



**STAFF REPORT
ACTION
REQUIRED**

10.

2016 - 2025 Capital Budget and Plan Update

Date:	September 21, 2015
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval of the revised 2016 - 2025 capital budget and plan submission of \$18.238 million debt (\$28.327 million gross) for 2016 and \$225.040 million debt (\$321.833 million gross) over 2016 - 2025, which is an increase of \$2.042 million debt (\$2.715 million gross) over the original 2016 - 2025 submission related to additional funding requests for Bayview Library and Dawes Road Library. The revised submission exceeds City debt targets by \$71.335 million over 2016 - 2025, which is \$2.042 million higher than the Board's original \$69.293 million additional debt funding request. The revised capital submission would go a long way towards addressing the state of good repair (SOGR) needs, but there would still remain a \$73 million backlog at the end of 2025.

This report also informs the Board regarding a capital budget scenario that meets City debt targets as requested by City Finance. Under the capital budget scenario which meets City debt targets, the SOGR backlog would grow to \$123 million by the end of 2025.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the revised 2016 - 2025 capital budget and plan submission of \$18.238 million debt (\$28.327 million gross) in 2016 and \$225.040 million debt (\$321.833 million gross) over 2016 - 2025 (Attachment 1), which is \$2.042 million debt (\$2.715 million gross) higher than the original 2016 - 2025 submission due to additional funding requests for Bayview Library and Dawes Road Library and now exceeds City debt targets by \$71.335 million; and
2. receives the capital budget scenario that meets City debt targets (Attachments 2 and 3) for information.

FINANCIAL IMPACT

2016 - 2025 Capital and Plan Submission - Revised

The revised capital submission requests funding of \$18.238 million debt (\$28.327 million gross) in 2016 and \$225.040 million debt (\$321.833 million gross) over 2016 - 2025 which is \$2.042 million debt (\$2.715 million gross) higher than the original 2016 - 2025 submission due to additional funding requests for Bayview Library and Dawes Road Library and now exceeds City debt targets by \$71.335 million.

	Gross (\$'000s)		Debt (\$'000s)	
	2016	2016-2025	2016	2016-2025
Original Submission	<u>28,327</u>	<u>319,118</u>	<u>18,238</u>	<u>222,998</u>
<u>Additional Requests</u>				
Bayview Library - 25 Additional Parking Spaces		1,432		1,432
Dawes Rd Library - Site cost		1,283		610
Total Additional Requests	<u>-</u>	<u>2,715</u>	<u>-</u>	<u>2,042</u>
Revised Submission	<u>28,327</u>	<u>321,833</u>	<u>18,238</u>	<u>225,040</u>
City Debt Targets			<u>15,238</u>	<u>153,705</u>
Exceeds City Debt Targets			<u>3,000</u>	<u>71,335</u>

Details of the revised capital submission are on Attachment 1.

Capital Budget Scenario - Meets City Debt Targets

The capital budget scenario requested by City Finance that meets the City's debt targets of \$15.238 million debt (\$24.479 million gross) for 2016 and \$153.705 million debt (\$244.695 million gross) over 2016 - 2025 is on Attachment 2.

Capital projects in the submission that exceed the City's debt targets are considered by the City as unfunded requests. Details of the unfunded requests of \$3.000 million debt (\$2.535 million gross) for 2016 and \$71.335 million debt (\$81.567 million gross) over 2016 - 2025 are presented on Attachment 3.

	Gross (\$'000s)		Debt (\$'000s)	
	2016	2016-2025	2016	2016-2025
Meets City Debt Targets (funded)	24,479	244,695	15,238	153,705
Exceeds City Debt Targets (unfunded)	2,535	81,567	3,000	71,335
Total	<u>27,014</u>	<u>326,262</u>	<u>18,238</u>	<u>225,040</u>

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

ISSUE BACKGROUND

At the meeting on May 25, 2015, the Library Board considered a presentation on planning for the 2016 capital budget. In recapping the approved 2015 - 2024 capital budget and plan, it was noted that the assigned City debt targets were inadequate to address an aging facilities infrastructure which is largely 40 - 50 years old and resulted in an SOGR backlog growing from \$44.2 million in 2015 to \$128.7 million by 2024. An SOGR Growing Backlog chart from the 2015 - 2024 capital budget and plan was presented which shows that TPL's backlog is increasing at a much faster rate than other city departments or agencies. At the meeting, the Board considered strategies to increase the funding request from the City to address its growing SOGR backlog for buildings, and adopted the following motions:

That the Toronto Public Library Board:

1. *requests staff to report back on the feasibility of redeveloping Toronto Public Library properties through strategic partnerships in order to generate excess capital funding, which could be specifically directed to rebuild and improve branches in neighbourhood improvement areas and help address the State of Good Repair backlog; and*
2. *receives the Capital Budget Process verbal report for information and directs staff to proceed with Option 3 as outlined in the verbal report to address the state of good repair backlog.*

Motion No. 1 is addressed in a separate report, Agenda Item No. 12, *Property Redevelopment Feasibility*.

Motion No. 2 directs staff to request additional debt funding from the City of \$69 million over the debt targets in order to reduce the growing SOGR backlog by approximately 50%; the remaining 50% of the growing backlog remains to be addressed.

At the meeting on June 22, 2015, the Library Board approved the 2016 - 2025 capital budget and plan submission, which requested funding of \$222.998 million debt (\$319.118 million gross) over 2016 - 2025, and exceeded debt targets by \$69.293 million over the 10-year period.

COMMENTS

Library staff met with City Finance staff throughout the summer to review the Library's 2016 - 2025 capital budget and plan submission. City Finance staff asked TPL to create a capital budget scenario that meets the City's debt targets over the 10-year period totalling \$153.705 million, and to identify capital projects requiring additional funding, which would be in excess of the debt targets and therefore considered by the City as unfunded.

2016 - 2025 Capital and Plan Submission - Revised

In response to City Finance staff direction to identify all unfunded needs, additional debt funding of \$2.042 million debt (\$2.715 million gross) for Bayview Library and Dawes Road Library is being added to the Board's original submission, resulting in a revised capital submission requests funding of \$18.238 million debt (\$28.327 million gross) in 2016 and \$225.040 million debt (\$321.833 million gross) over 2016 - 2025, which exceeds City debt targets by \$71.335 million. Update information has resulted in a change to non-debt funding sources for Perth/Dupont Library.

Bayview Library

As part of the new joint-use facility with Parks, Forestry and Recreation and a daycare, the need for underground parking has been identified with a requirement for TPL to fund 35 underground parking spaces at a cost of \$2.032 million. Funding for ten parking spaces (\$0.600 million gross and debt) was included in the original capital submission. Funding for the remaining 25 parking spaces of \$1.432 million gross and debt, which was not included in the original capital submission, is being added to the revised submission.

At its meeting on January 29 and 30, 2014, City Council directed the General Manager of Parks, Forestry and Recreation along with the City Librarian to report back to Council as part of the 2015 budget process on a cost-sharing arrangement for the development of an underground parking facility for the new Bessarion Community Centre. A report to Executive Committee on September 21, 2015 identifies parking requirements and as a result, Board endorsement of the full parking cost for TPL is needed (Attachment 4).

Dawes Road Library

The estimated additional site cost of \$1.283 million gross (\$0.610 million debt), which was not budgeted in the original capital submission, is now being added to the revised submission.

Perth/Dupont Library

A total of \$0.841 million of the project was shown as funded from "other external" in the original capital submission, and thus represented a potential funding shortfall. The potential funding shortfall will now be financed by available Section 37 funding. The terms and conditions for the Perth/Dupont project will be presented at the October Board meeting for approval.

Capital Budget Scenario - Meets City Debt Targets

Capital projects approved by City Council as part of the 2015 capital budget process formed the basis for producing the 2016 - 2025 capital budget scenario that meets City debt targets. In order to meet the City's annual debt targets, numerous projects included in the 2016 submission would be deferred and cash flows need to be spread out over more years, which resulted in minor changes to the annual gross funding and total project costs due to inflation. Some projects (Virtual Branch Services, Multi-Branch Minor Renovation Program, Bayview Library, North York Central Library, Dawes Road Library, Downsview Library) have to be

split between funded (within debt targets) and unfunded requests (exceed debt targets).

Details of the 2016 - 2025 capital budget and plan of \$15.238 million debt (\$24.479 million gross) for 2016 and \$153.705 million debt (\$244.695 million gross) over 2016 - 2025, which meets City debt targets are presented on Attachment 2.

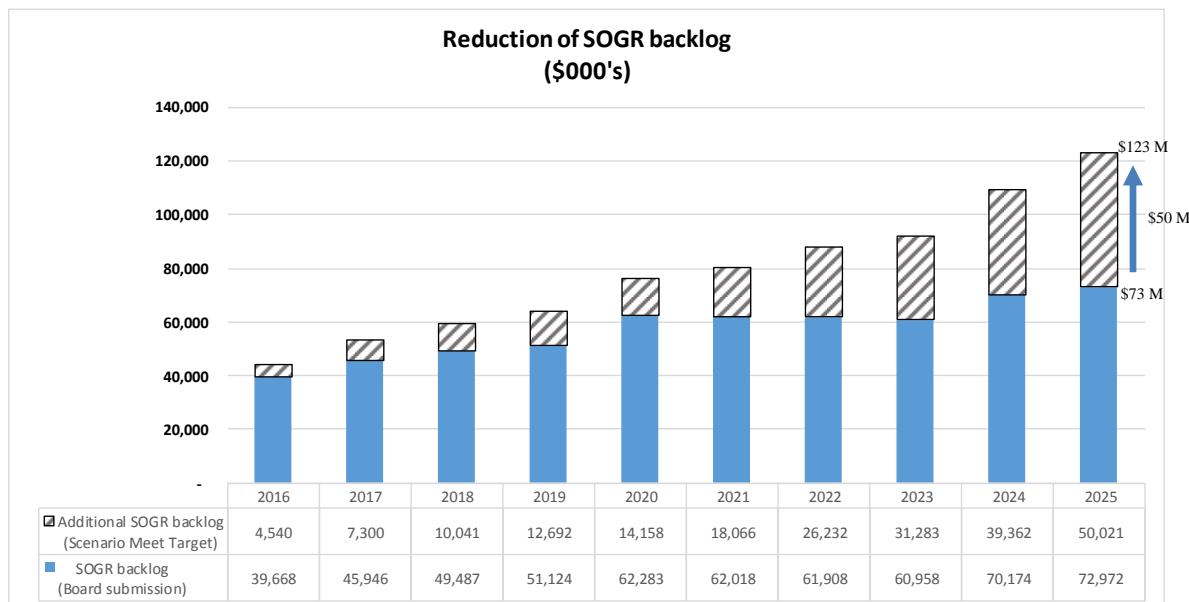
Capital projects in the submission that exceed the City's debt targets are considered by the City as unfunded requests. Details of the total unfunded requests of \$71.335 million debt (\$81.567 million gross) over 2016 - 2025 are presented on Attachment 3. These projects will be considered for funding through the budget review process.

CHALLENGES AND ISSUES

Debt Target and SOGR Backlog

The City's assigned 2016 - 2025 debt targets are inadequate to meet TPL's capital funding needs for building SOGR. Debt targets after 2018 are not adjusted for inflation and actually decrease after 2021, which puts significant pressures on the capital program and will negatively impact TPL's ability to address SOGR issues.

After considering the Board's revised capital budget submission of \$225.040 million debt over 2016 - 2025, which exceeds City debt targets by \$71.335 million, there would still be a remaining SOGR backlog of \$73 million by the end of 2025. Under the capital budget scenario which meets City debt targets, the backlog would increase by \$50 million to \$123 million by the end of 2025.



TPL has demonstrated its capacity to deliver on its capital program with an average capital completion rate of 85% in the past five years, and 94% last year, one of the highest in the City. The requested increase in funding for the capital budget can therefore be effectively managed.

In addition, a continuity analysis of Development Charges, which funds 24% of the capital program, shows that there are adequate balances in the reserves to support the increased funding requested in the 2016 - 2025 capital submission.

Demand for Virtual Branch e-services and Technology

The Library fulfills a critical and ever increasing role in ensuring that up-to-date technology and online content are available to all. The Library's website has become a major service delivery point, supporting tens of thousands of self-service transactions and e-book loans every day. All library branches offer wireless access, public computers with Internet access, computer training classes, and staff support. Digital Innovation Hubs at three locations offer leading-edge technology and classes in audio/video editing, 3D printing, computer programming, and other digital skills. Digital technology serves as a new vehicle for the Library's mission to provide free and equitable access to services which meets the changing needs of Torontonians and promotes universal access to a broad range of human knowledge, experience, information and ideas in a welcoming and supportive environment. The rapidly growing demand for these new electronic services and content exists alongside the continued strong use for more traditional services in branches, and creates financial and operating challenges for the Library.

The capital submission would allow TPL to make significant progress towards maintaining, replacing and enhancing the technology infrastructure to manage activity growth and deliver 21st century library services.

CONCLUSION

The Board's 2016 - 2025 capital budget and plan submission, which exceeds City debt targets by \$71.335 million, only partially addresses the growing SOGR backlog. Under the capital budget scenario which meets debt targets, the SOGR backlog grows significantly. If excess funds could be generated from redevelopment of TPL properties, addressed in report No. 12, then more SOGR needs could be addressed.

CONTACT

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SIGNATURE

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ATTACHMENTS

- Attachment 1: Revised 2016 – 2025 Capital Budget and Plan Submission – Gross and Debt Funding Summary
- Attachment 2: Capital Budget Scenario - Meet City Debt Targets (Funded)
- Attachment 3: Capital Budget Scenario - Exceed City Debt Targets (Unfunded)
- Attachment 4: *Potential Cost Sharing for the Development of an Underground Parking Garage for the New Bessarion Community Centre* – Report to the City's Executive Committee dated September 2, 2015