14.

STAFF REPORT
INFORMATION ONLY

2018 Operating Budget Outlook

Date:	June 19, 2017
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to provide the Toronto Public Library (TPL) Board with the 2018 operating budget outlook, which represents a base budget increase of $5.733 million net ($3.971 million gross), or 3.2%, required to maintain current service levels. The 2018 outlook was included as part of the 2017 operating budget process and is presented unchanged as a starting point for the 2018 operating budget process.

City Council has approved a 2018 operating budget target of a 0% increase over the 2017 net operating budget. To achieve this target, TPL would need to identify budget reliefs totalling $5.733 million net, or 3.2%.

TPL's 2018 operating budget will be updated and refined over the summer and efficiencies and other measures will be sought to offset budget pressures.

The complete 2018 operating budget submission will be presented for Board consideration at its meeting on September 25, 2017.

FINANCIAL IMPACT

The 2018 operating budget outlook represents a base budget increase of $5.733 million net ($3.971 million gross), or 3.2%, which is the starting point for the operating budget process.

City Council has approved a 2018 operating budget target of a 0% increase over the 2017 net operating budget. To achieve this target, TPL would need to identify budget reliefs totalling $5.733 million net, or 3.2%.

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

ALIGNMENT WITH STRATEGIC PLAN

The operating budget supports TPL's strategic plan, including advancing TPL's digital platform, breaking down barriers to access and driving inclusion, expanding access to technology and training and establishing TPL as Toronto's centre for lifelong and self-directed learning.

The complete 2018 operating budget submission will be presented for Board consideration at its September 25, 2017 meeting.

As directed by the City, TPL has provided Social Development, Finance and Administration (SDFA) preliminary estimates of its budget enhancements of $0.770 million that support the City's Poverty Reduction Strategy.

DECISION HISTORY

At its meeting on May 25, 2017, City Council approved the 2018 Budget Process - Budget Directions and Schedule that directed all City Programs and Agencies to prepare their 2018 net operating budget to be equal to the 2017 Approved Net Operating Budget, representing a target of 0% increase.

COMMENTS

2018 Operating Budget Outlook

As part of the 2017 operating budget process, a 2018 outlook was included and the outlook is presented in this report unchanged as a starting point for the 2018 operating budget process.

The 2018 operating budget outlook shows a base budget increase, required to maintain current service levels, of $5.733 million net ($3.971 million gross), or 3.2%, when compared to the Council-approved 2017 operating budget, detailed and described below in Table 1. To achieve the Council-mandated budget target of 0% increase, TPL would need to identify budget reliefs totalling $5.733 million net, or 3.2%.

Table 1: 2018 Operating Budget Outlook ($millions)

	Gross	Revenue	Net	%
2017 Approved Operating Budget	**199.047**	**19.995**	**179.052**	**Inc/(Dec)**
2018 Base Budget Pressures & Reliefs				
Salary and Benefit Costs	2.518	-	2.518	1.4%
Contract Costs	0.504	-	0.504	0.3%
Library Collection Costs economic increase	0.494	-	0.494	0.3%
Supplies and Services Costs economic increase	0.314	-	0.314	0.2%
Utility Costs economic increase	0.204	-	0.204	0.1%
Operating Impact of Capital	0.038	-	0.038	0.0%
Annualization of 2017 Operational Efficiencies	(0.100)	-	(0.100)	-0.1%
Increase to revenue estimates	-	0.056	(0.056)	0.0%
Reversal of one-time 2017 Youth Hub programming funding	-	(0.153)	0.153	0.1%
Reversal of one-time 2017 Youth Hub funding	-	(0.234)	0.234	0.1%
Reversal of temporary sick leave funding from City reserve	-	(0.300)	0.300	0.2%
Reversal of one-time 2017 Collections economic increase funded by DC	-	(0.482)	0.482	0.3%
Reversal of 2017 temporary increase in DC draw to fund Collections	-	(0.650)	0.650	0.4%
	3.971	**(1.763)**	**5.733**	**3.2%**
2018 Operating Budget Outlook	**203.018**	**18.233**	**184.785**	**3.2%**

Totals may not add due to rounding

Salary and Benefit Costs: Costs related to salary and benefits are projected to increase by $2.518 million net mainly due to approved COLA adjustments for union employees ($1.464 million), related benefit increases ($0.599 million) and progression increases ($0.455 million). As per the budget guidelines, non-union COLA is estimated at an economic factor of 0% and the budget will be adjusted once a non-union compensation plan is approved.

Contract Costs: Known and projected increases result in a pressure of $0.504 million.

Library Collections Costs: Library collection costs are impacted by both inflationary pressures and currency exchange rates. A factor of 2.5% was applied and results in a projected budget pressure for collections of $0.494 million.

Supplies and Service Costs: The City provided economic factors for a number of categories in the 2017 budget guidelines as well as a general inflationary increase. When applied to applicable expenditures, the projected budget pressure is $0.314 million.

Utility Costs: Applying inflationary assumptions for hydro, natural gas and water as provided by the City during the 2017 budget process results in an increase of $0.204 million.

Operating Impact from Capital: There is a projected increase of $0.038 million due to capital projects.

Annualization of 2017 Operational Efficiencies: Annualization of expenditures savings of $0.100 million from the technological efficiencies achieved during the 2017 operating budget process.

Increase to revenue estimates: Projected increase in revenue estimates of $0.056 million from tenant leases, premium room and room and auditorium rentals that help reduce the base budget pressure.

Reversal of one-time 2017 Youth Hub programming funding: Loss of one-time funding of $0.153 million from the City's Tax Rate Stabilization reserve for associated programming costs for existing Youth Hubs, resulting in a budget pressure for 2018.

Reversal of one-time 2017 Youth Hub staff support funding: Loss of one-time funding of $0.234 million from the City's Tax Rate Stabilization reserve for staff support at the new Youth Hubs established in 2017, resulting in a budget pressure for 2018.

Reversal of temporary funding from City Reserve to fund sick leave payouts: The elimination of one-time funding of $0.300 million from City Reserves due to a higher-than-normal level of retirees that was included in the 2017 budget, resulting in a base budget pressure in 2018.

Reversal of one-time 2017 Collections economic increase funded by DC: Reversal of funding of $0.482 million from a one-time revenue bridging strategy that funded the 2017 Library Collections economic increase through development charges.

Reversal of 2017 temporary increase in DC draw to fund Collections: Reversal of funding of $1.300 million distributed over two years from a one-time revenue bridging strategy that allowed for a temporary increase in development charges draw to fund collections, resulting in a budget pressure of $0.650 million in 2018 and additional $0.650 million 2019.

Further Budget Work

The complete 2018 operating budget submission will be presented for Board consideration at its September 25, 2017 meeting and is expected to include the base budget pressures and reliefs, strategies to meet the City's budget target of 0% and budget enhancements.

Over the summer, TPL staff will continue to refine the 2018 operating budget, which will include:

1. Performing line-by-line reviews to identify budget pressures and reliefs;
2. Identifying opportunities that leverage innovation to further modernize library service while providing budget reliefs;
3. Developing projects to rationalize service and achieve efficiencies;
4. Identifying additional revenue bridging strategies and increased revenue opportunities;
5. Identifying additional budget enhancements that support the City's Poverty Reduction Initiatives and other Council priorities; and
6. Developing strategies to manage ongoing demand, improve customer service and fund the modernization of library services while furthering TPL's strategic priorities and limiting the impact on the budget.

2018 Budget Enhancements

At this time, TPL has identified budget enhancements of $0.366 million gross and net, which advance a number of TPL strategic objectives and support the City's Poverty Reduction Strategy, as detailed in Table 2.

Table 2: 2018 Budget Enhancements ($millions)

	FTE	Net	% Inc/(Dec)
Reinstatement of 2017 Youth Hub funding		-	0.0%
Standardization of Youth Hub staffing and programming	*1.0*	0.104	0.1%
Sunday Open Hours Enhancement		0.106	0.1%
Additional locations for Youth Hubs	*2.0*	0.260	0.1%
Wi-fi Hotspot Lending Program		0.300	0.2%
	3.0	**0.770**	**0.4%**

Reinstatement of 2017 Youth Hub funding: $0.387 million to fund Youth Hubs already included in the base budget pressures and also submitted to SDFA as a budget enhancement.

Standardization of Youth Hub staffing and programming: Two of the existing Youth Hubs, located at the Centennial and Sanderson branches, are open for fewer hours and as such provide less programming for users than the other six locations or the proposed new additional locations. This funding of $0.104 million would allow these two Youth Hubs to have a full-time librarian with the corresponding increase in hours and service.

Sunday Open Hours Enhancement: $0.106 million to fund the remaining five District libraries (Agincourt, Bloor/Gladstone, Pape/Danforth, Richview, S. Walter Stewart) to be opened for eight weeks throughout the summer for full-year Sunday service.

Additional two locations and programming costs for Youth Hubs: $0.260 million to support the development of two new Youth Hubs at Downsview (located in a Neighbourhood Improvement Area) and McGregor Park (located in an emerging neighbourhood), including 2.0 full-time equivalents (FTEs).

Wi-fi Hotspot Lending Program: This operating funding of $0.300 million will allow for an additional 500 Wi-fi devices to be loaned to families in 2018, bringing the total number of available units close to 1,000.

Additional City Budget Submission Requirements

The *2018 Operating Budget Submission, Guidelines and Instructions* include new Council-directed Budget Submission Requirements, as described in Attachment 1. These include:

- Submission of Transformative Project Implementation Plans and Benefits;

- Submission of Capital and Operating Costs for Council-adopted Policies, Plans and Strategies; and
- Submission of capital and Operating Costs for AODA Compliance and Accommodation of Seniors' Issues.

Further details regarding these new budget submission requirements, in addition to a number of City-wide reviews, will be provided to TPL at a later date and are expected to be included as part of the draft budget submission due to the City on August 2, 2017.

At its meeting on January 24, 2017, Council requested the City Manager to report back to Executive Committee in the spring of 2017 on a three-year spending and reform plan for City Divisions and Agencies beginning with the 2018 Budget process. The *2018 Operating Budget Submission, Guidelines and Instructions* report stated that it is premature for the City Manager to report back in the absence of the Long Term Financial Plan. The Long Term Financial Plan report will provide a five-year financial forecast of expenses and revenues and expenditure management and revenue strategies. A reform plan that will modernize the whole of government will be informed by expenditure management strategies that will set out a modernization and transformation agenda as one of its key components.

2018 Operating Budget Submission Timetable

Activity	**Schedule**
2018 Operating Budget – Base Budget Only	June 12, 2017
TPL Board Meeting	**June 19, 2017**
Budget Submission – Reduction Options and New Requests	August 2, 2017
TPL Board Meeting	**September 25, 2017**
Budget Committee Informal Reviews	September 18 – October 13, 2017
TPL Board Meeting	**October 23, 2017**
TPL Board Meeting	**November 20, 2017**
Budget Launch – Budget Committee	November 30, 2017
TPL Board Meeting	**December 11, 2017**
Budget Briefings – Budget Committee	December 12 – 18, 2017
TPL Board Meeting	**January TBD**
Public Presentations – Budget Committee	January 8 – 10, 2018
Budget Committee Wrap-up	January 12, 2018
Budget Committee Final Wrap-up	January 23, 2018
TPL Board Meeting	**February TBD**
Special Executive Committee	February 6, 2018
Council Approval	February 12 – 13, 2018

CONTACT

Larry Hughsam; Director, Finance and Treasurer; Tel: 416-397-5946;
E-mail: lhughsam@torontopubliclibrary.ca]

SIGNATURE

_____

Vickery Bowles
City Librarian

ATTACHMENTS

Attachment 1: Extract from 2018 Operating Budget Submission, Guidelines and Instructions

4. WHAT'S NEW FOR 2018

Changes to the 2018 Operating Budget process guidelines and information requirements are highlighted below for easy reference.

Collaborative Approach to Budget Preparation

As in prior years, Financial Planning Division Analysts and Managers will meet with Programs and Agencies in pre-submission meetings to identify and attempt to resolve issues. New for 2018, Financial Planning will work with client City Program and Agency staff in their development of budget submissions. This collaborative approach is intended to assist in understanding and confirmation of the base budget, key service cost drivers; emergent program issues and to ensure that budget submissions meet all budget requirements **prior to submission** with areas of focus including:

- Confirmation of Base Budget changes and categorizations;
- Identification of emergent budget issues required to maintain approved service levels;
- Opportunities for base budget reductions based on a review of commitments items against actual expenditures experienced over the last three years;
- Identification of base budget impacts resulting from Council direction or items referred to the Budget process; and
- Confirmation of pressures identified in 2018 and 2019 Outlook years as part of the 2017 Budget process.

New Council-directed Budget Submission Requirements

As a result of Council's approval of the *2018 Budget Process: Budget Directions and Schedule* report, there are now 3 new information submission requirements:

1. Submission of Transformative Project Implementation Plans and Benefits

Given the financial pressures facing the City, there is a need to focus on the realization of benefits, both financial and value-added, of Business Transformation projects, which can be used to first offset the costs of project sustainment and then reduce budgets. All Programs and Agencies are required to submit all modernization, transformation and innovation initiatives completed, planned or underway, with expected benefits and timing with the August 2, 2017 submission, in a template to be provided by the Financial Planning Division by June 2, 2017.

2. Submission of Capital and Operating Costs for Council-adopted Policies, Plans and Strategies

All City Programs and Agencies must submit all capital and operating costs for policies, plans and strategies adopted by Council. The format for the submission will be provided by the Financial Planning Division by June 2, 2017 for August 2, 2017 submission.

3. Submission of Capital and Operating Costs for AODA Compliance and Accommodation of Seniors' Issues

City Council has requested that City Programs and Agencies submit all actions and associated capital and operating costs related to the actions taken and required to meet the

City's compliance with AODA legislation and to accommodate seniors' needs by outlining the following:

- Actions funded and/or accompanied with respective budgets to date;
- Actions requested by not funded to date;
- Actions required but not yet funded; and
- The cost of any new strategies or actions that the City should consider.

The format for the submission will be provided by the Financial Planning Division by June 2, 2017 for August 2, 2017 submission.

City-Wide Reviews

Service Level/Standard Review

In preparation for a City-wide review of service standards and levels, a data collection exercise will be undertaken to update service standards by the end of June 2017. Standards were initially documented in preparation for the KPMG Core Service Review in 2011 and have not been updated since. Generally, service standards are established due to the one of the following:

1. Legislative
2. Council-Mandated
3. Industry Best Practice
4. Historical
5. Funded Levels

The intent of this review is to update the basis service standards to prepare for the analysis and assessment of current service levels against service standards, benchmarks and outcomes.

Temporary Positions Review

All temporary complement positions are created for a defined period of time with start and end dates. The temporary position duration must be aligned with limited funding to support a defined service level, purpose, or a capital funded project. Temporary positions (including end dates) are to be reviewed annually as part of the budget process to ensure positions are still required.

Temporary positions approved by Delegated Authority are created for up to 12 months to respond to an emergent issue or address surge capacity. These positions are supposed to be reviewed monthly at minimum, and annually during the budget process to:

a) Ensure positions are either delimited once they surpass the 12-month expiry end date, or 36-months expiry date for Backfill positions with a direct link to a Complement position, where applicable; or

b) Determine if positions are still required and therefore, need to be extended with the proper level of approval/authority. **If there is an ongoing requirement for these positions, they must be included in the budget submission as permanent positions to form part of the Approved Complement**. **All temporary positions approved through Delegated Authority that have existed greater than 12 months must be justified through the budget process.**

The Financial Planning Division will undertake this review as part of the administrative review process together with client Program and Agency staff (as appropriate). To facilitate this review, a new Temporary Duration Report will be available by the end of June, 2017. The report brings together many important attributes of a temporary position that will assist with this review. Training on this report will be provided by Human Resources Division staff.

Review of Existing Tax and Fee Waivers, Discounts and Exemptions

Council has directed that all existing tax and fee waivers, discounts and exemptions must be reviewed as part of the 2018 Budget process and reported upon during the Administrative Review process. This will require all City Programs and Agencies to identify their respective service-specific policies regarding fee waivers, discounts and exemptions and quantify their costs. The Financial Planning Division will be undertaking this review as part of the administrative review process.

Equity Impact Assessment

For the 2018 Budget, consistent with Council direction, all City Divisions and Agencies are required to provide the equity impacts of proposed service efficiencies, service increases, service decreases and new/enhanced services (i.e. business cases categories between 51 and 79). Of particular interest in the 2018 budget is the gender impact of budget proposals and the impact on persons with low income. It will be used to guide a review by an external expert panel. Further details are provided in Section B: Business Case Development Guidelines. Training will be provided in June, 2017 by Equity, Diversity and Human Rights.

Recording and Reconciling IDC/IDRs in PBF

New for 2018, all base IDCs/IDRs must now be entered into PBF using a Budget Change Form that allows the seller to include multiple buyers. The Seller will initiate the BASE IDC/ IDR transactions in PBF by entering details of their recoveries into the BASE Budget Change Form while the Buyer will confirm and re-allocate details of their charges to the proper fund centers and IDC commitment items in the Budget Change Form. Both seller and buyer transactions will be entered in category 38. The transactions between the seller and the buyer are linked by IDC/ IDR Transfer Control ID initiated by the seller, which provides the link to validate the transactions between Divisions.

It is the responsibility of the Seller to review BUD0131 (B) prior to budget submission to resolve discrepancies. Further details are provided in Section D: Operating Budget Policies – Budgeting for Interdivisional Charges and Recoveries

Insurance Deductible for City-Owned Property and Automobile Physical Damage Claims

Effective January 1, 2018, Insurance and Risk Management (IRM) staff will be implementing an insurance claims deductible of $2,500 for City Owned Property claims and $500 for Automobile Physical Damage claims.

Claims below the deductible amounts will be the responsibility of the Programs/Agencies. For claims above the deductible, Programs/Agencies will be invoiced annually for their deductible amounts.

For further information see Section A – Corporate Insurance.

Recording the Estimated Impact of Ongoing Collective Bargaining

Programs with no collective agreement with their respective unions should provide an estimated pressure to their respective FPD analyst/manager. These Programs should provide estimated COLA increases (% and $ impacts) for each year of the negotiation period to the FPD Program Analyst with a copy to Andy Cui and Robert Flesch to allow the differential (amount included in the current year budget and outlooks vs estimated) amounts to be correctly budgeted in Non-Program.

Fair Hydro Plan Impact

With the introduction of the Fair Hydro Plan, Hydro Costs are now based on specific customer/account types. The rate impact is no longer uniform across City Divisions and Agencies. While the general rate increase of 4.8% has been applied at the corporate level, the following Divisions and Agencies will need to adjust this amount via the Divisional Economic Factors form based on the table provided in the Economic Factors section:

- Toronto Water
- Exhibition Place
- Toronto Public Library
- Toronto Parking Authority
- Toronto Transit Commission
- Toronto Zoo