



STAFF REPORT INFORMATION ONLY

Operating Budget Monitoring Report – June 30, 2023

Date: September 18, 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 six-month period ended on June 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. A Council-approved operating budget significantly below what was requested by the Toronto Public Library Board (the Board), combined with the lingering effect of the pandemic, has resulted in additional unfunded budget pressures.

As of June 30, 2023, TPL is reporting a net budget overspending of \$3.548 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 this 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 will need to be addressed as part of TPL's 2024 operating budget submission.

FINANCIAL IMPACT

For the six-month period ended on June 30, 2023, TPL is reporting a net unfavourable operating budget variance of \$3.548 million comprised of an unfavourable expenditure variance of \$2.995 million partially offset by a favourable revenue variance of \$0.552 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, which is an increase from the \$5.5 million which was reported at the June Board meeting in the [Operating Budget Monitoring – April 30, 2023](#) report. The change in the net deficit is due to increases in the forecasted overspending for staffing costs and services and rent primarily related to contracts such as security.

The overspending reflects a structural deficit in the operating budget which will need to be addressed as part of the 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 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). The 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 – 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.

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 six-month period ended on June 30, 2023, TPL is reporting a net budget overspending of \$3.548 million related to pressures in staffing costs, revenue shortfalls and higher other costs.

Actuals vs. Budget - June 30, 2023

Table 1 below summarizes the operating budget spending by category.

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

| Expenditure/Revenue Category | YEAR TO DATE | | | |
|---|----------------|----------------|--------------------|---------------|
| | Actuals | Budget | Variance to Budget | |
| | \$ M | \$ M | \$ M | % |
| 1 Staffing Costs | 85.605 | 82.845 | (2.760) | (3.3%) |
| 2 Materials and Supplies | 1.454 | 1.400 | (0.054) | (3.9%) |
| 3 Library Materials | 10.724 | 10.724 | - | 0.0% |
| 4 Equipment, Services and Rent | 18.033 | 18.304 | 0.270 | 1.5% |
| 5 Contributions & Transfers to Reserves | (0.113) | (0.109) | 0.004 | (3.7%) |
| 6 Other Expenses | 0.002 | (0.453) | (0.455) | 100.4% |
| 7 Total Gross Expenditures | 115.706 | 112.711 | (2.995) | (2.7%) |
| 8 Grants | 2.857 | 2.857 | - | 0.0% |
| 9 Fines, Fees and Room Rentals | 1.245 | 1.970 | (0.725) | (36.8%) |
| 10 Contributions & Transfers from Reserves | - | - | - | 0.0% |
| 11 Other Revenues | 1.322 | 1.149 | 0.173 | 15.1% |
| 12 Total Revenues | 5.424 | 5.976 | (0.552) | (9.2%) |
| 13 Net Expenditures | 110.282 | 106.735 | (3.548) | (3.3%) |
| 14 Library initiatives funded by TPL Foundation | 2.044 | 1.095 | (0.948) | (86.5%) |
| 15 Grants from TPL Foundation | 2.044 | 1.095 | 0.948 | 86.5% |
| 16 Net Expenditures | - | - | - | 0.0% |
| 17 Total Net Expenditures | 110.282 | 106.735 | (3.548) | (3.3%) |

Staffing

As of June 30, 2023, TPL is reporting a gross expenditure overspending of \$2.995 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 \$2.760 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 \$0.270 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 June 30, 2023, TPL is reporting an unfavourable revenue variance of \$0.552 million when excluding supplementary grant funding from the TPL Foundation to fund specific library initiatives. The unfavourable revenue variance of \$0.552 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 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 will need to be addressed as part of the 2024 operating budget submission.

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SIGNATURE

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