, 2023 and a projection for a year-end net budget overspending of approximately \$5.5 million.

At its meeting on September 18, 2023, the Board considered [Operating Budget Monitoring Report – June 30, 2023](#) which reported a net budget overspending of \$3.548 million as of June 30, 2023 and a projection for a year-end net budget overspending of approximately \$6.5 million.

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.

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 nine-month period ended on September 30, 2023, TPL is reporting a net budget overspending of \$5.012 million related to pressures in staffing costs, revenue shortfalls and higher other costs.

Actuals vs. Budget - September 30, 2023

Table 1 below summarizes the operating budget spending by category.

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

	Expenditure/Revenue Category	YEAR TO DATE			
		Actuals	Budget	Variance to Budget	
				\$ M	%
1	Staffing Costs	125.270	121.649	(3.620)	(3.0%)
2	Materials and Supplies	2.171	2.135	(0.036)	(1.7%)
3	Library Materials	16.086	16.086	-	0.0%
4	Equipment, Services and Rent	27.052	26.791	(0.260)	(1.0%)
5	Contributions & Transfers to Reserves	(0.169)	(0.163)	0.006	(3.7%)
6	Other Expenses	0.020	(0.680)	(0.700)	103.0%
7	Total Gross Expenditures	170.430	165.820	(4.610)	(2.8%)
8	Grants	4.286	4.286	-	0.0%
9	User Fees and Room Rentals	1.982	3.000	(1.018)	(33.9%)
10	Contributions & Transfers from Reserves	0.500	-	0.500	0.0%
11	Other Revenues	1.839	1.723	0.115	6.7%
12	Total Revenues	8.606	9.009	(0.402)	(4.5%)
13	Net Expenditures	161.824	156.811	(5.013)	(3.2%)
14	Library initiatives funded by TPL Foundation	3.318	1.711	(1.607)	(93.9%)
15	Grants from TPL Foundation	3.318	1.711	1.607	93.9%
16	Net Expenditures	-	-	-	0.0%
17	Total Net Expenditures	161.824	156.811	(5.013)	(3.2%)

Staffing

As of September 30, 2023, TPL is reporting a gross expenditure overspending of \$4.610 million when excluding expenditure costs related to specific library initiatives funded from supplementary grants from the TPL Foundation, which is mainly due to staffing costs. This is due to pressures resulting from the rehiring of staff who were terminated for non-compliance with the vaccine

mandate. Mitigation measures related to staffing usually require a longer lead time and its effects will be determined in the latter part of 2023. The year-to-date staffing costs are overspent by \$3.620 million.

Equipment, Services and Rent

While service contracts, including security guards, continue to see high inflationary and service pressures and are projected to be overspent, this has been offset by underspending in furniture and furnishings and air filters resulting in a favourable year-to-date expenditure variance of \$0.260 million. Some of the underspending is solely related to timing of the expenditures and therefore the year to date underspending will be reversed by year end as planned non-discretionary expenditures are made.

Revenues

As of September 30, 2023, TPL is reporting an unfavourable revenue variance of \$0.402 million when excluding supplementary grant funding from the TPL Foundation to fund specific library initiatives. The unfavourable revenue variance of \$0.402 million is primarily related to decreased printing and venue rentals revenues as a result of pandemic impacts and the delayed reopening of the York Woods branch and theatre and the new North York Central Library lower level venue.

2023 Year-End Forecast

The current projection is a year-end net budget overspending of approximately \$6.5 million which is comprised of: \$4.5 million overspending in staffing costs, \$1.0 million overspending in services and rent primarily related to contracts and the unallocated budget reduction, and an unfavourable revenue variance of \$1.0 million related to continuing revenue shortfalls.

The overspending reflects a structural deficit in the operating budget which has been addressed as part of the 2024 operating budget submission.

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SIGNATURE

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