

Analyst Briefing Notes

Budget Committee

(February 10, 2009)

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Executive Summary

- Toronto Public Library (TPL) provides free and equitable access to library services that meet the changing needs of the people of Toronto. The services, activities, and programs offered by TPL uphold the principle of intellectual freedom by preserving and promoting universal access to a broad range of human knowledge, experience, information and ideas in a welcoming and supportive environment. In order to achieve this, TPL provides comprehensive library services and programs including 24/7 access to the library catalogue, digital content, and interactive programs and services such as the library's online book club through TPL's online virtual branch, as well as adult literacy services, materials for children with disabilities, and wireless internet access in many of the 99 libraries in the City.
- Toronto Public Library faces both challenges and opportunities over the next three years. TPL's challenges include maintaining current service levels with limited resources mainly due to salary pressures from the 2008 Pay Equity and Job Evaluation settlement and increasing sick leave payouts for retiring employees, and addressing higher volume and service demands for library services driven by changing needs of the residents and the economic downturn. TPL has the opportunity to expand library open hours after the implementation of the investment in Self Service to Expanding Open Hours capital project.
- The Toronto Public Library Strategic Plan has established service objectives to address its challenges and opportunities. They include:
 - A multi-year plan to expand library open hours by 25%, which would result in 1,053 additional library open hours per week. The implementation of this service enhancement will require significant operating investments from 2009 to 2011 (\$13.5 million).
 - Promote early reading skills for children, support educational achievement for youth as a foundation for future success, engage youth in programs with an emphasis on leadership skills and social integration, and enhance seniors quality of life, independence and pursuit of lifelong learning for 2009 and beyond. Toronto Public Library plans to increase the number of outreach programs targeting at-risk youth and seniors with an emphasis on priority neighbourhoods. The result will be a projected increase in the number of programs offered (26,370 in 2008 to 27,231 by 2011) and attendance (from 677,451 individuals in 2008 to 727,593 individuals in 2011)
 - Continue to improve the virtual library branch with additional functionality and searching improvements, new online services, and expanded virtual content for 2009 and beyond. Toronto Public Library will launch a redesigned website with enhanced content in 2009, and with additional online self service functionality which will be rolled out over the next three years. In addition, more branches will offer wireless internet access and improved bandwidth on library computers.
- The 2009 Recommended Operating Budget provides funding for priority actions which address the challenges and service objectives.

To maximize the existing resources and respond to changes in client needs, Toronto Public Library will:

- continue to engage Torontonians to participate in culture and city life by being actively involved in the planning and execution of programs such as Nuit Blanche, Luminato, and free admission to participating museums to embrace the cultural diversity in the city. Through the new event space at the Toronto Reference Library and the enriched programming at library branches throughout the city, TPL will expand residents' access to a variety of cultural programming, as well as building the Library's profile as a literacy destination through the Toronto Book Awards, Lit City and Keep Toronto Reading.
 - address public demand for additional open hours at library branches, after the implementation of self-service check-outs with a capital investment of \$1.860 million, operational adjustments will result in an expansion of 67.5 open hours per week without additional operating costs. Monday to Saturday morning service will increase in 8 branches and evening service will increase in 9 branches.
 - Continue to improve virtual library branch services, with additional functionality and searching improvements, new online services and expanded content. TPL will launch a redesigned website with enhanced content in 2009 plus additional online self service functionality to be rolled out over the next three years. In addition, more branches will offer wireless internet access and there will be improved bandwidth on library computers.
- For 2008, the projected year-end net expenditure of \$157.503 million is expected to be \$1.712 million or 1.1% above the 2008 Approved Budget of \$155.791 million. The over expenditure is mainly due to the unbudgeted Pay Equity and Job Evaluation settlement of \$1.948 million, which is partially offset by cost savings implemented through the year. In addition, the 2008 Pay Equity and Job Evaluation settlement between TPL and Local 416 CUPE for the period from March 1, 2004 to December 31, 2007 also resulted in a one-time retroactive payment of \$6.385 million, which was funded by the Employee Retiree Benefits Reserve Fund. Funding for the ongoing cost of \$2.228 million due to the 2008 Pay Equity and Job Evaluation settlement is included in the 2009 Recommended Operating Budget.

Table 1: 2009 Recommended Budget

(In \$000s)	2008		2009 Recomm'd Operating Budget			Change - 2009 Recommended Operating Budget v. 2008 Appvd. Budget		FY Incremental Outlook	
	2008 Appvd. Budget	2008 Proj. Actual	2009 Base	2009 Rec. New /Enhanced	2009 Operating Budget	\$	%	2010	2011
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	176,489.9	178,986.3	175,777.4	0.0	175,777.4	(712.5)	(0.4)	1,480.7	2,050.5
REVENUE	20,699.3	21,483.4	13,761.9	0.0	13,761.9	(6,937.4)	(33.5)	(1,556.7)	
NET EXP.	155,790.6	157,502.9	162,015.5	0.0	162,015.5	6,224.9	4.0	3,037.4	2,050.5
Approved Positions	1,826.2	1,826.2	1,832.6	0.0	1,832.6	6.4	0.4	0.0	16.4
TARGET			152,674.8		152,674.8				
\$ Over / (Under) Program Target			9,340.7		9,340.7				
% Over / (Under) Program Target			6.0%		6.0%				

- The 2009 Recommended Operating Budget for Toronto Public Library (TPL) of \$175.777 million gross and \$162.015 million net is \$9.341 million or 6.0% higher than the 2009 target, set at 2% below the 2008 Approved Operating Budget.
- The 2009 Recommended Operating Budget for Toronto Public Library (TPL) is comprised of base funding of \$175.777 million gross and \$162.015 million net, with no funding for new/enhanced service priorities. Approval of the 2009 Recommended Operating Budget will result in the Program's staff complement increasing by 6.4 positions to 1,832.6 approved positions mainly due to the re-opening of the newly renovated and expanded Thorncliffe Library and the expanded Toronto Reference library.
 - The 2010 net increase of \$3.037 million includes payroll cost increases for merit and step, fringes benefits, sick leave; the reversal of \$0.056 million in one-time savings and revenues in 2009, the reversal of 2009 withdrawal from development charge reserve fund for library materials of \$1.500 million, and operating impacts from capital projects including re-opening of the Cedarbrae Library, Thorncliffe Library, Malvern Library, and the expansion at Toronto Reference Library.
 - The 2011 net increase of \$2.051 million includes projections for increases in merit, step, and fringe benefit costs, and the operating impact from capital projects from the reopening of Brentwood Library (5.4 positions) and the new West Waterfront Library (11.0 positions).
 - The Outlooks for 2010 and 2011 do not include a provision for COLA as well as any other economic increases which are subject to future negotiations.
- The 2009 Recommended Operating Budget funds the Program's key cost drivers that includes the annualized cost of 2008 COLA, increase payroll costs for merit and step, incremental impact from the 2008 Job Evaluation and Pay Equity settlement, rising cost of sick leave pay-out, and other non-discretionary expenditures that total \$8.153 million. These are partially offset by efficiencies of \$0.386 million, one time government grants of \$0.057 million and the following reduction strategies that total a saving of \$0.986 million:
 - Postpone reopening of branches due to construction delays resulting in saving of \$0.191 million;
 - Revision to inter-branch library material delivery schedule from twice a day to once a day to achieve savings of \$0.200 million; and,
 - Reduce the 2009 inflationary increase for library materials by \$0.345 million.
- Due to affordability, no new / enhanced service priorities are recommended in 2009.

- The 2009 Recommended Operating Budget provides funding for priority actions for a broad range of services and activities that advance the Mayor's Mandate and Council's policy agenda. These include:
 - ***Invest \$13 Million in Toronto's 13 Priority Neighbourhoods:***
 - The 2009 Recommended Operating Budget includes funding of \$0.179 million for the re-opening of three recently renovated or expanded library branches that are located in priority neighbourhoods (Kennedy/Eglinton branch, Thorncliffe branch, and Jane/Sheppard branch). These investments will provide TPL with opportunities, through the use of its improved facilities, to contribute to community development by providing access to technology and additional meeting rooms for library programs, community groups and extra study space, as well as literacy and job skills and employment opportunities, particularly to at-risk youth, the unemployed and newcomers in three of the City's priority neighbourhoods.
 - ***Making a Safe City Safer:***
 - The 2009 Recommended Operating Budget continues to provide for outreach programming to groups identified in the 2008 – 2012 Library's Strategic Plan including preschool parents and caregivers, at-risk youth and seniors, and with an emphasis on priority neighbourhoods. Program/services offered by TPL in 2009 include: support for job seekers in skills upgrade and job search; reading support programs, along with homework help and after school time programs; leadership and volunteer opportunities for youth, along with literacy programs and homework help; programs to address the needs of new immigrants; one-on-one tutoring for adults who need help with reading, writing and math through the Adult Literacy Services; and, programs for seniors such as Home Library Service and specialized collections.
- The 2009 Recommended Operating Budget will fund:
 - Access to 1,505 public computers with free high speed internet, access to word processing and Microsoft Office application software;
 - Free wireless internet access in 33 locations, with further expansion to all libraries branches by 2010;
 - Increase open hours by 67.5 per week (weekdays) once phase 1 of the Self-Service for Expanding Open Hours capital project is completed in 2009;
 - Continue to manage the circulation of approximately 29 million items and almost 22 million virtual visits to the library's website, and respond to over 7.5 million information requests;
 - Continue to provide free of charge library services and programs for newcomers such as ESL, English Can Be Fun, and small business resources and programs, as well as collections of library materials in 40 languages; and,
 - Continue to participate in Neighbourhood Action Teams in city priority neighbourhoods, focusing on youth and employment programs and providing approximately 1,500 volunteer opportunities.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

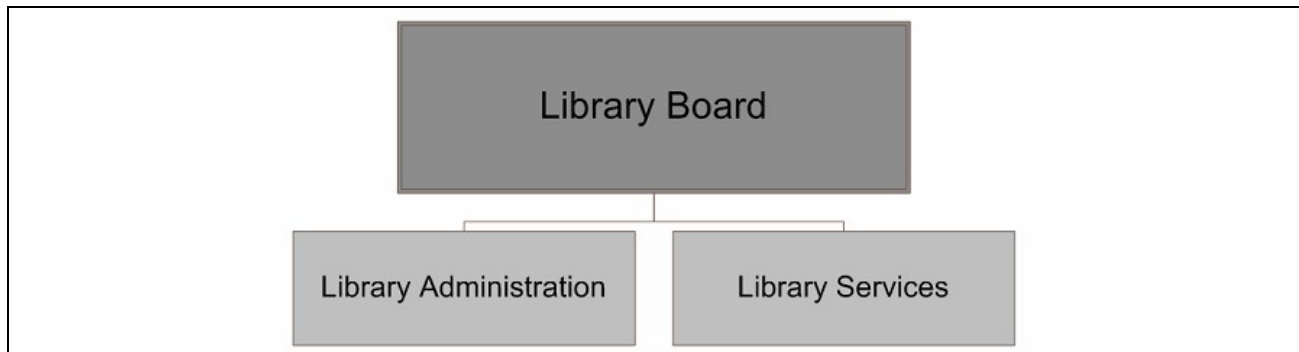
- a) Council approve the 2009 Recommended Operating Budget for Toronto Public Library of \$175.777 million gross and \$162.015 million net, comprised of the following services:

<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Library Services	169,699.9	
	6,077.5	156,176.5
Library Administration	169,698.9	5,839.0
	<hr/>	<hr/>
Total Program Budget	175,777.4	162,015.5
	<hr/>	<hr/>

Toronto Public Library (TPL) preserves and promotes universal access to a broad range of human knowledge, experience, information and ideas in a welcoming and supportive environment for residents of all ages and backgrounds. Toronto Public Library will continue to invest in public service by providing free and equitable access to library services that meet the changing needs of Toronto residents, with specific focuses on their diverse interests, cultures, languages and needs.

Toronto Public Library also places emphasis on strengthening at-risk neighbourhoods as it reflects its role in addressing the issue of growing income disparity in the city, by providing free-of-charge library programs, textbooks, access to the internet, word processing and Office applications software to low income neighbourhoods in identified areas, and continued contribution to community capacity building. Usage of library services in 2008 included: 99 library branches serving over 1,185,500 registered borrowers, more than 16 million annual visits, 24.5 million virtual visits, and 646,500 people participating in library programs.

Toronto Public Library delivers two services: Library Administration and Library Services as noted in the following Program Map:



Note: TPL's program map is currently under review.

Service Challenges and Opportunities

Toronto Public Library (TPL) has experienced significant volume increases and demands for additional services since amalgamation. Total activity has increased 46.7% over the last nine years (1999 to 2007), virtual visits have increased by 2,001% to 24,472,075, wireless sessions and wireless users increased by 212% and 94.5% respectively from 2007 to 2008, holds filled have increased by 186.5%, books reserved have increased by 156.2% and access to public computers with Internet access increased by 126.3%.

The challenges faced by Toronto Public Library can be summarized into two areas – maintaining service levels with limited available resources and an increasing demand for services.

Maintaining Service Levels with Limited Resources

As the provider of a wide range of services to a diverse clientele, TPL is faced with several challenges in delivering services mainly due to significant ongoing salary pressures and limited funding available from reserve funds.

a) Salary pressures:

- **Pay Equity and Job Evaluation Settlement:** TPL reached a settlement with Local 416 CUPE to resolve both pay equity and job evaluation in June 2008. The settlement resulted in a retroactive payment of \$6.385 million for the period from March 1, 2004 to December 31, 2007, an unbudgeted in-year pressure of \$1.948 million in 2008, and an ongoing budget pressure of \$2.228 million commencing in 2009.
- **Sick Leave Pay-out:** The number of employees who retire or leave TPL after many years of services has fluctuated significantly over the last several years. While it is difficult to predict the behavior of individuals, as the workforce ages and more employees are entitled to retire, the sick leave pay-out costs are projected to be approximately \$10.0 million (2008 dollars) over the next 10 years, with the 2009 cost estimated in the range of \$1.0 million to \$1.5 million. The 2008 Approved Operating Budget includes \$0.774 million for sick leave payout costs and thus, resulting in projected cost pressures from \$0.226 million to \$0.726 million in 2009.

b) Limited funding available from Reserves to fund library materials:

- The practice of funding 12.0% or \$2.051 million of library materials from the Development Charge (DC) Reserve Fund beyond 2009 is unsustainable as the reserve is fully committed for TPL's capital projects. To preserve the DC reserve fund for capital projects, the recommended withdrawal for library materials is limited to \$1.500 million in 2009; thus, resulting in a pressure of \$0.551 million in the 2009 Recommended Operating Budget. (*see Library Materials- Withdrawal from DC Reserve Fund for further discussion*)

Increasing Service Demands

- **Volume / Service Demand Increase:** TPL has experienced significant growth in circulation and annual visits, along with utilization of computer stations and participations in library programs. In fact, the number of visits to the library made in person is expected to increase by 1.566 million or 9.27% by 2011, the annual program attendance will increase by 9.27% from

665,851 in 2008 to 727,593 by 2011, and annual computer workstation uses is expected to increase by 9.27% from 5,315,470 in 2008 to 5,808,357 by 2011.

In responding to the community needs and demands for more access to Internet, computers, collections, and quiet study areas, TPL had reviewed the opportunity to expand library open hours through the implementation of the Self Service to Expanding Open Hours capital project. Through the implementation of this project, TPL's open hours will be increased by 262 hours per week from Monday through Saturday by 2012.

Service Objectives

The service objectives for Toronto Public Library address the challenges and opportunities outlined above, and primarily reflect the need to provide free and equitable access to library services that meet the changing needs of the people of Toronto. Extending Library branch open hours, engaging diverse communities, and expanding access to technology and online services reflect Toronto Public Library's strong commitment to the social, cultural, and intellectual sustainability of the city. The service objectives are aligned with TPL's 2009 to 2012 Strategy Plan and are listed below:

Increasing Open Hours on Sundays and Evenings:

1. *Increase Library Open Hours by 25% by 2011.*

Toronto Public Library's goal is to extend library branch open hours with Sunday service expansion beginning in 2009. The Phased implementation plan for extending open hours is anticipated to be completed in 2011 with an increased 1,053 library open hours per week. This implementation will require significant operating investments in 2009 to 2011 (\$13.5 million).

Engaging Diverse Communities – in the City and in its Neighbourhood:

2. *Support educational achievement for youth as a foundation for future success, engage youth in programs with emphasis on leadership skills and social integration, and enhance seniors quality of life, independence and pursuit of lifelong learning for 2009 and beyond.*

Toronto Public Library plans to increase the number of outreach programs targeting at-risk youth and seniors with an emphasis on priority neighbourhoods. The result will be a projected increase in the number of programs offered from 26,370 in 2008 to 27,231 by 2011 and increase number of attendance from 677,451 individuals in 2008 to 727,593 individuals in 2011.

Expanding Access to Technology and Online Services:

3. *Create an outstanding virtual library branch, along with a new library website with additional functionality and searching improvements, to provide new online services, and continue to expand virtual contents for 2009 and beyond.*

Toronto Public Library will launch a redesigned website with enhanced content in 2009, and with additional online self service functionality which will be rolled out over the next three years. In addition, more branches will offer wireless internet access and there will be improved

bandwidth on library computers. As a result of these improvements, an increase in virtual visits and public workstation usage is anticipated.

Priority Actions

The 2009 Recommended Operating Budget provides funding for a broad range of services and activities that advance the Mayor's Mandate and Council's policy agenda.

- ***Making a Safe City Safer***

The 2009 Recommended Operating Budget continues to provide for outreach programming to groups identified in the 2008 – 2012 Library's Strategic Plan including preschool parents and caregivers, at-risk youth and seniors, and with an emphasis on priority neighbourhoods. Programs offered by TPL in 2009 include:

- Support for job seekers including skills upgrading, and job search;
- Reading support programs, homework help and after school time programs;
- Leadership and volunteer opportunities for youth, along with literacy programs and homework help;
- Programs to address the needs of new immigrants;
- one-on-one tutoring for adults who need help with reading, writing and math through the Adult Literacy Services; and,
- Programs for seniors such as Home Library Service and specialized collections.

- ***Invest \$13 Million in Toronto's 13 Priority Neighbourhoods Over the Next Four Years.***

The 2009 Recommended Operating Budget includes base funding of \$0.179 million to provide for the operating impacts of three capital projects located within the 13 Priority Neighbourhoods (Jane/Sheppard relocation, Kennedy/Eglinton expansion, and Thorncliffe renovation and expansion). These newly renovated or expanded library branches will provide TPL with opportunities, through the use of its improved facilities, to contribute to community development by providing access to technology and additional meeting rooms for library programs, community groups and extra study space, as well as literacy and job skills and employment opportunities, particularly to at-risk youth, the unemployed and newcomers.

In particular, the 2009 Recommended Operating Budget supports this Strategic Priority by providing:

- Programs to support preschool caregivers in developing pre reading skills;
- Additional programs to address the needs of at-risk youth;
- Increased support for job seekers;
- Enhancements in access to technology in branches and through the library's website ;
- Additional programs targeting the needs of newcomers with an emphasis on youth;
- Additional programs and services for newcomers delivered by the library and in partnership; and,

- Continued support for Neighbourhood Action Teams and initiatives delivered in partnership

- ***Expanding Open Hours***

In responding to the community needs and demands for more access to computers, collections, and quiet study areas, the 2009 Approved Capital Budget includes \$1.86 million in 2009 to provide for the implementation of the automated check-out systems, which enables existing staff to be spread out over longer hours; and thus, allows TPL to increase open hours by 67.5 hours per week upon completion in 2009 without adding operating costs. Over the next four to five years, TPL will seek to increase its weekly hours of operation by 262 hours once the full implementation of Self-Service to Expanding Open Hours initiative is completed by 2012.

- ***Expanding Access to Technology and Online Services***

To respond to the increasing demand and its rising expectation for e-content and e-services, Toronto Public Library will continue to develop its virtual branch services and explore e-services opportunities to provide access to increasingly rich web content including audio visual material, extend and integrate all other library services such as library catalogue, information services, online book clubs, and develop a new library website with additional functionality and searching improvement. TPL will also improve bandwidth availability to support use of multimedia, and continue to expand wireless internet access from 33 library branches in 2009 to all branches by 2010.

The use of technology extends TPL's services 24/7 and not only makes it easier for Torontonians to find information, it also allows the TPL to manage increasing demand in an effective and efficient manner without adding staff.

Table 2: 2008 Budget Variance Review

(In \$000s)	2007 Actuals	2008 Approved Budget	2008 Projected Actuals*	2008 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	% Unspent
GROSS EXP.	164,982.5	176,489.9	178,986.3	2,496.4	1.4
REVENUES	15,946.8	20,699.3	21,483.4	784.1	3.8
NET EXP.	149,035.7	155,790.6	157,502.9	1,712.3	1.1
Approved Positions	1,818.7	1,826.2	1,826.2	0.0	0.0

* Note: Source is the Toronto Public Library 2008 Third Quarter Operating Budget Variance Report.

2008 Experience

The projected year-end net unfavourable variance for Toronto Public Library is anticipated to be \$1.712 million or 1.1 % above the 2008 Approved Operating Budget.

The projected year-end net expenditure of \$157.503 million is \$1.712 million or 1.1% above the 2008 Approved Operating Budget of \$155.791 million. The projected over expenditure of \$2.496 million(gross) is primarily due to higher expenditures for library programs that are fully funded by external grants and donations, higher than budgeted sick leave pay-out costs of \$0.224 million, and the unbudgeted Pay Equity and Job Evaluation settlement of \$1.948 million in 2008, which is partially offset by savings achieved through other cost containment. The projected favourable revenue of \$0.784 million is mainly the result of higher than budgeted external grants and donations for library programs, which will be fully offset by expenditures associated with the same library programs for which these grants were received, such as the Summer Reading Club, Leading to Reading, and English Can Be Fun.

Impact of 2008 Operating Variance on the 2009 Recommended Budget

- The higher than budgeted funding from external grants and donations are for specific one-time purposes to fund 2008 program expenditures such as Summer Reading Club, Leading to Reading, and English Can Be Fun. The continuation of these programs is contingent upon receipt of external grants and donations in 2009.
- The increase in sick leave payout expenditure in 2008 is expected to continue into 2009. The number of employees who retire or leave TPL after many years of services has fluctuated significantly over the last several years. TPL does not have a sick-leave reserve to fund its sick leave requirements. The sick-leave pay-out in 2008 is projected to be \$1.0 million or \$0.226 million above the budget of \$0.774 million. While it is difficult to predict the behavior of individuals, as the workforce ages and more employees are entitled to retire, the sick leave pay-

out costs are projected to increase from \$1.0 million in 2008 to approximately \$1.5 million in 2009. A \$0.250 million increase for sick leave payout is included in TPL's 2009 Recommended Operating Budget. Any remaining pressure experience in 2009 will be managed within TPL's operating budget.

- The 2008 Pay Equity and Job Evaluation settlement resulted in a retroactive payment of \$6.385 million for the period from March 1, 2004 to December 31, 2007, an unbudgeted in-year pressure of \$1.948 million in 2008, and an ongoing incremental costs of \$0.280 million in 2009. While the one-time retroactive payment of \$6.385 million for the period from March 1, 2004 to December 31, 2007 was funded from the Employee Retiree Benefits Reserve Fund, the ongoing salary costs result in a cost pressure of \$2.228 million for which additional funding has been included in the 2009 Recommended Operating Budget. (*see 2009 Issues Section for further discussion*)

Table 3: 2009 Recommended Base Budget

(In \$000s)	2008 Appvd. Budget	2009 Recommended Base	Change 2009 Recommended Base v. 2008 Appvd. Budget		FY Incremental Outlook	
			\$	%	2010 \$	2011 \$
GROSS EXP.	176,489.9	175,777.4	(712.5)	(0.4)	1,480.7	2,050.5
REVENUE	20,699.3	13,761.9	(6,937.4)	(33.5)	(1,556.7)	0.0
NET EXP.	155,790.6	162,015.5	6,224.9	4.0	3,037.4	2,050.5
Approved Positions	1,826.2	1,832.6	6.4	0.4	0.0	16.4
NET TARGET		152,674.8			0.0	0.0
\$ Over / (Under) Program Target		9,340.7			3,037.4	2,050.5
% Over / (Under) Program Target		6.0%			1.99%	1.34%

2009 Recommended Base Budget

The 2009 Recommended Base Budget for Toronto Public Library (TPL) of \$175.777 million gross and \$162.016 million net is \$9.341 million or 6.0% higher than the 2009 target of 2.0% less than the 2008 Approved Operating Budget. The 2009 Recommended Base Budget enhances service levels offered in 2008 with funding for operating costs to re-open 5 libraries that were renovated or expanded as part of prior years' Capital Budget, and expand open hours through reallocation of existing resources using new Self Service technology.

The reduction in gross expenditure of \$0.713 million is primarily due to the reversal of the one-time retroactive cost of \$6.385 million for Pay Equity and Job Evaluation settlement in 2008 and other savings to be realized from general efficiencies of \$1.027 million, which is partially offset by 2009 key cost drivers such as the annualization of 2008 COLA, the on-going costs of 2008 Pay Equity and Job Evaluation settlement, on-going merits, step, and fringe benefit cost increase, and the operating impact of capital projects that total \$6.523 million.

The reduction in revenue of \$6.937 million is due to the reversal of the one-time retroactive funding from the Employee Benefits Reserve Fund of \$6.385 million for Pay Equity and Job Evaluation settlement in 2008 and a reduction in Development Charge funding of \$0.551 million for library materials.

The 2009 Recommended Base Budget recommends 1,832.6 approved positions or 6.4 positions higher than the approved staff complement in 2008. The 6.4 additional positions are due to the

renovation of three libraries requiring additional positions: Thorncliffe Library (1.4 positions), Toronto Reference Library (4.0 positions), and St. Lawrence Library (1.0 position).

2009 Key Cost Drivers and Reduction Strategies

The 2009 Recommended Base Budget incorporates the following key cost drivers and reduction strategies:

- Salary pressures arising from the annualization of 2008 Cost of Living adjustments (COLA) and fringe benefit increases of \$1.800 million, merit and step increases of \$0.792 million, sick-leave pay-out increases of \$0.250 million, the on-going costs of \$2.228 million for the 2008 Pay Equity and Job Evaluation settlement, which partially offset by the impact from the reversal of an extra work day in 2008 of \$0.373 million.
- Inflationary increases of \$0.996 million (e.g. hydro), and a 2.0% inflationary increase of \$0.345 million for the library materials to maintain current purchasing level.
- A reduction in contribution by \$0.551 million from the Developmental Charge (DC) Reserve Fund (from the \$2.051 million contribution approved in 2008 to \$1.500 million recommended in 2009) for library materials in order to maintain the DC Reserve Fund for capital projects.
- Additional operating impacts from prior years' approved capital projects totaling \$0.548 million for the expansion/construction of St. Lawrence Library, Jane/Sheppard Library, Thorncliffe Library, Toronto Reference Library, and the re-opening of Bloor/Gladstone Library and Kennedy/Eglinton Library.
- To offset these pressures, the 2009 Recommended Base Budget includes the following service efficiencies and one-time revenue changes totaling \$1.084 million net:
 - A reduction in inter-branch deliveries from twice a day to once a day, for a saving of \$0.200 million;
 - Delays in reopening of branches including Bloor/Gladstone and Thorncliffe Libraries, due to construction delays, for a one-time saving of \$0.191 million;
 - Lower cost of photocopier contract and other general efficiencies, for a saving of \$0.386 million;
 - One-time revenue of \$0.057 million from the Community Access Program and Service Ontario Grants; and,
 - A reduction of the 2009 inflationary increase for library materials of \$0.345 million.

2010 and 2011 Outlook: Net Incremental Impact

The net incremental impacts of \$3.037 million for 2010 include increases for merit and step costs, phase 2 of funding for sick leave payout cost of \$0.250 million, the reversal of one-time contribution of \$1.500 million in 2009 from Development Charge Reserve Fund for library materials, the reversal

of one-time savings and revenue totaling \$0.248 million, and the operating impacts of \$0.249 million for approved capital projects including the Cedarbrae Library, Thorncliffe Library, Toronto Reference Library, and the Malvern Library.

The net incremental impacts of \$2.051 million for 2011 include increases for merit and step, and the operating impacts of \$1.237 million for approved capital projects including the Brentwood Library and the Waterfront Library. An additional 16.4 positions are required in 2011 due to the opening of the newly constructed Waterfront Neighbourhood Library and Brentwood Library.

The 2010 and 2011 Outlooks do not include any COLA as these increases are subject to further negotiations.

2009 Recommended New / Enhanced Service Priority Actions

- No New / Enhanced Service Priority Actions are recommended for TPL in 2009.

2009 Budget Issues

2009 Recommended Operating Budget vs. Guideline

Toronto Public Library’s 2009 Recommended Operating Budget is \$162.015 million net which is \$9.341 million or 6.0% over the 2009 target of 2.0% less than 2008 funding levels, after recommended service level reductions and other efficiencies totaling \$1.929 million are incorporated.

Toronto Public Library is unable to achieve the target mainly due to the uncontrollable pressures resulting from the following:

Job Evaluation and Pay Equity

After almost two years of negotiations, in June 2008 the Library reached a settlement with Local 416 CUPE to resolve both the first pay equity plan for the amalgamated Toronto Public Library and also a collective agreement requirement to complete job evaluation. This pay equity review was required by legislation following the wage harmonization award of December 2004 impacting union wages. The wage harmonization award of December 2004 harmonized wages for similar jobs that existed pre-amalgamation, across all the libraries City-wide.

The 2008 Job Evaluation and Pay Equity Settlement resulted in a retroactive payment of \$6.385 million for the period from March 1, 2004 to December 31, 2007, an in-year budget pressure of \$1.948 million in 2008, and an incremental cost of \$0.280 million for 2009. The settlement costs are as follows:

Year	Prior to 2008 (one-time)	2008 (ongoing)	2009 (ongoing)	Total 2009 ongoing Impact
Settlement Costs (\$000s)	\$ 6,384.93	\$ 1,947.65	\$ 280.00	\$ 2,227.65

The City’s Past practice is to fund retroactive payments from the Employee Retiree Benefits Reserve Fund, as these are one-time costs for past periods. Programs are required to make every effort possible to maximize cost savings and efficiencies to minimize in-year pressures, and ongoing future costs are budgeted for within Program’s budgets.

For TPL, the retroactive payment of \$6.385 million for the period March 1, 2004 to December 31, 2007 was funded from the Employee Retiree Benefits Reserve Fund in 2008. TPL made every effort possible to mitigate within the 2008 Approved Operating Budget the 2008 financial impact of approximately \$1.948 million and report remaining pressures as part of the year-end 2008 Operating Variance report. (Report EX24.19 adopted by Council at its meeting on October 29 and 30, 2008) However, the on-going cost pressure of \$2.228 million is included in 2009 Recommended Operating Budget and represents a 1.4% increase over the 2008 Approved Operating Budget.

Sick Leave Pay-Out Plan

TPL has a sick leave pay-out plan which allows employees to accumulate and bank sick credits, up to a maximum limit of six months, which are paid out when the employee leaves the organization. The sick leave pay-out plan applies to full-time union staff and in the case of non-union staff, in 2007 the sick leave pay-out entitlements was discontinued and replaced with a short-term disability plan effective January 1, 2009. While it is difficult to predict the behavior of individuals, as the workforce ages and more employees are entitled to retire, the sick leave pay-out costs are projected to be approximately \$10.0 million (2008 dollars) over the next 10 years or an average of \$1.0 million annually.

At amalgamation, any sick leave reserves held by predecessor library systems were transferred to the City and have since been exhausted. TPL has managed the increases in sick leave pay-out costs within its existing operating budget, which for 2009 is estimated to be in the range of \$1.0 million to \$1.5 million. The 2008 Approved Budget for sick leave costs is \$0.770 million. However, the sick leave cost to August 2008 totalled \$0.880 million and is projected to be approximately \$1.0 million by December 2008 and in the range from \$1.0 million to \$1.5 million in 2009.

During its meeting on October 29 and 30, 2008, Council endorsed, in principle, a plan to require agencies, boards and commissions, starting in 2010, to contribute annual funding to the Sick Leave Reserve Fund that matches budgeted withdrawals.

The following table summarizes the Sick Leave Pay-Out expenditures and its funding sources since 2003:

Year	Sick Leave Pay-Out Expenditure (\$ 000s)		Funding Source
	Actual	Budget	
2003	776	776	- City Reserve
2004	671	671	- City Reserve
2005	443	443	- City Reserve
2006	572	541	- Property Tax
2007	878	541	- Property Tax
2008 (projected)	1,000	774	- Property Tax
2009 Rec'd Budget	NA	1,024	- Property Tax

Due to affordability constraints, the projected increase budget increase of \$0.500 million for sick leave payout is recommended to be phased over 2009 and 2010 at \$0.250 million per year. An

additional \$0.250 million increase is included in the 2009 Recommended Operating Budget and \$0.250 million is projected for 2010.

Library Materials – Withdrawal from Development Charge Reserve Fund

Library materials are eligible for DC funding under City’s By-Law and in prior years Council has approved to fund a portion of the library materials budget in order to allow the library materials budget to grow during a period of constrained budget increases. The funding sources for library materials since 2004 are summarized in the following table:

Year	Funding Source		Total Library Material Budget	Comment
	Development Charges	City Funded (Property taxes)		
2004	\$2.051	\$13.668	\$15.719	2004 Approved Materials Budget
2005	-	0.065	0.065	- Library Materials impacts from Capital Projects
	-	0.629	0.629	- Inflationary Increase (4%)
2006	-	0.008	0.008	- Library Materials impacts from Capital Projects
	-	0.517	0.517	- Inflationary Increase (3%)
2007	0.350	(0.019)	0.331	- Inflationary Increase (2%)
2008		0.132	0.132	- Library Materials impacts from Capital Projects
	(0.350)	0.350	-	- Reversal of one-time additional DC draw of \$0.350M in 07
2009		0.014	0.014	- Library Materials impacts from Capital Projects
	(0.551)	0.551	-	- recommended reduction in reserve draw for Lib. Material
	\$1.500	\$15.915	\$17.415	2009 Materials Budget Recommended

To preserve the DC funding for approved capital projects, the 2009 Recommended Operating Budget reflects a reduction in the budgeted contribution from the Development Charge Reserve Fund from \$2.051 million to \$1.500 million. The Development Charge Reserve Fund will be monitored closely during 2009.

Operating Impact from Capital Projects

The 2009 Approved Capital Budget and the Capital Plan for 2010 to 2011 will result in a cumulative increase in TPL’s Operating Budget of \$2.034 million and 22.8 positions. The net incremental operating costs include salaries, utilities, services and rents, materials, supplies and software licenses.

The following table summarizes the operating impacts from capital projects from 2009 to 2011:

2009 - 2011 Operating Impact from the 5-Year Capital Plan								
Project Name	2009 Rec. Budget		2010 Outlook		2011 Outlook		Total	
	\$000's	Positions	\$000's	Positions	\$000's	Positions	\$000's	Positions
Previously Approved Projects								
Jane/Sheppard Neighbourhood Library	8.0						8.0	-
Cedarbrae District Library			40.0				40.0	-
Bloor/Gladstone District Library	282.0						282.0	-
Kennedy/Eglinton Neighbourhood Library	82.0						82.0	-
Thorncliffe Library	89.0	1.40	89.0				178.0	1.40
Brentwood Library					285.0	5.40	285.0	5.40
Waterfront Neighbourhood Library					952.0	11.00	952.0	11.00
Toronto Reference Library		4.00	90.0				90.0	4.00
New Projects - 2009								
St. Lawrence Neighbourhood Library	87.0	1.00					87.0	1.00
Malvern District Library			30.0				30.0	-
Total Recommended (Net)	548.0	6.40	249.0	-	1,237.0	16.40	2,034.0	22.80

The operating impact from capital projects is \$0.548 million and 6.4 positions in 2009 for the expansion/ construction of the St. Lawrence Library, the Jane/Sheppard Library, the Thorncliffe Library, Toronto reference Library and the re-opening of the Bloor/Gladstone and Kennedy/Eglinton Libraries. The operating impact for the renovation or expansion of the Cedarbrae Library, the Toronto Reference Library, and the Malvern Library totals \$0.249 million in 2010. A significant operating impact is projected for in 2011 with the re-opening of Brentwood Library (\$0.285 million and 5.4 positions) and the opening of TPL’s 100th Library - the West Waterfront Library, which requires \$0.952 million and 11.0 positions to operate. Future year operating impacts will be reviewed annually through the Operating Budget process and are subject to capital project completion.

Reduction Strategies

To partially offset the significant increase in costs over the 2008 Operating Budget, various reduction options are being recommended totaling \$1.179 million. These options are summarized in the following table:

	Efficiency			Total 2009 Rec'd	2010 Incremental Outlook
	Gross	Revenue	Net	Net	Net
	\$	\$	\$	\$	\$
Service Efficiencies and Others			-		
Community Access Program and Service Ontario grants*		56.7	(56.7)	(56.7)	56.7
Reduce Photocopier expense and other reductions	(386.2)		(386.2)	(386.2)	-
Reduce inter-branch delivery	(200.0)		(200.0)	(200.0)	-
Postpone reopening of branches due to construction delays*	(191.0)		(191.0)	(191.0)	191.0
Minor Service Impact			-		
Forego 2009 economic adjustment for library materials	(344.7)		(344.7)	(344.7)	
	(1,121.9)	56.7	(1,178.6)	(1,178.6)	247.7
* One-time reduction options					

During its meeting on November 24th, 2008, the Toronto Library Board endorsed the reduction options totaling \$0.834 million. Due to City affordability constraints, the 2009 Recommended Operating Budget includes the following reduction options of \$1.122 million to partially offset budget pressures in 2009:

- Reduce photocopier expenses and other general efficiencies and savings of \$0.386 million;
- Reduce inter-branch deliveries from twice a day to once a day for a saving of \$0.200 million;
- Defer reopening of branches including Bloor/Gladstone, St. Lawrence, and Thorncliffe Libraries, due to construction delays resulting in one-time saving of \$0.191 million; and,
- Absorb economic adjustment to library materials of \$0.345 million.

Thus, with the above reduction options, TPL's 2009 Recommended Operating Budget of \$152.675 million net is limited to a 4.0% increase over the 2008 Approved Operating Budget of \$155.791 million net.

Council Approved Reduction Options (2003 to 2008)

The following table summarizes the major service level reductions identified from 2003, and the final decision that was implemented, following Council approval.

Year	Recommended Reduction (\$ million)	Description	Council Approved Reduction (\$ million)	Decision
2008	\$0.70	Major Service Level Reduction	\$0.70	<ul style="list-style-type: none"> Eliminate library materials economic increases due to continued favourable US currency exchange, \$0.342 million One-time cost savings mostly associated with the delayed reopening of branches closed for renovation, \$0.358 million
2007	\$2.25	Major Service Level Reduction	\$1.35	<ul style="list-style-type: none"> Reduced economic adjustment \$0.400 million One-time Development charges funding for Collection, \$0.350 million Increased revenue from the sale of discarded books, \$0.1 million Equipment / phone costs saving, \$0.1 million Reduction achieved through continuous operating efficiency, \$0.395 million
2006	\$1.77	Major Service Level Reduction	\$0.69	<ul style="list-style-type: none"> Cost containment measure, \$0.335 million Reduction in materials budget due to favourable US currency exchange rate, \$0.140 million Reduction in unallocated economic increase, \$0.150 million one-time federal grant for internet connectivity, \$0.069 million
2005	\$3.54	Major Service Level Reduction	\$2.71	<ul style="list-style-type: none"> One-time Development charges funding for Collection, \$0.601 million Fund sick leave from City Reserve (one-time), \$0.800 million Increase gapping 1/2%, \$0.569 million Other cost saving, \$0.735 million
2004	\$3.24	Major Service Level Reduction	\$2.76	<ul style="list-style-type: none"> Savings from elimination of GST cost, \$0.650 million One-time Development charges funding for Collection, \$0.601 million Fund sick leave from City Reserve (one-time), \$0.800 million One-time grant revenue, \$0.300 million Reduce TAMP budget, \$0.200 million Delay of work, \$0.100 million Other cost savings and a reduction for standardizing closing times at 4 branches, \$0.110 million
2003	\$3.86	Major Service Level Reduction	\$2.77	<ul style="list-style-type: none"> Reduction in staff benefit costs in 2002/03 request of \$0.427 million Revenue increase from new fines and fee policy of \$0.100 million Cost efficiencies from review of support staff and automation, and reduction of 8 positions of \$0.400 million Delay in Information Technology initiatives for \$0.270 million and delay in maintenance work of \$0.100 million Reduction in 2003 library material budget of \$0.610 Amending Friday evening hours in July and August, \$0.115 million Property Tax recovery of \$0.060 million Other cost savings (staffing costs, administration budget and library materials) of \$0.701 million

As summarized in the above table, the major service level reduction options include elimination of inflationary increases to library materials, absorb other non-labour inflationary increases through operating efficiencies and savings, one-time grants from other level of government or private donors, and one-time savings achieve through postponing reopening of renovated libraries due to construction delays.

Appendix A

2009 Recommended Base Budget Changes vs. 2008 Approved Budget

(In \$000s)	Summary of 2009 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2010	2011
		\$	\$	\$	\$	\$
2008 Council Approved Operating Budget	1,826.2	169,988.1	14,314.4	155,673.7	0.0	0.0
In-year approvals and technical adjustments		6,384.9	6,384.9			
Corporate adjustments		116.9		116.9		
2008 Approved Operating Budget	1,826.2	176,489.9	20,699.3	155,790.6	0.0	0.0
Prior year impacts	6.4	(2,216.5)	(7,494.1)	5,277.6	249.0	1,237.0
Zero base items						
Economic factors		2,625.9	500.0	2,125.9	2,540.7	813.5
Adjusted Base Budget	1,832.6	176,899.3	13,705.2	163,194.1	2,789.7	2,050.5
Other base changes						
Base revenue changes						
Recommended Service Level Adjustments:						
Base Changes						
Service efficiencies						
Revenue adjustments			56.7	(56.7)	56.7	
Minor service impact		(1,121.9)		(1,121.9)	191.0	
Major service impact						
Total Recommended Base Adjustments	0.0	(1,121.9)	56.7	(1,178.6)	247.7	0.0
2009 Recommended Base Budget	1,832.6	175,777.4	13,761.9	162,015.5	3,037.4	2,050.5
2009 Program Operating Target	N/A	N/A	N/A	152,674.8		
% Over (Under) Program Target				6.0%		
% Over (Under) 2008 Appvd. Budget				4.0%		

Appendix B

Summary of Service Level Adjustments

Appendix D

Program Summary by Expenditure Category

CLUSTER: Agencies, Boards and Commissions PROGRAM: Toronto Public Library							
	2008 Approved Budget	2008 Projected Actuals	2009 Recommended Budget	Change from 2008 Approved Budget		2010 Outlook	2011 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	133,016.1	135,014.8	131,546.7	(1,469.4)	(1.1%)	133,011.4	134,788.9
Materials and Supplies	19,684.0	19,941.4	19,818.4	134.4	0.7%	19,903.4	20,086.4
Equipment	103.1		10.3	(92.8)	(90.0%)	10.3	10.3
Services & Rents	21,326.0	21,688.3	21,979.2	653.2	3.1%	22,106.2	22,285.2
Contributions to Capital	1,645.0	1,645.0	1,708.0	63.0	3.8%	1,708.0	1,708.0
Contributions to Reserve/Res Funds	696.8	696.8	710.8	14.0	2.0%	710.8	710.8
Other Expenditures	18.9		4.0	(14.9)	(78.8%)	4.0	4.0
Interdivisional Charges	0.0		0.0	0.0	n/a	0.0	0.0
TOTAL GROSS EXPENDITURES	176,489.9	178,986.3	175,777.4	(712.5)	(0.4%)	177,454.1	179,593.6
Interdivisional Recoveries	0.0		0.0	0.0	n/a	0.0	0.0
Provincial Subsidies	5,637.4	5,644.2	5,649.9	12.5	0.2%	5,605.7	5,605.7
Federal Subsidies	41.9	41.9	44.2	2.3	5.5%	31.7	31.7
Other Subsidies	495.0	512.5	245.0	(250.0)	(50.5%)	245.0	245.0
User Fees & Donations	5,084.8	3,919.5	4,169.7	(915.1)	(18.0%)	4,331.7	4,384.7
Transfers from Capital Fund	497.8	497.8	530.8	33.0	6.6%	564.8	599.8
Contribution from Reserve Funds	2,051.2	2,051.2	1,500.0	(551.2)	(26.9%)	0.0	0.0
Contribution from Reserve	6,384.9	6,384.9		(6,384.9)	(100.0%)	0.0	0.0
Sundry Revenues	506.3	2,431.4	1,622.3	1,116.0	220.4%	1,622.3	1,622.3
TOTAL REVENUE	20,699.3	21,483.4	13,761.9	(6,937.4)	(33.5%)	12,401.2	12,489.2
TOTAL NET EXPENDITURES	155,790.6	157,502.9	162,015.5	6,224.9	33.1%	165,052.9	167,104.4
APPROVED POSITIONS	1,826.2	1,826.2	1,832.6	6.4	0.4%	1,832.6	1,849.0

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2008 \$	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010
			\$	\$	\$
Vehicle Equipment Reserve	XQ1700	368.4	(87.0)	(144.0)	62.0
Insurance Reserve Fund	XR1010	27,774.8	463.8	463.8	463.8
Development charges for Library Materials	XR2029	2,497.2	(1,500.0)		
Total Reserve / Reserve Fund Draws / Contributions			(1,123.2)	319.8	525.8