STAFF REPORT
INFORMATION ONLY

17.

2019 Operating Budget – Base Pressures

Date:	June 18, 2018
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 2019 operating base budget pressures outlook, which is comprised of budget increases of $4.869 million net ($4.987 million gross), or 2.7%, to maintain current service levels, $1.900 million net ($1.250 million gross), or 1.0%, related to the reversal of one-time bridging strategies and $0.726 million net and gross, or 0.4%, related to previous Council-approved budget enhancements, for a total of $7.495 million net ($6.963 million gross), or 4.1%. The 2019 pressures outlook is presented as a starting point for the operating budget process.

City staff has provided budget directions that include a budget target of 0% increase for all City programs, Agencies and Accountability Offices. To achieve this target, TPL would need to identify budget reliefs totalling $7.495 million net, or 4.1%.

TPL's 2019 operating budget pressures will be updated and refined over the summer and efficiencies and other measures will be sought to offset these pressures, and strategies will be developed to meet the City's budget target of 0% net increase. Service enhancements will also be included in the submission.

The complete 2019 operating budget submission is expected to be presented for Board consideration at its meeting on September 24, 2018.

FINANCIAL IMPACT

The 2019 operating base budget pressures outlook is comprised of budget increases of $4.869 million net ($4.987 million gross), or 2.7%, to maintain current service levels, $1.900 million net ($1.250 million gross), or 1.0%, related to the reversal of one-time bridging strategies and $0.726 million net and gross, or 0.4%, related to previous Council-approved budget enhancements, for a total of $7.495 million net ($6.963 million gross), or 4.1%. The 2019 pressures outlook is presented as a starting point for the operating budget process.

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

COMMENTS

2019 Base Pressures

The 2019 base pressures outlook is comprised of budget increases of $4.869 million net ($4.987 million gross), or 2.7%, to maintain current service levels, $1.900 million net ($1.250 million gross), or 1.0%, related to the reversal of one-time bridging strategies and $0.726 million net and gross, or 0.4%, related to previous Council-approved budget enhancements, for a total of $7.495 million net ($6.963 million gross), or 4.1%, as detailed and described below in Table 1.

Table 1: 2019 Operating Budget - Base Pressures ($millions)

	FTE	Gross	Revenue	Net	%
2018 Council Approved Operating Budget	**1,734.80**	**201.607**	**19.324**	**182.283**	
2019 Budget Pressures & Reliefs					
Salary and benefits cost increase		3.476		3.476	*1.91%*
Contract costs		0.516		0.516	*0.28%*
Library Collection Costs economic increase		0.506	0.041	0.465	*0.25%*
Utility Costs economic increase		0.462		0.462	*0.25%*
Supplies and Services Costs economic increase		0.433		0.433	*0.24%*
Operating impact of capital projects		0.060		0.060	*0.03%*
Efficiencies through Innovation - 2nd year	-4.50	(0.465)	0.010	(0.475)	*-0.26%*
Increase in premium room rentals, tenants and print revenue			0.067	(0.067)	*-0.04%*
	-4.5	4.987	0.118	4.869	*2.67%*
Reversal of One-time Bridging Strategies					
Temporary increase DC draw to fund collections (2017)			(0.650)	0.650	*0.36%*
Expenditure bridging strategy due to NYCL closure (2018)		1.100		1.100	*0.60%*
NYCL collections reduction (2018)		0.150		0.150	*0.08%*
	0.00	1.250	(0.650)	1.900	*1.04%*
Previous Council-approved Budget Enhancements					
Sunday Service Enhancement		0.416		0.416	*0.23%*
Additional locations for Youth Hubs	2.00	0.260		0.260	*0.14%*
e-Learning Initiative (2nd year phased implementation)		0.050		0.050	*0.03%*
	2.00	0.726	-	0.726	*0.40%*
Budget Increase	**-2.50**	**6.963**	**(0.532)**	**7.495**	***4.11%***
2019 Operating Budget with Base Pressures	**1,732.30**	**208.570**	**18.792**	**189.778**	***4.11%***

**Totals may not add due to rounding*

Budget Pressures & Reliefs

Salary and Benefit Costs: Costs related to salary and benefits are projected to increase by $3.476 million net mainly due to previously approved salary adjustments ($1.921 million), related benefit increases ($0.781 million), and the impact of Bill 148 ($0.774 million) from minimum wage and parental/adoption leave.

Contract Costs: Known and projected increases result in a pressure of $0.516 million net.

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 $0.465 million net ($0.506 million gross).

Utility Costs: Applying inflationary assumptions for hydro, natural gas and water as provided by the City during the 2019 budget process results in an increase of $0.462 million net.

Supplies and Service Costs: The City provided economic factors for a number of categories in the 2019 budget guidelines as well as a general inflationary increase. When applied to applicable expenditures, the projected budget pressure is $0.433 million net.

Operating Impact from Capital: There is a projected increase of $0.060 million net due to capital projects (NYCL Phase 1 and St. Clair/Silverthorn) and this estimate will be revised as work is finalized on the 2019-2028 Capital Budget and Plan.

Efficiencies through Innovation – 2nd year: Second year of savings of $0.475 million net ($0.465 million gross), comprised of $0.290 million net and gross from the Answerline & Community Space Rental Modernization project and $0.185 million net ($0.175 million gross) from the Expansion of Technological Efficiencies project. These projects also include a total reduction of 4.5 full time equivalents (FTEs).

Increase to revenue estimates: Projected increase in revenue estimates of $0.067 million net from tenant leases, premium room and room and auditorium rentals that helps reduce the base budget pressure.

Reversal of One-time Bridging Strategies

Final Year of Phased Reversal of temporary increase in DC draw to fund Collections: Reversal of a one-time revenue bridging strategy that allowed for a temporary increase in development charges draw to fund collections in 2017, resulting in a budget pressure of $0.650 million net in 2019.

Reversal of one-time expenditure bridging strategy due savings from the temporary NYCL closure: Pressure of $1.100 million net due to the reopening of NYCL.

Reversal of one-time NYCL library collections reduction: Pressure of $0.150 million net for NYCL's library collections budget.

Previously Approved Service Enhancements

Sunday Service Enhancement: As part of the 2018 operating budget approvals, the second year of budget enhancements totalling $0.416 million net to support Sunday Service enhancement was approved and is part of the 2019 base budget pressures. Phase 2 of the Sunday Service Enhancement will allow for seasonal Sunday service at eight Neighbourhood branches that serve Neighbourhood Improvement Areas (NIAs) or transitioning NIAs (Dawes Road, Humber Summit, Jane/Sheppard, Kennedy/Eglinton, Pleasant View, Rexdale St. Clair/Silverthorn and St. Lawrence).

Additional locations for Youth Hubs: As part of the 2018 operating budget approvals, the second year of budget enhancements totalling $0.260 million net to support two additional Youth Hub locations and its programming costs, including 2.0 FTEs, was approved and is part of the 2019 base budget pressures. Phase 2 of the Youth Hubs expansion includes two additional locations at Parliament St. and Thorncliffe branches.

e-Learning Initiative: As part of the 2018 operating budget approvals, the second year of phased budget enhancements totalling $0.050 million net to support an e-Learning initiative was approved and is part of the 2019 base budget pressures.

Further Budget Work

The 2019 operating budget submission is expected to be presented for Board consideration at its September 24, 2018 meeting, and is expected to include the base budget pressures and reliefs, strategies to meet the City's budget target of 0% net increase and service enhancements.

Over the summer, TPL staff will continue to work on the 2019 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 essential service priorities and additional budget enhancements that support the Library's Strategic Plan, the City's Poverty Reduction Initiatives and other Council priorities
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
7. funding for the revised Open Hours Plan, as detailed in a separate report at this meeting.

2019 Operating Budget Target and Timetable

City staff has provided budget directions that include a budget target that requires all City programs, Agencies and Accountability Offices to absorb program costs and pressures so that the 2019 net operating budget equals the 2018 net operating budget, resulting in a budget target of 0% increase.

Activity	Schedule
Board Meeting	**June 18, 2018**
Budget Submission – Base Budget	June 26, 2018
Budget Submission – New and Enhanced Service Requests	August 27, 2018
Administrative Review – City Finance, CFO, City Manager	July – November, 2018
Board Meeting	**September 24, 2018**
Budget Committee Informal Reviews	TBD
Board Meeting	**October 29, 2018**
Board Meeting	**November 19, 2018**
Board Meeting	**December 10, 2018**
Budget Briefings – Budget Committee	TBD
Budget Launch – Budget Committee	January 2019
Board Meeting	**January 2019**
Budget Committee meeting, presentations, discussion	TBD
Board Meeting	**February 2019**
Special Executive Committee	TBD
Council Approval	Mid-March 2019

Additional dates will be established for reviews with City Staff, Budget Committee and Executive Committee. Due to the municipal elections, the approval of the operating budget has been delayed by approximately one month.

CONTACT

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SIGNATURE

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