



STAFF REPORT ACTION REQUIRED

2008 - 2012 Capital Budget – City Manager’s Recommended Debt Funding Target

Date:	October 15, 2007
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to inform and request direction from the Board regarding the impact the City Manager’s recommended reduction to the 2008 - 2012 Capital Budget request. The City Manager has recommended that the annual funding debt target for 2008 to 2011 be reduced to \$11 million resulting in a \$1 million annual reduction, and for 2012 to 2013 the debt target be set at \$12 million as submitted.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. Reviews the impact of reductions required to meet the City Manager’s recommended funding debt targets for the 2008 – 2012 Capital Budget; and
2. Provides direction to staff.

FINANCIAL IMPACT

The City Manager’s recommended debt targets for 2008 to 2012 will result in capital budget funding reductions of \$3 million gross and debt over the five years resulting from delaying two projects, and reallocation of cash flows between years for a number of projects to meet the debt target in each year. Attachments 1 and 2 detail the impact of the reductions on capital projects.

The Director, Finance and Treasurer has reviewed this report and agrees with the financial impact information.

ISSUE BACKGROUND

The Library's 2008 – 2012 Capital Budget request and submission was approved at the September 17, 2007 meeting (http://www.torontopubliclibrary.ca/abo_boa_07sept17.jsp). The budget request of \$12 million debt funding per year exceeds by \$1 million the Council approved annual debt target for TPL due to the following factors:

- the rising cost of construction (over 20 percent increase in the last three years) and the need to implement “green” standards for buildings;
- the state of good repair backlog for buildings;
- the need to maintain buildings not slated for a major renovation and the ability to respond to branch relocations for leased branch space in malls;
- the demand for new and expanded branches; and
- the growing demands for virtual branch services.

While the \$12 million annual debt funding did not fully meet TPL's capital needs, the budget request was made with consideration for the City's financial situation. At the requested \$12 million annual debt funding level, TPL estimates that its state of good repair (SOGR) backlog, currently estimated to be \$17 million, continues to grow at a rate of \$2 million each year.

Following the Administrative Review of the capital budget submission with City staff, TPL was informed that the City Manager's recommended debt target for TRL would remain at \$11 million from 2008 to 2010 and increase to \$12 million for 2011 and 2012. The City Manager requested that TPL report back on the impact of reducing the capital budget debt funding.

COMMENTS

Options for budget reductions are somewhat limited because much of the capital funding for 2008 to 2011 has already been committed to multi-year building construction projects. To achieve the City Manager's recommended debt target each year, the Brentwood and Sanderson projects were both delayed by two years and cash flows were reallocated between years for the Thorncliffe, Toronto Reference Library, Technology Asset Management Program, Virtual Branch Services and Scarborough Centre projects.

The reduced funding level recommended by the City Manager would reduce TPL's SOGR program resulting in the backlog growing by \$3 million in 2008. The inability to keep branches in an adequate SOGR condition leads to a decrease in the quality of public space and hurts local communities. With reduced spending on maintenance, unexpected emergency repairs will increase which will lead to higher costs and service disruptions. If the physical and virtual branches are not maintained adequately, this will negatively impact service to the public, and it will also impact on TPL's performance measures.

Brentwood

The start of the Brentwood project would be delayed from 2008 to 2010. Brentwood Branch was built in 1955 and had a minor renovation in 1988. The facility is sorely in need of reconstruction within the footprint of the existing building structure. This will eliminate structural and mechanical problems, provide barrier-free access on all floors, and a single public entrance to increase service efficiencies and access. This project has been delayed in the past, and delaying it again will further increase the need for interim and emergency state of good repair work to keep the building open until the project begins.

Sanderson

The start of the Sanderson project would be delayed from 2010 to 2012. Sanderson branch opened in 1968 followed by an addition in 1978. Aside from barrier-free improvements in 1992, it has not been renovated. The building requires state-of-good-repair work to address major building deficiencies including roofing replacement, heating and cooling systems, energy efficiency measures, health and safety concerns and upgrades to all interior spaces. This project has been delayed in the past and delaying it again will further increase the need for interim and emergency state-of-good-repair work to keep the building open until the project begins.

Toronto Reference Library

To meet the recommended debt targets each year, cash-flow funding would be reallocated by reducing \$1.2 million of funding from 2008 and 2009 and reinstating it in 2010. This location requires an estimated \$30 million investment to retrofit and renovate the 30-year old building. Due to past insufficient capital funding and a restricted funding envelope, the renovation and retrofit of the building is proceeding at a slow pace which complicates the planning and execution of the project. The deferral of funding for the TRL project lengthens and complicates the project as well as increases the overall project cost. The success of a capital campaign rests in part on the ability to complete a project within a reasonable and defined period. The ability to do so would be compromised if the City funding component is spread over an increased number of years.

Virtual Branch Services

To meet the recommended debt targets each year, cash-flow funding would be reallocated by reducing \$0.4 million of funding from 2008 and 2009 and reinstating it in 2010. In order to address the continually increasing public demand for electronic services, TPL must keep its systems in a state-of-good-repair using current technologies. These systems support both the in-branch systems and the use of TPL's online resources from home, work, or school. Building and storing online digital content requires the necessary technical infrastructure to be maintained. This includes providing the storage space and bandwidth capability required to optimize the performance of web-based library services. The ability to take advantage of new technologies, which make other web sites familiar to the public relevant and usable, is key to the provision of online services. Virtual services

allow for more customer independence in accessing and using the resources of the Toronto Public Library. A reduction in project funding will result in less on-line content and functionality, and a greater reliance for library users on staff mediation to accomplish tasks such as registration and paying fines.

Multi-branch Minor Renovation

To meet the recommended debt targets each year, cash-flow funding would be reallocated by reducing \$0.3 million of funding from 2008 and 2009 and reinstating it in 2010. The multi-branch renovation project is a very cost effective way to maintain the functionality of branches until a major renovation can be executed. This project is also used to respond to unexpected capital needs, such as a landlord's decision to relocate a branch in a mall. Given the size of TPL's operations, the appropriate level of funding for the multi-branch project should be approximately \$2 million annually. A reduction in project funding results in a reduced ability to undertake minor renovations and building systems upgrades that extend the life of branches until a major renovation can be undertaken. This may result in more emergency repairs which will be more costly and could disrupt service.

Thorncliffe and Scarborough Centre

Cash flows were re-allocated between years for both Thorncliffe and Scarborough Centre to reflect the most current construction schedule outlook.

Attachments 1 and 2 detail the impact of the reductions on capital projects.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment 1: City Manager Recommended Capital Budget – Gross
Attachment 2: City Manager Recommended Capital Budget - Debt