

6.



STAFF REPORT ACTION REQUIRED

2023 Operating Budget Submission - Revised

Date: January 5, 2023

To: Toronto Public Library Board

From: City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval of a revised 2023 operating budget submission.

The 2023 budget year is particularly challenging for both Toronto Public Library (TPL) and the City of Toronto with the continuing impacts of COVID-19, high inflation, supply chain disruptions, and staffing challenges. Despite these challenges, the City recognizes TPL's role in supporting Council priorities, including the City's rebuild and recovery strategy, and has allocated a \$5.000 million net funding increase for TPL's 2023 operating base budget.

In order to meet the City's funding allocation, the revised budget request includes further budget savings through updated costing, spending deferrals, and additional savings through staff vacancy experience; and also includes an unallocated budget reduction.

The revised base budget increase is \$5.000 million net, which is \$4.704 million lower than the \$9.704 million budget increase approved by the Board at its December 5, 2022 meeting as shown below:

Table 1: Revised 2023 Operating Budget Increase

	January 5, 2023 Board			December 5, 2022 Board		
	FTEs	\$ million	%	FTEs	\$ million	%
Recurring base budget pressures	25.0	11.539	5.6%	25.0	11.539	5.6%
Affordability measures/savings		(4.133)	-2.0%		(1.835)	-0.9%
Vacancy Experience savings		(1.500)	-0.7%			0.0%
Unallocated budget reduction		(0.906)	-0.4%			0.0%
Base Budget Increase	25.0	5.000	2.4%	25.0	9.704	4.7%
2023 COVID pressures		3.553	1.7%		5.053	2.5%
Base Budget Increase, including COVID pressures	25.0	8.553	4.2%	25.0	14.758	7.2%
Budget enhancements	4.5	-	0.0%	4.5	-	0.0%
Total Budget Increase	29.5	8.553	4.2%	29.5	14.758	7.2%

TPL's revised 2023 operating budget increase is \$8.553 million net, or 4.2%, over the 2022 budget and is comprised of: a base budget increase of \$5.000 million net, or 2.4%; COVID-19 pressures of \$3.553 million net, or 1.7%; and budget enhancements totalling \$0.000 million net, or 0.0%.

The revised budget submission continues to address safety and security challenges, advances TPL's strategic plan including the digital modernization strategy, and maintains library services and service levels while responding to the significant financial challenges at the City.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the revised 2023 operating budget submission of \$213.559 million net (\$233.721 million gross), which represents a \$8.553 million net (\$8.641 million gross), or 4.2%, increase over the 2022 operating budget as detailed in Attachment 1, and is comprised of:
 - a. recurring base budget increase of \$5.000 million net (\$6.012 million gross), or 2.4%;

- b. COVID-19 related budget pressures of \$3.553 million net (\$2.629 million gross), or 1.7%; and
- c. budget enhancements totalling \$0.000 million net (\$0.889 million gross fully funded by the TPL Foundation), or 0.0%, including 4.5 full-time equivalent (FTEs) staff; and

2. authorizes staff to forward the revised 2023 operating budget submission to the City for consideration.

FINANCIAL IMPACT

TPL's total revised 2023 operating budget submission is \$213.559 million net (\$234.610 million gross), as shown in Table 2 below and detailed on Attachment 1. The revised net budget increase is \$8.553 million, or 4.2%, greater than the 2022 budget and is comprised of: base budget pressures of \$5.000 million net, or 2.4%; COVID-19 pressures of \$3.553 million net, or 1.7%; and budget enhancements of \$0.000 million net, or 0.0%, and is summarized in Table 2 below:

Table 2: Revised 2023 Operating Budget Summary & 2024-2025 Outlook (\$millions)

	2023					2024		2025	
	<u>FTEs</u>	<u>GROSS</u>	<u>REVENUE</u>	<u>NET</u>	<u>%</u>	<u>NET</u>	<u>%</u>	<u>NET</u>	<u>%</u>
	1,808.8	228,305	18,520	209,785	-2.3%	213,559		230,079	
2022 Approved Budget									
2022 COVID-19 financial impacts									
2022 Budget, excluding COVID-19									
	1,808.8	225,080	20,074	205,006		213,559		230,079	
2023 Budget									
Recurring base budget pressures	25.0	11,511	(0.029)	11,539	5.6%	10,719	5.0%	4,464	1.9%
Affordability measures/savings		(3,092)	1,041	(4,133)	-2.0%	1,032	0.5%		
Vacancy Experience savings		(1,500)		(1,500)	-0.7%	1,500	0.7%		
Unallocated budget reduction		(0,906)	-	(0,906)	-0.4%	0,906	0.4%		
2023 Base Budget Increase	25.0	6,012	1,012	5,000	2.4%	14,157	6.6%	4,464	1.9%
2023 COVID budget pressures		2,629	(0.925)	3,553	1.7%				
2023 Base Budget Increase, including COVID-19	25.0	8,641	0,088	8,553	4.2%	14,157	6.6%	4,464	1.9%
2023 Base Budget including COVID-19 pressures	1,833.8	233,721	20,162	213,559	4.2%	227,716	6.6%	234,543	1.9%
Budget Enhancements		4.5	0.889	0.889	-	2,363	1.1%	16,253	7.1%
Revised 2023 Total Budget Increase	29.5	9,530	0,977	8,553	4.2%	16,520	7.7%	20,717	9.0%
Total Revised 2023 Operating Budget	1,838.3	234,610	21,051	213,559	4.2%	230,079	7.7%	250,796	9.0%

The revised total budget increase is \$8.553 million net, which is \$6.204 million lower than the \$14.758 million budget increase approved by the Board at its December 5, 2022 meeting, and reflects updated costing, reclassifications, alterative funding and spending deferrals, as shown below:

Table 3: Revised 2023 Operating Budget Increase

	Jan 5, 2023 Board		Dec 5, 2022 Board		Change	
	\$ million	%	\$ million	%	\$ million	%
Recurring base budget pressures	11.539	5.6%	11.539	5.6%	-	0.0%
Affordability measures/savings	(4.133)	-2.0%	(1.835)	-0.9%	(2.298)	-1.1%
Vacancy Experience savings	(1.500)	-0.7%		0.0%	(1.500)	-0.7%
Unallocated budget reduction	(0.906)	-0.4%		0.0%	(0.906)	-0.4%
Base Budget Increase	5.000	2.4%	9.704	4.7%	(4.704)	-2.3%
2023 COVID pressures	3.553	1.7%	5.053	2.5%	(1.500)	-0.7%
Base Budget Increase, including COVID pressures	8.553	4.2%	14.758	7.2%	(6.204)	-3.0%
Budget enhancements	-	0.0%	-	0.0%	-	0.0%
Total Budget Increase	8.553	4.2%	14.758	7.2%	(6.204)	-3.0%

Also included are additional staff vacancy experience savings of \$1.500 million and an unallocated budget reduction of \$0.906 million in order to meet the City's funding allocation. As a result of the administrative review of the 2023 budget with City Finance, an allocation of \$5.000 million net funding will be made to fund TPL's 2023 operating base budget increase, in addition to \$3.553 million for COVID-19 pressures.

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

DECISION HISTORY

At its meeting on October 25, 2022, the Board approved a [2023 Operating Budget Submission](#) of \$228.084 million net (\$248.436 million gross), which represented a budget increase totalling \$23.079 million net (\$23.356 million gross), or 11.3% over the 2022 budget and was comprised of the following:

- recurring base budget pressures of \$9.704 million net (\$10.267 million gross), or 4.7%, which included the reversal of \$2.267 million of savings from staff vacancy experience;
- COVID-19 pressures of \$5.053 million net (\$3.879 million gross), or 2.5%; and
- budget enhancements totalling \$8.321 million net (\$9.210 million gross), or 4.1%.

At its meeting on December 5, 2022, the Board considered [Revised 2023 Operating Budget Enhancement – Open Hours](#) and adopted a motion which deferred the request for enhanced open hours to the 2024 budget. This resulted in a 2023 operating budget of \$219.763 million net (\$240.114 million gross), which represented a budget increase totalling \$14.758 million net (\$15.034 million gross), or 7.2%, over the 2022 budget and is comprised of the following:

- recurring base budget pressures of \$9.704 million net (\$10.267 million gross), or 4.7%;
- COVID-19 pressures of \$5.053 million net (\$3.879 million gross), or 2.5%; and
- budget enhancements totalling \$0.000 million net (\$0.889 million gross), or 0.0%.

As part of the budget process, TPL staff continued to identify strategies to reduce the 2023 budget request while meeting with City Finance staff for the administrative review of the budget.

COMMENTS

The 2023 budget year is particularly challenging for both TPL and the City with the continuing impacts of COVID-19, high inflation, supply chain disruptions, and staffing challenges. Despite these challenges, the City recognizes TPL's role in support of Council priorities, including the City's rebuild and recovery strategy, and has allocated a \$5.000 million net funding increase for TPL's 2023 operating base budget.

In order to meet the City's funding allocation, the revised budget request includes further budget savings through updated costing, spending deferrals, and additional savings through staff vacancy experience; and also includes an unallocated budget reduction.

TPL's total revised 2023 operating budget submission is \$213.559 million net (\$234.610 million gross), and represents a \$8.553 million net (\$8.641 million gross), or 4.2%, increase over 2022 comprised of:

- recurring base budget pressure of \$11.539 million net (\$11.511 million gross);
- affordability measures/savings of \$4.133 million net (\$3.092 million gross);
- additional savings from vacancy experience of \$1.500 million net and gross; and
- an unallocated budget reduction of \$0.906 million net and gross.

Table 4: Revised 2023 Operating Budget Increase

	January 5, 2023 Board			December 5, 2022 Board			Change		
	FTEs	\$ million	%	FTEs	\$ million	%	FTEs	\$ million	%
Recurring base budget pressures	25.0	11.539	5.6%	25.0	11.539	5.6%	-	-	0.0%
Affordability measures/savings		(4.133)	-2.0%		(1.835)	-0.9%		(2.298)	-1.1%
Vacancy Experience savings		(1.500)	-0.7%		0.0%			(1.500)	-0.7%
Unallocated budget reduction		(0.906)	-0.4%		0.0%			(0.906)	-0.4%
Base Budget Increase	25.0	5.000	2.4%	25.0	9.704	4.7%	-	(4.704)	-2.3%
2023 COVID pressures		3.553	1.7%		5.053	2.5%		(1.500)	-0.7%
Base Budget Increase, including COVID pressures	25.0	8.553	4.2%	25.0	14.758	7.2%	-	(6.204)	-3.0%
Budget enhancements	4.5	-	0.0%	4.5	-	0.0%	-	-	0.0%
Total Budget Increase	29.5	8.553	4.2%	29.5	14.758	7.2%	-	(6.204)	-3.0%

Affordability measures

Through discussions with City Finance, several measures have been identified to help offset base budget pressures and is summarized in Table 5 below:

Table 5: 2023 Affordability Measures/Savings (\$millions)

	<u>GROSS</u>	<u>REVENUE</u>	<u>NET</u>	<u>%</u>
Forgo Utilities economic increase - more efficient buildings	(0.370)		(0.370)	-0.2%
Line by Line efficiencies	(0.600)		(0.600)	-0.3%
Savings from relocation to Ethennonnawahstihnen'	(0.274)		(0.274)	-0.1%
Increased revenues		0.591	(0.591)	-0.3%
Affordability Measures/Savings approved previously	(1.244)	0.591	(1.835)	-0.9%
Forgo 2023 Library material economic increase	(0.536)		(0.536)	-0.3%
Forgo 2023 Fleet Reserve contribution	(0.432)		(0.432)	-0.2%
Forgo 2023 Asset Replacement Reserve contribution	(0.400)		(0.400)	-0.2%
Benefits - Health/Dental/Life	(0.280)		(0.280)	-0.1%
OMERs eligibility change for PT	(0.200)		(0.200)	-0.1%
Additional revenues		0.450	(0.450)	-0.2%
Additional Affordability Measures/Savings	(1.848)	0.450	(2.298)	-1.1%
Total 2023 Affordability Measures/Savings	(3.092)	1.041	(4.133)	-2.0%

Additional affordability measures/savings totalling \$2.298 million (\$1.848 million gross) have been identified beyond the \$1.835 million net (\$1.244 million gross) savings presented to the Board at its December 5, 2022 meeting and include:

- \$0.536 million net related to forgoing the 2023 Library Materials economic increase due to ongoing supply chain challenges;
- \$0.432 million net related to forgoing TPL's 2023 contribution to the fleet reserve is deferred to 2024 due to expected long lead times in delivery of new vehicles;

- \$0.400 million net related to forgoing TPL's 2023 contribution to the asset replacement reserve which delays the change in the financing strategy to fund asset replacements from this reserve;
- \$0.280 million net related to reduced employee benefit costs as new information was received from Greenshield;
- \$0.200 million net related to OMERS eligibility change for part-time staff as additional participation rate information was received; and
- increased revenues totalling \$0.450 million net primarily related to higher than expected revenues in 2023 based on current venue bookings and expanded rental spaces;

Vacancy Experience Savings

Additional staff savings of \$1.500 million net related to vacancies due to the ongoing impacts of COVID-19 on TPL operations that has resulted in increased vacancies and staff churn, which is over and above the usual vacancy experience that is already in the base. Although TPL's rate of vacancy experience is projected to remain high into 2023, these additional staff savings will need to be closely monitored.

Unallocated reduction

In order to meet the City's budget allocation and avoid service reductions, the budget has been reduced by an additional \$0.906 million net (approximately 0.4% of the budget) which is currently unallocated.

COVID-19 Pressures

TPL's revised budget increase includes \$3.553 million net in COVID-19 pressures and is \$1.500 million lower what was previously approved by the Board at its December 5 meeting. The \$1.500 million reduction is comprised of \$1.000 million in security costs re-classified as a recurring base budget pressure and \$0.500 million related to decreased PPE costs and less COVID-19-related impacts to revenues.

2023 Budget Enhancements

TPL's 2023 budget enhancements are unchanged from what was previously approved by the Board at its December 5 meeting. These total \$0.000 million net (\$0.889 million gross funded by the TPL Foundation), or 0.0%, with 2024 annualized costs of \$1.177 million net, including 4.5 FTEs.

TPL's 2023 budget enhancements are comprised of:

- Community-based Service for Equity Deserving Populations totalling \$0.000 million net (\$0.141 million gross), including 4.0 FTEs;
- Financial Empowerment Service totalling \$0.000 million net (\$0.248 million gross), including 0.5 FTEs; and
- Social Service Team totalling \$0.000 million net (\$0.500 million gross).

CONCLUSION

The revised budget submission continues to address safety and security challenges, advances TPL's strategic plan including the digital modernization strategy, and maintains library services and service levels while responding to the significant financial challenges at the City.

CONTACT

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SIGNATURE

Vickery Bowles
City Librarian

ATTACHMENTS

Attachment 1: Revised 2023 Operating Budget Submission and 2024-2025 Outlook

TORONTO PUBLIC LIBRARY
Revised 2023 OPERATING BUDGET AND 2024 - 2025 OUTLOOK

	2023					2024			2025		
	<i>Staffing</i> <i>FTEs</i>	GROSS	REVENUE	NET	<i>%</i>	<i>Staffing</i> <i>FTEs</i>	NET	<i>%</i>	<i>Staffing</i> <i>FTEs</i>	NET	<i>%</i>
		\$Millions	\$Millions	\$Millions			\$Millions			\$Millions	
2022 Council Approved Budget	1,808.8	228.305	18.520	209.785		1,838.3	213.559		1,876.8	230.079	
1 Prior Year COVID Reversals		(3.225)	1.554	(4.779)	-2.3%						
2022 Council Approved Budget, excluding COVID	1,808.8	225.080	20.074	205.006		1,838.3	213.559		1,876.8	230.079	
<u>Base Budget Pressures</u>											
2 Salary and Benefits cost of living adjustments		4.092		4.092	2.0%		4.446	2.1%		1.284	0.6%
3 OMERS eligibility change for PT		0.431		0.431	0.2%		4.446	2.1%		1.284	0.6%
<u>Prior Year - Council Approval</u>											
4 Teens & adults overdue fines elimination		4.523		4.523	2.2%		0.155	0.1%		-	0.0%
5 Digital Literacy for Seniors (2nd year FTEs)	2.0	0.103	(0.300)	0.300	0.1%		0.155	0.1%		1.395	0.6%
<u>Economic Increases</u>											
6 Contracted services		1.265		1.265	0.6%		1.328	0.6%		0.563	0.2%
7 Library materials		0.536		0.536	0.3%		0.550	0.3%		0.295	0.1%
8 Supplies, services & rent		0.652		0.652	0.3%		0.348	0.2%		0.287	0.1%
9 Utilities		0.370		0.370	0.2%		0.279	0.1%		2.540	1.1%
<u>Base Budget Changes</u>											
10 Reversal of 2022 Vacancy Experience Impact		2.824		2.824	1.4%		2.505	1.2%		3.0	0.641
11 Security Guards		2.267		2.267	1.1%		0.310	0.1%		0.618	0.3%
12 Digital Service Modernization - starting in Nov		1.000		1.000	0.5%		0.776	0.4%		0.023	0.0%
13 Alternative Approach to Security - starting in October	3.0	0.061		0.061	0.0%		1.506	0.7%			
14 Operating impact of capital	8.0	0.259		0.259	0.1%		1.000	0.5%			
15 Contribution to Asset Replacement Reserve increase	12.0	0.407	0.271	0.136	0.1%		0.022	0.0%			
16 Contribution to Fleet Reserve		0.068		0.068	0.0%		7.5	3.614	1.7%	3.0	0.641
	23.0	4.061	0.271	3.790	1.8%						
Base Budget Increase, excluding Affordability Measures/\$	25.0	11.511	(0.029)	11.539	5.6%	7.5	10.719	5.0%	3.0	4.464	1.9%
<u>Affordability Measures/Savings</u>											
17 Forgo Utilities economic increase - more efficient buildings etc.		(0.370)		(0.370)	-0.2%						
18 Line by Line efficiencies		(0.600)		(0.600)	-0.3%						
19 Savings from relocation to Ethennonnhawahstihnen'		(0.274)		(0.274)	-0.1%						
20 Increased revenues		0.591		(0.591)	-0.3%						
	(1.244)	0.591	(1.835)		-0.9%						
<u>Additional Savings</u>											
21 Forgo 2023 Library material economic increase		(0.536)		(0.536)	-0.3%						
22 Forgo 2023 Fleet Reserve contribution		(0.432)		(0.432)	-0.2%		0.432	0.2%			
23 Forgo 2023 Asset Replacement Reserve contribution		(0.400)		(0.400)	-0.2%		0.400	0.2%			
24 Benefits - Health/Dental/Life		(0.280)		(0.280)	-0.1%						
25 OMERS eligibility change for PT		(0.200)		(0.200)	-0.1%						
26 Increased revenues		0.450		(0.450)	-0.2%		0.200	0.1%			
	(1.848)	0.450	(2.298)		-1.1%						
27 Vacancy Experience Savings		(1.500)		(1.500)	-0.7%						
28 Unallocated budget reduction		(0.906)		(0.906)	-0.4%						
	(2.406)		(2.406)		-1.2%						
	-	(5.499)	1.041	(6.539)	-3.2%						
Base Budget Increase, including Affordability Measures/\$	25.0	6.012	1.012	5.000	2.4%	7.5	14.157	6.6%	3.0	4.464	1.9%
<u>2023 COVID Pressures</u>											
29 Security		1.500		1.500	0.7%						
30 Health and Safety (PPE, RATs, air filters)		1.160		1.160	0.6%						
31 Reduction in revenues and related expenditures		(0.031)	(0.925)	0.893	0.4%						
	2.629	(0.925)	3.553	1.7%							
					-0.0%						
Base Budget Increase, including COVID	25.0	8.641	0.088	8.553	4.2%	7.5	14.157	6.6%	3.0	4.464	1.9%
2023 Operating Base Budget and 2024-2025 Outlook	1,833.8	233.721	20.162	213.559	4.2%	1,845.8	227.716	6.6%	1,879.8	234.543	1.9%
<u>Budget Enhancements</u>											
32 Community-based Service for Equity Deserving Populations	4.0	0.141	0.141	-	0.0%						
33 Financial Empowerment Service	0.5	0.248	0.248	-	0.0%						
34 Social Service Team		0.500	0.500	-	0.0%						
	4.5	0.889	0.889	-	0.0%						
<u>Progress on Open Hours Plan (2018-2025)</u>											
35 Open Hours - Phase 1	-	-		-	0.0%						
36 Open Hours - Phase 2		-	-	-	0.0%						
	4.5	0.889	0.889	-	0.0%						
Total Budget Increase	29.5	9.530	0.977	8.553	4.2%	38.5	16.520	7.7%	89.5	20.717	9.0%
2023 Operating Budget and 2024-2025 Outlook	1,838.3	234.610	21.051	213.559	4.2%	1,876.8	230.079	7.7%	1,966.3	250.796	9.0%