



STAFF REPORT ACTION REQUIRED

2024 Operating Budget Submission

Date: October 30, 2023
To: Toronto Public Library Board
From: City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval for the 2024 operating budget submission.

The Toronto Public Library (TPL) 2024 operating base budget submission preserves library services and service levels and advances TPL's strategic plan while also addressing the 2023 structural budget deficit. The budget submission also includes a service enhancement request for the Open Hours Plan.

The net base budget increase of \$14.464 million, or 6.8%, over the 2023 budget, is comprised of:

1. COVID-19 net change from 2023 of -\$0.629 million net, or -0.3%;
2. annualization of prior year approvals of \$1.241 million net, or 0.6%;
3. pressures of \$5.600 million, or 2.6%, resulting from the 2023 structural budget deficit; and
4. other base budget pressures of \$8.252 million net, or 3.9%.

The budget submission also includes enhancement funding for the Open Hours Implementation Plan for Phases 1 to 3, totalling \$10.967 million over 2024-2027, beginning in 2024 at a cost of \$2.450 million net, or 1.1%. The total 2024 base and enhancement budget increase is \$16.914 million net, or 7.9% over the 2023 budget and advances many of the City's equity strategies and the Library's Strategic Plan by providing welcoming and accessible public spaces with expanded open hours.

The budget instructions received from the City of Toronto did not include any allocation targets and asked that 2024 budget pressures be offset as much as possible.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the 2024 operating base budget submission of \$228.023 million net (\$249.602 million gross), which represents a \$14.464 million net (\$14.992 million gross), or 6.8%, increase over the 2023 operating budget as detailed in Attachment 1, and is comprised of:
 - a. COVID-19 net impact from 2023 of -\$0.629 million net (-\$0.704 million gross), or -0.3%;
 - b. annualization of prior year approvals of \$1.241 million net (\$1.529 million gross), or 0.6%;
 - c. pressures of \$5.600 million, or 2.6%, resulting from the 2023 structural budget deficit; and
 - d. other base budget pressures of \$8.252 million net (\$8.567 million gross), or 3.9%;
2. approves the operating budget enhancement for expanding open hours totalling \$10.967 million over 2024-2027, with 2024 impact of \$2.450 million net gross, or 1.1%; and
3. authorizes staff to forward the 2024 operating budget submission to the City for consideration.

FINANCIAL IMPACT

The 2024 operating submission is summarized in Table 1 below:

Table 1: 2024 Operating Budget Submission & 2025-2026 Outlook (\$ millions)

	2024					2025		2026	
	FTEs	Gross	Revenue	NET	%	NET	%	NET	%
2023 Council Approved Budget	1,838.3	234.610	21.051	213.559		230.473		242.950	
COVID-19 impacts		(0.704)	(0.075)	(0.629)	-0.3%	0.084	0.0%	0.088	0.0%
Annualization of prior year approvals		1.529	0.288	1.241	0.6%	0.748	0.3%	-	0.0%
Address 2023 structural deficit		5.600	-	5.600	2.6%	-	0.0%	-	0.0%
Other base budget pressures	10.0	8.567	0.316	8.252	3.9%	7.045	3.1%	5.439	2.2%
2024 Base Budget Increase	10.0	14.992	0.528	14.464	6.8%	7.877	3.4%	5.527	2.3%
2024 Operating Base Budget	1,848.3	249.602	21.579	228.023	6.8%	238.350	3.4%	248.477	2.3%
Budget Enhancement - Open Hours	51.9	2.450	-	2.450	1.1%	4.600	2.0%	2.930	1.2%
Total 2024 Budget Increase	61.9	17.442	0.528	16.914	7.9%	12.478	5.4%	8.457	3.5%
2024 Operating Budget and 2025-2026 Outlook	1,900.2	252.052	21.579	230.473	7.9%	242.950	5.4%	251.407	3.5%

The 2024 operating budget submission will be submitted to the City for consideration.

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

ALIGNMENT WITH STRATEGIC PLAN

TPL's 2024 budget submission advances TPL's strategic plan by:

- supporting an inclusive economic recovery as part of the City's recovery and rebuild strategy;
- advancing equity in the city and workplace, contributing to the shared outcomes of the City's equity strategies;
- ensuring the safety and security of TPL staff and customers in welcoming and accessible public spaces; and
- providing affordable, accessible and resilient digital supports as a public service for all.

The budget request also advances TPL's Digital Strategy as the Library continues to modernize its digital capabilities and business operations.

EQUITY IMPACT STATEMENT

TPL's 2024 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 positive reconciliation & equity impacts for Indigenous, Black & all equity-deserving groups, including newcomers and low-income families and individuals. Access to library resources and programs can increase access to learning opportunities, City, Provincial, and Federal information, training and employment opportunities, and opportunities for civic engagement and community participation.

The budget will deliver on outcomes including:

- greater digital inclusion;
- increased access to literacy supports, services and programs; and
- reduced barriers to access for Indigenous, Black and all equity-deserving groups.

TPL's 2024 budget includes support to advance multiple Actions and Recommendations in City strategies, including the TPL actions and accountabilities embedded in the Toronto Poverty Reduction Strategy; Reconciliation Action Plan; Toronto Action Plan to Confront Anti-Black Racism; Toronto Seniors Strategy 2.0; Toronto Youth Equity Strategy; and the Gender Equity Strategy.

TPL's 2024 budget will impact the social goals and outcomes across the Toronto Poverty Reduction Strategy; Reconciliation Action Plan; Toronto Action Plan to Confront Anti-Black Racism; Toronto Newcomer Strategy; Toronto Seniors Strategy 2.0; Toronto Strong Neighbourhood Strategy 2020; Toronto Youth Equity Strategy; SafeTO; and the Gender Equity Strategy.

DECISION HISTORY

At its meeting on September 18, 2023, the Library Board received for information the [2024 Operating Budget - Status Update](#), which provided the 2024 budget outlook that was included in the approved 2023 operating budget and highlighted potential changes to the 2024 outlook including the need to address the 2023 operating budget structural deficit.

At the same meeting, the Board also endorsed TPL's [Open Hours Implementation Plan - Update \(2024\)](#), which approved the updated Open Hours plan as well as a phased implementation approach.

ISSUE BACKGROUND

2023 Structural Deficit

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-19 pressures of \$5.0 million net. 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-19 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 resulted in a 2023 budget with no room to manage unexpected pressures and required savings to be achieved. Additional budget pressures experienced in 2024, including the re-hiring of approximately 50 staff who had been terminated for non-compliance with the vaccine mandate for an annual cost of \$2 million, has resulted in a 2023 operating budget structural deficit and to address this has resulted in a higher-than-normal 2024 base budget increase. The projected deficit in 2023 is the only deficit ever recorded in TPL's history.

COMMENTS

TPL has a proven track record of financial stewardship through fiscally responsible budgeting and policies, procedures and controls around spending public funds. The 2024 operating budget submission preserves library services and service levels and advances many of the City's equity strategies and the Library's Strategic Plan by providing welcoming and accessible public spaces with expanded open hours.

2024 Base Budget Submission

TPL’s 2024 base budget submission is \$228.023 million net, which represents a \$14.464 million net, or 6.8%, increase over 2023 and is comprised of:

1. COVID-19 budget net change from 2023 of -\$0.629 million, or -0.3%;
2. annualization of prior year approvals of \$1.241 million net, or 0.6%;
3. pressures of \$5.600 million net, or 2.6%, to address the 2023 structural budget deficit; and
4. other base budget pressures of \$8.252 million net, or 3.9%.

1. COVID-19 Impacts

City budget instructions state that the continuing COVID-19 budget pressures should be incorporated into the 2024 operating base budget and no longer be budgeted separately with one-time funding.

Table 2 details the COVID-19 budget pressures that were included in the 2023 budget and the ongoing budget pressures included in the 2024 budget submission. The difference, or net impact, is -0.629 million net or a reduction of 0.3% from the 2023 budget.

Table 2: COVID-19 Impacts (\$ millions)

	2023 COVID Budget	2024 COVID Budget	Net Impact to 2024 Budget
Guard services	1.500	1.675	0.175
Health & Safety (PPE, RATs, supplies)	1.160	0.250	(0.910)
Reduction in revenues	0.893	1.000	0.107
COVID-19 Impacts	3.553	2.925	(0.629)

Guard Services

Net 2024 budget increase of \$0.175 million net reflects an increase in TPL’s security guard budget to help support safety and compliance with the Code of Conduct in the branches.

Health & Safety (PPE, RATs, supplies)

Net 2024 budget savings of \$0.910 million net, reflects reduced costs for HVAC filters with TPL building.

Reduction in Revenues

Net 2024 budget pressure of \$0.107 million, related to revenue shortfalls in printing and venue rentals. The decreased usage of TPL printing, tenants and leases and venue rentals is attributed to slower-than-expected recovery as impacted by COVID-19.

2. Annualization of Prior Year Approvals

Net increase of \$1.241 million, or 0.6%, related to the annualization of staffing for positions added in 2023 that advanced City and TPL strategic initiatives as detailed in Table 3:

Table 3: Annualization of Prior Year Approvals (\$ millions)

	<u>2024</u>				
	<i>FTEs</i>	<i>Gross</i>	<i>Revenue</i>	<i>NET</i>	<i>%</i>
Alternative Approach to Security		0.776		0.776	0.4%
Digital Service Modernization		0.310		0.310	0.1%
Digital Literacy for Seniors		0.155		0.155	0.1%
Community-based Service for Equity Deserving Populations		0.288	0.288	-	0.0%
Annualization of Prior Year Approvals	-	1.529	0.288	1.241	0.6%

3. Address 2023 Structural Deficit Pressures

Net 2024 increase of \$5.600 million, or 2.6%, related to addressing the 2023 structural operating budget deficit, as detailed in Table 4:

Table 4: Address 2023 Structural Deficit (\$ millions)

	<u>2024</u>				
	<i>FTEs</i>	<i>Gross</i>	<i>Revenue</i>	<i>NET</i>	<i>%</i>
<u>Reinstatement of one-time 2023 Budget Savings</u>					
Reverse vacancy experience savings - to avoid service reductions		1.500		1.500	0.7%
Reverse unallocated budget reduction - to avoid service reductions		0.906		0.906	0.4%
Fleet reserve contribution		0.432		0.432	0.2%
	-	2.838	-	2.838	1.3%
<u>2024 Budget Pressures</u>					
Decrease base vacancy experience savings		2.762		2.762	1.3%
Address 2023 Structural Deficit	-	5.600	-	5.600	2.6%

Reverse 2023 Budget Savings

As part of the 2023 budget process, and in order to meet the City allocation and avoid service cuts, TPL's 2023 budget included expenditure savings which consisted of: increasing TPL's vacancy experience savings (\$1.500 million, or 0.7%); an unallocated budget reduction (\$0.906 million, or 0.4%); and forgoing the 2023 contribution to the Fleet reserve (\$0.432 million, or 0.2%). These expenditure savings were not achieved and are reversed in the 2024 budget.

Decrease Base Vacancy Experience Savings

Net budget pressure of \$2.762 million, or 1.3%, primarily related to the re-hiring of approximately 50 staff in December 2022 who were previously terminated for non-compliance with the vaccine mandate.

4. Other Base Budget Pressures

New 2024 base budget pressures total \$8.252 million net, which represents a 3.9% increase over the 2023 budget, and is detailed in Table 5:

Table 5: Other Base Budget Pressures (\$ millions)

	2024				
	FTEs	Gross	Revenue	NET	%
<u>Staffing</u>					
Salary and Benefits cost of living adjustments		4.046		4.046	1.9%
Additional day of work (Leap Day)		0.502		0.502	0.2%
	-	4.548	-	4.548	2.1%
<u>Economic Increases</u>					
Contracted services		1.246		1.246	0.6%
Library materials		0.536		0.536	0.3%
Supplies, services & rent		0.473		0.473	0.2%
Utilities		0.219		0.219	0.1%
	-	2.475	-	2.475	1.2%
<u>Other Base Budget Pressures</u>					
Operating impact of capital	7.0	0.969	0.106	0.864	0.4%
Accessibility, Equity and Inclusion & Staff Development	3.0	0.228		0.228	0.1%
Asset Replacement Reserve contribution*		1.400		1.400	0.7%
Contribution to Fleet Reserve		0.610	0.210	0.400	0.2%
	10.0	3.207	0.316	2.891	1.4%
<u>Savings/Affordability Measure(s)</u>					
Forgo contribution to asset replacement reserve*		(1.400)		(1.400)	-0.7%
Line by line reviews		(0.262)		(0.262)	-0.1%
	-	(1.662)	-	(1.662)	-0.8%
New Base Budget Pressures	10.0	8.567	0.316	8.252	3.9%

Salary and Benefits Cost of Living Adjustments

Net increase of \$4.548 million, or 2.1%, related to the annual cost of living adjustments as per the collective agreement, which ends at the end of 2024. There is also a net increase of \$0.502 million related to the additional day of work in 2024 which is a leap year.

Economic Increases

With the inflation rate at its highest level in over 30 years, there is a net increase of \$2.475 million, or 1.2%, related to economic increases comprised of:

- \$1.246 million net related to economic increases for facilities and IT-related contracts;
- \$0.536 million net increase for library materials;
- \$0.473 million net increase for supplies, services and rent; and
- \$0.219 million net increase for utilities.

Operating Impact of Capital

Net increase of \$0.864 million, or 0.4%, including 7.0 full-time equivalent (FTE) staff, is mainly related to branch expansions and renovations including the Bridlewood and Malvern branches. These costs have been included in the 2024-2033 capital budget.

Accessibility, Equity and Inclusion & Staff Development

Net increase of \$0.228 million, or 0.1%, including 3.0 FTE staff positions to support TPL's accessibility, equity and inclusion initiatives and advance TPL's Strategic Plan.

Reinstatement of Contribution to Reserves

As part of the 2023 budget process, and in order to meet the City allocation and avoid service cuts, TPL's 2023 budget included one-time expenditure savings which consisted of forgoing TPL's contribution to the asset replacement reserve totalling \$1.400 million net, or 0.7%. This expenditure saving is reversed in the 2024 budget and reflects an incremental pressure to the base budget.

Contribution to Fleet Reserve

One-time net increase of \$0.400 million, or 0.2%, to TPL's contribution to Fleet Reserve as impacted by forgoing the 2023 contribution.

Savings/Affordability Measures

Through line by line reviews, TPL has identified \$1.662 million net, or 0.8%, in savings/affordability measures to help partially offset the 2024 base budget increase and is comprised of:

- forgoing the 2024 contribution to the asset replacement reserve totalling \$1.400 million net, or 0.7%; and
- Additional savings through a line by line review totalling \$0.262 million net, or 0.1%, primarily related to telephone and supplies.

2024 Budget Enhancements

Open Hours Implementation Plan

Increasing open hours responds to post-pandemic patterns of work, study, education and leisure in Toronto and helps to advance and increase the impact of key City of Toronto strategies, including the Toronto Poverty Reduction Strategy and Toronto Strong Neighbourhoods Strategy 2020. A key finding from public consultations done as part of TPL's Strategic Planning process, as well as ongoing customer surveys, indicates that easy, convenient and local access to library services, at the customer's point of need, is very important to Torontonians.

A phased implementation to complete the Open Hours Implementation Plan was approved by the Board at its meeting on September 18, 2023. Phasing allows the cost to be spread over multiple budget years. It facilitates implementation by distributing hiring and onboarding work over time and it allows for the opportunity for changes to the Collective Agreement to adjust hours of work to accommodate 8-hour Sundays and late night service.

The budget submission includes enhancement funding for the Open Hours Implementation Plan for Phases 1 to 3 totalling \$10.967 million over 2024-2027, beginning in 2024 at a cost of \$2.450 million net, or 1.1%, including 51.9 FTEs.

Phase 1 of the Open Hours Plan includes:

- 22 branches (half serving Neighbourhood Improvement Areas) moving from 40 hours to 50.5 hours per week, adding one additional day and one additional evening of service to these branches, and achieving the Open Hours Vision for 40 hour branches by reducing this number to 10; and
- 13 branches increasing Sunday hours, with eight of them gaining Sunday service for the first time. Five branches gain seasonal Sunday service and eight branches gain year round Sunday service.

2025-2026 Operating Budget Outlook

The 2025 and 2026 Operating Base Budget Outlook is detailed in Attachment 1 and shows net base budget increases of 3.4% and 2.3% in 2025 and 2026 respectively before budget enhancements and 5.4% and 3.5% respectively including budget enhancements. The 2025 and 2026 base budget increases exclude COLA as the current collective agreement expires at the end of 2024.

2024 Operating Budget Timetable

Activity	Schedule
Administrative Review - City Finance	October 2023
Informal Budget Committee Review	November 2023
Board Meeting - 2024 Budget Updates	December 4, 2023
Budget Launch - Budget Committee	January 10, 2024
Budget Committee Review Meetings	January 16-18, 2024
Board Meeting - 2024 Budget Updates	January 22, 2024
Public Presentations – Budget Committee	January 22-23, 2024
Budget Committee Wrap-Up	January 26, 2024
Mayor’s Budget Introduced	February 1, 2024
City Council	February 15, 2024
Board Meeting - Adoption of 2024 Budget	February 26, 2024

Advocacy Task Force

TPL will continue with the positive strategy of reinforcing TPL's value to residents through initiatives such as:

- TPL's Open Doors Campaign;
- TPL's Intellectual Freedom Campaign, part of the On Civil Society Series;
- The Foundation's Fall Fundraising Campaign, and
- Reporting on the results of TPL's Social Impact Study, which is included in a separate report at this meeting.

If the need to advocate becomes apparent at any part of the budget process, TPL will move to a multifaceted campaign to advocate for TPL's impact on residents.

CONCLUSION

TPL's 2024 operating budget submission is a reasonable and responsible funding request necessary to maintain existing service levels and manage adjustments to services in response to changing conditions and disruptions. The budget request allows for investments in additional digital and community-based services that support vulnerable populations and responds to several key issues and challenges the Library is facing including high inflation, safety and security issues, supply chain disruptions and the 2023 structural budget deficit. The 2024 operating budget submission includes the Open Hours Plan as a service enhancement that supports many of the Library's and City Council's strategic priorities.

CONTACT

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SIGNATURE

Vickery Bowles
City Librarian

ATTACHMENTS

Attachment 1: 2024 Operating Budget Submission and 2025-2026 Outlook

TORONTO PUBLIC LIBRARY

2024 OPERATING BUDGET SUBMISSION AND 2025 - 2026 OUTLOOK

		2024				2025			2026			
		Staffing FTEs	GROSS \$Millions	REVENUE \$Millions	NET \$Millions	%	Staffing FTEs	NET \$Millions	%	Staffing FTEs	NET \$Millions	%
2023 Council Approved Budget		1,838.3	234.610	21.051	213.559		1,900.2	230.473		1,926.3	242.950	
COVID-19 Impacts												
1	2023: Guard Services		(1.500)		(1.500)	-0.7%						
2	2023: Health & Safety (PPE, RATs, supplies)		(1.160)		(1.160)	-0.5%						
3	2023: Reduction in revenues and related expenditures		0.031	0.925	(0.893)	-0.4%						
4	Guard services		1.675		1.675	0.8%		0.084	0.0%		0.088	0.0%
5	Health & Safety (PPE, RATs, supplies)		0.250		0.250	0.1%						
6	Reduction in revenues			(1.000)	1.000	0.5%						
		-	(0.704)	(0.075)	(0.629)	-0.3%	-	0.084	0.0%	-	0.088	0.0%
Annualization of prior year approvals												
12	Alternative approaches to security		0.776		0.776	0.4%						
13	Digital service modernization		0.310		0.310	0.1%						
14	Digital literacy for seniors		0.155		0.155	0.1%						
15	Community-based service for equity deserving populations		0.288	0.288	-	0.0%	(4.0)	-	0.0%			
16	Financial empowerment service							0.248	0.1%			
17	Social service team							0.500	0.2%			
		-	1.529	0.288	1.241	0.6%	(4.0)	0.748	0.3%	-	-	0.0%
Addressing 2023 Structural Deficit												
7	Vacancy experience savings - to avoid service reductions		1.500		1.500	0.7%						
8	Unallocated budget reduction - to avoid service reductions		0.906		0.906	0.4%						
9	Decreased base vacancy experience		2.762		2.762	1.3%						
10	Fleet reserve contribution		0.432		0.432	0.2%						
		-	5.600	-	5.600	2.6%	-	-	0.0%	-	-	0.0%
New Base Budget Pressures												
Staffing Costs												
18	Salary and benefits cost of living adjustments*		4.046		4.046	1.9%		1.749	0.8%		1.824	0.8%
19	Additional day of work (Leap Day)		0.502		0.502	0.2%		(0.502)	-0.2%			
		-	4.548	-	4.548	2.1%	-	1.247	0.5%	-	1.824	0.8%
Economic Increases												
20	Contracted services		1.246		1.246	0.6%		1.121	0.5%		1.177	0.5%
21	Library materials		0.536		0.536	0.3%		0.550	0.2%		0.563	0.2%
22	Supplies, services & rent		0.473		0.473	0.2%		0.207	0.1%		0.167	0.1%
23	Utilities		0.219		0.219	0.1%		0.279	0.1%		0.307	0.1%
			2.475		2.475	1.2%		2.157	0.9%		2.215	0.9%
Other Base Budget Pressures												
24	Operating impact of capital	7.0	0.969	0.106	0.864	0.4%	9.5	1.414	0.6%	-	0.400	0.2%
25	Accessibility, equity and inclusion & staff development	3.0	0.228		0.228	0.1%		0.228	0.1%			
26	Asset replacement reserve contribution		1.400		1.400	0.7%		1.000	0.4%		1.000	0.4%
27	Contribution to fleet reserve		0.610	0.210	0.400	0.2%		(0.400)	-0.2%			
		10.0	3.207	0.316	2.891	1.4%	9.5	2.242	1.0%	-	1.400	0.6%
Affordability Measures/Savings												
28	Forgo contribution to asset replacement reserve		(1.400)		(1.400)	-0.7%		1.400	0.6%			
29	Line by line efficiencies		(0.262)		(0.262)	-0.1%						
		-	(1.662)	-	(1.662)	-0.8%	-	1.400	0.6%	-	-	0.0%
		10.0	8.567	0.316	8.252	3.9%	9.5	7.045	3.1%	-	5.439	2.2%
Base Budget Increase		10.0	14.992	0.528	14.464	6.8%	5.5	7.877	3.4%	-	5.527	2.3%
2024 Operating Base Budget Submission		1,848.3	249.602	21.579	228.023	6.8%	1,905.7	238.350	3.4%	1,926.3	248.477	2.3%
Budget Enhancements												
Open Hours Implementaiton Plan - Update (2024)												
30	Phase 1 - 50.5 hours and full Sunday Expansion	51.9	2.450		2.450	1.1%		2.925	1.3%			
31	Phase 2 - 62 hours and 5 hr Sundays						20.6	1.675	0.7%		2.436	1.0%
32	Phase 3 - 65.5 hours									17.3	0.494	0.2%
33	Phase 4 - 8 hr Sundays and late night service to midnight											
		51.9	2.450	-	2.450	1.1%	20.6	4.600	2.0%	17.3	2.930	1.2%
Total Budget Increase		61.9	17.442	0.528	16.914	7.9%	26.1	12.478	5.4%	17.3	8.457	3.5%
2024 Operating Budget Submission and 2025-2026 Outlook		1,900.2	252.052	21.5795	230.473	7.9%	1,926.3	242.950	5.4%	1,943.6	251.407	3.5%

* Collective agreement ends December 31, 2024. Salary and benefit estimates in 2025 and 2026 do not include cost of living adjustments