



**STAFF REPORT
ACTION REQUIRED**

Technical Adjustments – 2009 and 2010 Capital Budgets

Date:	March 22, 2010
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to request Board approval of technical cash flow adjustments to the 2009 and 2010 approved capital budgets which have no net impact on the annual debt levels approved by Council or the total budget amount for individual projects.

Technical budget adjustments contained in this report are considered a normal part of managing the capital program, as long as the adjustments do not result in an increase to approved debt levels.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

- 1) approves the following cash flow adjustments to the 2009 and 2010 Approved Capital Budgets:
 - a i) advance \$1,434,000 of debt funding for Toronto Reference Library to 2009 from 2010, offset by an equivalent deferral of Section 37 funding from 2009 to 2010;
 - a ii) defer \$1,434,000 of debt funding for three capital projects (Virtual Branch Services, Self-Service and Technology Asset Management Program) from 2009 to 2010;
 - b i) advance \$1,227,570 of debt funding to 2009 from 2010 for three capital projects (Toronto Reference Library, Multibranch and Cedarbrae) proceeding ahead of schedule;
 - b ii) defer \$1,227,570 of debt funding from 2009 to 2010 for five capital projects (Brentwood, Malvern, Bloor Gladstone, Virtual Branch Services and Thorncliffe) experiencing cash flow delays; and
- 2) forwards this report to Budget Committee for City Council approval.

FINANCIAL IMPACT

Description	2009 increase / (decrease)			2010 increase / (decrease)		
	Gross	Funding Sources		Gross	Funding Sources	
		Debt	Section 37		Debt	Section 37
Advance debt & defer S. 37 funding		1,434,000	(1,434,000)	-	(1,434,000)	1,434,000
Offset debt advance with deferrals	(1,434,000)	(1,434,000)		1,434,000	1,434,000	-
Cash flow accelerated	1,227,570	1,227,570		(1,227,570)	(1,227,570)	-
Cash flow deferred	(1,227,570)	(1,227,570)		1,227,570	1,227,570	-
Total Adjustment	(1,434,000)	-	(1,434,000)	1,434,000	-	1,434,000

The 2009 approved gross capital budget is being reduced by \$1,434,000 from \$21,231,000 to \$19,797,000 and the 2010 approved gross capital budget is being increased by \$1,434,000, from \$28,352,000 to \$29,786,000. The debt funding of \$1,434,000 being advanced from 2010 will be offset with an equivalent deferral of debt funding from other projects. Additional debt funding of \$1,227,570 being advanced from 2010 to fund projects proceeding ahead of schedule will be offset with an equivalent deferral of debt funding from projects experiencing cash flow delays. There is no net impact on the Council approved annual debt levels or the total budget amount for individual projects.

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

ISSUE BACKGROUND

Financial control policies for the City and the Library allow for cash flows to be advanced and spent on accelerated projects to offset cash flow deferrals resulting from projects which are experiencing delays, as long as the overall approved debt level is not exceeded in any year. Effectively, to overcome timing issues, debt room freed up from delayed projects is replaced by additional debt spending on other approved accelerated projects in a single year, resulting in a better match of needs and resources and an efficient capital program delivery.

Any transfer of budget between capital projects in an amount in excess of \$250,000 requires approval of the Board and Council. Over the past several years, the process to obtain Council approval for budget adjustments was to include them in the City's quarterly variance reports to Council; the Library's budget adjustments were also presented to the Board as part of the quarterly monitoring reports. Recently, the City has implemented a procedural change, requiring each Agency, Board and Commission to seek Council approval of budget changes independently from the City's quarterly variance reports. This report seeks Board and Council approval for technical budget adjustments.

COMMENTS

Section 37 Funding

\$1,434,000 of Section 37 funding from a development which was budgeted to be received in 2009 for the Toronto Reference Library was not received until 2010. As a result, the following budget adjustments are being made:

Project Name	2009 increase / (decrease)			2010 increase / (decrease)		
	Gross	Funding Sources		Gross	Funding Sources	
		Debt	Section 37		Debt	Section 37
Toronto Reference Library (TRL)	(1,434,000)		(1,434,000)	1,434,000	-	1,434,000
Toronto Reference Library (TRL)	1,434,000	1,434,000		(1,434,000)	(1,434,000)	-
1 a i) Advance Debt and Defer Section 37	-	1,434,000	(1,434,000)	-	(1,434,000)	1,434,000
Virtual Branch Services	(203,526)	(203,526)		203,526	203,526	-
Self Service Check out	(280,000)	(280,000)		280,000	280,000	-
Technology Asset Mgmt. Prog. (TAMP)	(950,474)	(950,474)		950,474	950,474	-
1 a ii) Offset Debt advance with deferrals	(1,434,000)	(1,434,000)	-	1,434,000	1,434,000	-

- **Toronto Reference Library (TRL) Renovation:** Section 37 revenue expected in 2009 was not received until February 2010. Funding of \$1,434,000 from this source included in the 2009 TRL project will be replaced with an advance of 2010 debt funding, with a corresponding deferral of gross and debt funding from the projects listed below.
- **Virtual Branch Services:** Unspent debt funding of \$203,526 resulting from service delivery delays will be deferred to 2010 to offset TRL debt advance.
- **Self Service Check Out:** Unspent debt funding of \$280,000 due to equipment delivery delay will be deferred to 2010 to offset TRL debt advance.
- **Technology Asset Management Program:** Unspent debt funding of \$950,474 resulting from delays in the installation of Cogeco services in 2009 will be deferred to 2010 to help offset the TRL debt advance.

Offset Cash Flow Advance with Deferrals

Favourable conditions allowed construction to move ahead of schedule at the *Toronto Reference Library* (\$935,969), the *Cedarbrae Library* (\$39,211) and *Multibranch* projects (\$252,390), requiring an advance of cash flow from 2010 to 2009 offset by equivalent deferrals in other projects, as listed in the table below.

Project Name	2009		2010	
	increase / (decrease)		increase / (decrease)	
	Gross	Debt	Gross	Debt
Toronto Reference Library	935,969	935,969	(935,969)	(935,969)
Multibranch	252,390	252,390	(252,390)	(252,390)
Cedarbrae Library	39,211	39,211	(39,211)	(39,211)
1 b i) Cash Flow Accelerated from 2010	1,227,570	1,227,570	(1,227,570)	(1,227,570)
Brentwood Library	(6,874)	(6,874)	6,874	6,874
Malvern Library Youth Hub	(198,324)	(198,324)	198,324	198,324
Bloor/Gladstone Library	(251,380)	(251,380)	251,380	251,380
Virtual Branch Services	(86,196)	(86,196)	86,196	86,196
Thornccliffe Library	(684,796)	(684,796)	684,796	684,796
1 b ii) Cash Flow Deferred to 2010	(1,227,570)	(1,227,570)	1,227,570	1,227,570

- **Brentwood Library:** The working drawings are complete, but the project was delayed due to an OMB appeal which has now been resolved. An unspent balance of \$6,874 will be deferred to 2010 to offset accelerated cash flow requirements in other branches.
- **Malvern Library Youth Hub:** Working drawings for this project are underway and Site Plan approval is in process. An unspent balance of \$198,324 will be deferred to 2010 to offset the cash flow advance required by other branches.
- **Bloor/Gladstone Library:** The branch reopened on July 2009 and deficiencies are being addressed. The unspent balance of \$251,380 will be deferred to 2010 to offset accelerated cash flow requirements in other branches.
- **Virtual Branch Services:** Service delivery delays resulted in a total unspent balance of \$289,722. As mentioned above, debt funding of \$203,526 will be deferred to offset the TRL funding shortfall and an additional \$86,196 unspent funding will be deferred to offset the cash flow advance required by other branches.
- **Thornccliffe Library:** Co-development with Parks, Forestry & Recreation and Children's Services is a few months behind schedule due to construction delays. The Library will reopen in April 2010, and the 2009 unspent balance of \$684,796 will be deferred to 2010 to offset the cash flow advance required by other branches.

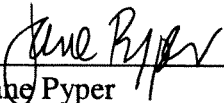
CONCLUSION

Technical budget adjustments contained in this report are considered a normal part of managing the capital program, as long as the adjustments do not result in an increase to Council approved annual debt levels.

CONTACT

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SIGNATURE



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