

## **2020 Operating Budget – Update**

<b>Date:</b>	October 22, 2019
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

### **SUMMARY**

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The purpose of this report is to provide the Toronto Public Library (TPL) Board with an update on the 2020 operating budget submission, following reviews that have been done with the City, and to provide additional context by presenting actual expenditures for 2016 to 2018 and 2019 projections.

Through the budget process, TPL staff presented the operating budget submission to City staff and at this time, there are no changes to the operating submission.

The results of the Ernst & Young-led value based outcome review have also been released to the City with no recommendations related to TPL. Therefore, the 2020 operating budget submission remains unchanged.

### **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 21<sup>st</sup> century service excellence.

### **EQUITY IMPACT STATEMENT**

The operating budget is informed by the principles of equity and access, and aligns the financial investment in library services to meet the needs of all Torontonians, including all equity-seeking groups.

## **DECISION HISTORY**

At its meeting on September 23, 2019, the Board approved a [2020 operating budget submission](#) of \$191.759 million net (\$212.399 million gross), which represents a \$3.666 million net (\$5.084 million gross), or 1.9%, over the 2019 operating budget.

Also approved at the meeting were budget enhancements totaling \$6.445 million net and gross, or 3.4%, for a total 2020 budget increase of \$10.111 million net (\$11.529 million gross), or 5.4%.

## **COMMENTS**

### **Administrative Review**

On October 10, 2019, TPL staff met with City staff for an administrative review of TPL's 2020 operating budget submission. At this time, there are no changes to the operating submission.

### **Value Based Outcome Review**

The City of Toronto engaged Ernst & Young to undertake a value based outcome review (VBOR) for selected City Divisions and Agencies to examine: service relevance and intended outcome, service delivery, modernization and efficiency opportunities, and expenditure and revenue sustainability. Recommendations from this review were intended to inform the 2020 budget submission.

Over the summer, TPL was part of this review with Ernst & Young and provided information regarding TPL's operating data (salaries and benefits, full-time equivalents), volume of contracts, modernization, transformation and innovation initiatives and key performance measures and methods.

The outcome of this review did not include any specific recommendations for TPL as Ernst & Young found that TPL has already addressed or is currently already addressing key operational and budget issues related to the review.

### **2016-2019 Expenditure Spending and 2020 Base Budget**

TPL's operating base budget is based on previous years' actuals and is a reasonable and responsible funding request necessary to maintain existing services and service levels with modest increases in line with recent trends, mainly related to inflationary or other operational pressures.

TPL's 2020 operating base budget submission of \$191.759 million net (\$212.399 million gross), as detailed in Attachment 1, remains unchanged and is presented by category

and is aligned with historical annual actual or forecast spending from 2016 to 2019. TPL's annual expenditure and revenue trends support the 2020 budget request, as summarized in Table 1 below.

**Table 1: 2016 - 2019 Actuals and 2020 Operating Base Budget (\$ millions)**

		2016	2017	2018	2019	2020	
		Actuals	Actuals	Actuals	Forecast	Base Budget	Incr / (Decr)
<b>EXPENDITURES</b>							
1	Salaries and & Benefits	143.506	141.903	144.949	151.077	152.853	1.776
2	Materials & Supplies	2.236	2.123	2.036	2.158	2.158	-
3	Furnishings & Equipment	0.769	1.005	0.707	0.337	0.337	-
4	Library Materials	19.273	19.755	19.963	20.415	20.925	0.510
5	Services & Rent	26.641	28.085	29.593	30.134	31.903	1.769
6	Services & Rent Foundation funded	2.542	1.668	2.704	2.508	1.000	(1.508)
7	Other Expenses	0.012	0.156	0.075	0.004	0.004	-
8	Contributions & Transfers	2.271	6.327	4.240	3.189	3.218	0.029
9	<b>TOTAL EXPENDITURES</b>	<b>197.249</b>	<b>201.022</b>	<b>204.267</b>	<b>209.823</b>	<b>212.399</b>	<b>2.576</b>
<b>REVENUES</b>							
10	Grants	5.695	5.704	5.723	5.678	5.678	-
11	Fines & Fees	5.241	5.299	5.331	5.775	5.939	0.164
12	Transfer from Capital	0.335	0.940	1.129	1.283	1.407	0.124
13	Other Revenues	2.415	2.228	2.239	2.286	2.314	0.029
14	Foundation Grants to TPL	2.542	1.668	2.704	2.508	1.000	(1.508)
15	Contributions & Transfers	4.094	6.145	4.808	4.199	4.301	0.102
16	<b>TOTAL REVENUES</b>	<b>20.321</b>	<b>21.983</b>	<b>21.933</b>	<b>21.729</b>	<b>20.639</b>	<b>(1.090)</b>
17	<b>NET EXPENDITURES</b>	<b>176.928</b>	<b>179.038</b>	<b>182.334</b>	<b>188.093</b>	<b>191.759</b>	<b>3.666</b>
18	<b>APPROVED NET BUDGET</b>	<b>177.175</b>	<b>179.108</b>	<b>182.393</b>	<b>188.093</b>		
19	<i>% Spent</i>	<i>99.9%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>		

**Salaries & Benefits:** Year-over-year annual increases in salaries and benefits are mainly related to cost of living adjustments (COLA), progression and merit increases. The temporary closure of North York Central (NYCL) for construction in 2017 and 2018 resulted in savings of \$4.000 million and \$2.250 million, respectively, which were redirected to fund the NYCL capital project and is reflected in increases in Expenditure Contributions & Transfers.

The 2020 base budget increase for salaries and benefits is mainly attributable to salary progression and merit, adjustment for an extra day of work, as well as inflationary increases to benefits. COLA is not included in the 2020 budget submission as the current collective bargaining agreement expires at the end of 2019 and COLA will be budgeted for by the City. The increase also includes additional staffing related to room rentals, capital project coordinators, and operating impact of capital projects. Most of

these positions have offsetting revenues described below with no net impact to the budget.

**Materials & Supplies:** There have been expenditure decreases in materials and supplies over the last few years, mainly related to efficiency savings for the cost of library material processing. These efficiency savings have also helped offset some inflationary pressures.

**Furnishings & Equipment:** Previous year spending in furnishings and equipment has been higher due to some immediate and urgent state of good repair issues. The 2020 budget is in line with 2019 current forecast.

**Library Materials:** The annual expenditure increases for library materials is related to economic factors.

**Services & Rent:** The annual expenditure increases for services and rent is related to economic factors and operational requirements, including contracted services (e.g. security guards, janitorial services and software maintenance) and library programming.

The 2020 base budget increase for services and rent is mainly for additional security guard coverage, increased costs for technology-related services and utilities.

**Services & Rent Foundation funded:** In the past, expenditures associated with Toronto Public Library Foundation (TPLF) grants that fund the costs of specific library initiatives have not been budgeted. The amount included in the 2019 forecast is approximately \$2.508 million. For the 2020 operating budget submission, TPL is budgeting \$1.000 million for library programming associated with specific library initiatives (TD Summer Reading Club, Musical Instrument Lending Library etc.), offset by budgeted grant funding of \$1.000 million from TPLF.

**Expenditure Contributions & Transfers:** The increases in 2017 and 2018 are related to the NYCL capital project as previously described.

The 2020 base increase is related to TPL's contribution to the City's insurance reserves as identified by the City's Financial Planning Division, which has mandated an increase of \$0.029 million over the 2019 amount.

**Grants:** A relatively flat trend in grant funding is comprised of unchanging provincial grants with occasional one-time funding for specific library initiatives.

**Fines and Fees:** The annual increases in fines and fees is primarily related to economic factors for venue and premium room rentals. From 2016 to 2019, the decrease in

library fines is offset by an increase in revenues from printing and premium room rentals. The 2020 budget increase is due to an inflationary increase and an additional increase in premium room rental revenue offset with one additional staff.

**Transfer from Capital:** The increase in Transfer from Capital in the 2020 budget is related to staff support for capital budget projects.

**Other Revenues:** The increases in other revenues is due to inflationary increases and is mainly related to sale of library materials and tenant revenue.

**Foundation Grants to TPL:** For 2016 to 2019, there are unbudgeted Toronto Public Library Foundation grants that fund specific library initiatives. In the past, these revenues have not been budgeted. In 2020, \$1.000 million of grant funding is included in the budget, which will be centered on specific library initiatives (e.g. TD Summer Reading Club, Musical Instrument Lending Library etc.) as discussed earlier.

**Revenue Contributions & Transfers:** The increase in 2017 was related to a one-time Development Charges (DC) bridging strategy resulting in an increased draw on DC for library materials, which was slowly phased back over the following two years.

## CONCLUSION

TPL's 2020 operating budget submission (excluding COLA) is a reasonable and responsible funding request, based on previous years' actuals as detailed in this report, and is necessary to maintain existing services and service levels. The budget request balances the need to develop and deliver modern library services that include innovative self-service and online and technology-based services, while responding to the continuing demand for traditional services.

Following the results of the Ernst & Young led value based outcome review and an administrative review with City staff, the 2020 operating budget submission remains unchanged from the previous Board approved submission as presented at the September Board meeting and the budget review process will continue.

## CONTACT

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## **SIGNATURE**

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Vickery Bowles  
City Librarian

## **ATTACHMENTS**

Attachment 1: 2020 Operating Budget Submission and 2021-2022 Outlook

# TORONTO PUBLIC LIBRARY

## 2020 Operating Budget and 2021-2022 Outlook

	2020 Operating Budget					2021 Outlook			2022 Outlook		
	STAFF FTE's	GROSS \$Ms	REVENUE \$Ms	NET \$Ms	%	STAFF FTE's	NET \$Ms	%	STAFF FTE's	NET \$Ms	%
<b>2018 COUNCIL APPROVED ADJUSTED BUDGET</b>	<b>1,732.3</b>	<b>207.314</b>	<b>19.221</b>	<b>188.093</b>		<b>1,847.8</b>	<b>198.204</b>		<b>1,847.8</b>	<b>211.693</b>	
<b>Base Budget Pressures</b>											
1 Salary COLA		0.000		0.000	0.0%		0.000	0.0%		0.000	0.0%
2 Salary merit and step increase		0.340		0.340	0.2%		0.360	0.2%		0.370	0.2%
3 Leap Day Adjustment		0.429		0.429	0.2%		-0.429	-0.2%			
4 Benefits cost economic increase		0.413		0.413	0.2%		0.405	0.2%		0.426	0.2%
5 2018 Sunday Service Enhancement (2019 annualization)		0.208		0.208	0.1%						
	<b>0.0</b>	<b>1.390</b>	<b>0.000</b>	<b>1.390</b>	<b>0.7%</b>	<b>0.0</b>	<b>0.337</b>	<b>0.2%</b>	<b>0.0</b>	<b>0.796</b>	<b>0.4%</b>
<b>Economic Factors</b>											
6 Facilities-related contracted services economic factor		0.580		0.580	0.3%		0.578	0.3%		0.512	0.2%
7 Library Materials economic factor		0.510	0.102	0.408	0.2%		0.418	0.2%		0.429	0.2%
8 Supplies & Services economic factor		0.347		0.347	0.2%		0.527	0.3%		0.541	0.3%
9 Utilities economic factor		0.287		0.287	0.2%		0.348	0.2%		0.361	0.2%
	<b>0.0</b>	<b>1.724</b>	<b>0.102</b>	<b>1.622</b>	<b>0.9%</b>	<b>0.0</b>	<b>1.871</b>	<b>0.9%</b>	<b>0.0</b>	<b>1.844</b>	<b>0.9%</b>
<b>Expenditure Pressures</b>											
10 Operating impact of capital - Technology projects		0.693		0.693	0.4%		0.400	0.2%		0.400	0.2%
11 Operating impact of capital - Building projects	1.5	0.148		0.148	0.1%		0.357	0.2%	4.0	1.037	0.5%
12 Security Guard coverage		0.300		0.300	0.2%						
13 Contribution to City's insurance reserve		0.029		0.029	0.0%						
14 Capital Budget project coordinators	2.0	0.124	0.124	0.000	0.0%						
	<b>3.5</b>	<b>1.293</b>	<b>0.124</b>	<b>1.169</b>	<b>0.6%</b>	<b>0.0</b>	<b>0.757</b>	<b>0.4%</b>	<b>4.0</b>	<b>1.437</b>	<b>0.7%</b>
<b>subtotal - base budget pressures</b>	<b>3.5</b>	<b>4.408</b>	<b>0.226</b>	<b>4.182</b>	<b>2.2%</b>	<b>0.0</b>	<b>2.966</b>	<b>1.5%</b>	<b>4.0</b>	<b>4.077</b>	<b>1.9%</b>
<b>Efficiencies &amp; Revenue Increases</b>											
<b>Expenditure Savings</b>											
15 Line by line review efficiencies		-0.438		-0.438	-0.2%						
<b>Revenue increases</b>											
16 Increase revenue from sale of online materials			0.029	-0.029	0.0%						
17 Increase in revenue of premium rentals	1.0	0.114	0.164	-0.050	0.0%		-0.044	0.0%		-0.046	0.0%
18 Toronto Public Library Foundation grants	1.0	1.000	1.000	0.000	0.0%						
	<b>2.0</b>	<b>1.114</b>	<b>1.193</b>	<b>-0.078</b>	<b>0.0%</b>	<b>0.0</b>	<b>-0.044</b>	<b>0.0%</b>	<b>0.0</b>	<b>-0.046</b>	<b>0.0%</b>
<b>subtotal - efficiencies</b>	<b>2.0</b>	<b>0.676</b>	<b>1.193</b>	<b>-0.516</b>	<b>-0.3%</b>	<b>0.0</b>	<b>-0.044</b>	<b>0.0%</b>	<b>0.0</b>	<b>-0.046</b>	<b>0.0%</b>
<b>19 Base Budget Increase</b>	<b>5.5</b>	<b>5.084</b>	<b>1.418</b>	<b>3.666</b>	<b>1.9%</b>	<b>0.0</b>	<b>2.922</b>	<b>1.5%</b>	<b>4.0</b>	<b>4.031</b>	<b>1.9%</b>
<b>20 2020 Operating Base Budget</b>	<b>1,737.8</b>	<b>212.399</b>	<b>20.639</b>	<b>191.759</b>	<b>1.9%</b>	<b>1,847.8</b>	<b>201.126</b>	<b>1.5%</b>	<b>1,851.8</b>	<b>215.724</b>	<b>1.9%</b>
<b>Budget Enhancements - New Requests</b>											
Open Hours Plan (\$18.3 M)											
21 Adding Mon hours, Sunday seasonal service and late evening service at 6 branches	40.9	2.231		2.231	1.2%		3.347	1.7%			
22 Inc. Mon-Sat hours, Sunday hours and late evening service at remaining branches	56.1	2.894		2.894	1.5%		4.341	2.2%			
23 Increase Sunday hours and late night service to midnight							2.178	1.1%		3.267	1.5%
	<b>97.1</b>	<b>5.125</b>		<b>5.125</b>	<b>2.7%</b>		<b>9.866</b>	<b>5.0%</b>		<b>3.267</b>	<b>1.5%</b>
24 Community Librarians outreach program	4.0	0.223		0.223	0.1%		0.223	0.1%			
<b>subtotal - New Requests</b>	<b>101.1</b>	<b>5.348</b>	<b>0.000</b>	<b>5.348</b>	<b>2.8%</b>	<b>0.0</b>	<b>10.089</b>	<b>5.1%</b>	<b>0.0</b>	<b>3.267</b>	<b>1.5%</b>
<b>Budget Enhancements - Prior Year Council Planned (yr 3)</b>											
25 2018-2020 Two new Youth Hub locations (revised costing)	4.0	0.461		0.461	0.2%		0.010	0.0%			
26 2018-2020 Seasonal Sunday Service at 8 Neighbourhood branches		0.208		0.208	0.1%		0.208	0.1%			
<b>subtotal - Prior Year Council Planned (yr 3)</b>	<b>4.0</b>	<b>0.669</b>		<b>0.669</b>	<b>0.4%</b>		<b>0.218</b>	<b>0.1%</b>		<b>0.000</b>	<b>0.0%</b>
<b>Budget Enhancements - Council Initiatives</b>											
27 Seniors Strategy Digital Literacy Program	4.0	0.378		0.378	0.2%		0.210	0.1%			
28 Digital Safety and Literacy Programming	1.0	0.050		0.050	0.0%		0.050	0.0%			
<b>subtotal -Council Initiatives</b>	<b>5.0</b>	<b>0.428</b>	<b>0.000</b>	<b>0.428</b>	<b>0.2%</b>	<b>0.0</b>	<b>0.260</b>	<b>0.1%</b>	<b>0.0</b>	<b>0.000</b>	<b>0.0%</b>
<b>subtotal - Budget Enhancements</b>	<b>110.1</b>	<b>6.445</b>	<b>0.000</b>	<b>6.445</b>	<b>3.4%</b>	<b>0.0</b>	<b>10.567</b>	<b>5.3%</b>	<b>0.0</b>	<b>3.267</b>	<b>1.5%</b>
<b>29 Budget Increase with Service Enhancements</b>	<b>115.6</b>	<b>11.529</b>	<b>1.418</b>	<b>10.111</b>	<b>5.4%</b>	<b>0.0</b>	<b>13.489</b>	<b>6.8%</b>	<b>4.0</b>	<b>7.298</b>	<b>3.4%</b>
<b>30 2020 Operating Budget</b>	<b>1,847.8</b>	<b>218.844</b>	<b>20.639</b>	<b>198.204</b>	<b>5.4%</b>	<b>1,847.8</b>	<b>211.693</b>	<b>6.8%</b>	<b>1,851.8</b>	<b>218.991</b>	<b>3.4%</b>