

Toronto Public Library – 2017 Capital Budget and 2018 - 2026 Capital Plan Adjustments (Q1)

Date: April 27, 2017
To: Budget Committee, Executive Committee
From: City Librarian
Wards: All

SUMMARY

This report requests authority to amend the Toronto Public Library (TPL) 2017 Council Approved Capital Budget and 2018-2026 Capital Plan by applying \$4.000 million of operating budget savings generated from a temporary closure of North York Central Library (NYCL) to fund accelerated capital cash flows for that branch, and apply capital debt financing freed up to the Multi-Branch State of Good Repair (SOGR) project. The amendments will have zero debt impact corporately, will reduce the SOGR backlog and will better align 2017 and future cash flows with TPL program requirements.

RECOMMENDATIONS

The City Librarian recommends that:

1. Council approve operating budget adjustments comprised of a one-time \$4.000 million reallocation within the 2017 Operating Budget to apply the savings arising from the Library Board approved NYCL branch closure to fund accelerated capital spending to Phase 1 of the NYCL project (CLB193-01), with zero net impact on the 2017 Operating Budget.
2. Council adjust the 2017 Capital Budget for NYCL Phase 1 project (CLB193-01) to accelerate cash flows into 2017, to allow for a 2018 completion, by the application of \$4.000 million of 2017 Operating Budget savings, and the adjustment of development charge and debt financing cash flows as specified in the Capital Budget adjustment in Appendix A of this report.
3. Council apply the \$4.000 million of capital debt financing freed-up from NYCL Phase 1 project to the Multi-Branch State of Good Repair project over the years 2017 - 2019, as specified in the Capital Budget adjustment in Appendix A of this report.

4. Council adjust the 2018-2026 Capital Plan to accelerate the completion of the North York Central Library Phase 2 project to 2020 from 2021, as specified in the Capital Plan adjustment in Appendix A of this report.

FINANCIAL IMPACT

The TPL Board recently approved an extended closure for NYCL which will allow an accelerated construction schedule for Phase 1, requiring approximately \$4.000 million in accelerated cash flows in 2017 from 2018 and 2019 as construction work is advanced in preparation for Phase 2 of this renovation project. The accelerated cash flows are funded by a reallocation of operating savings from the operating budget resulting from the extended branch closure, net of the on-going cost of alternate service delivery which includes a temporary storefront location. This in turn would allow Phase 2 of the NYCL renovation to be accelerated and be completed one year earlier in 2020.

These budget adjustments will free up \$4.000 million in debt funding from NYCL Phase 1 project, which can be re-allocated to address the SOGR backlog by increasing the Multi-Branch State of Good Repair project over 2018 to 2021, with no additional funding required from the City. Proposed in-year adjustments to the capital budget and plan are shown below in Table 1 while the complete year by year details by project are shown in Appendix A.

Table 1 - Proposed Adjustments to 2017 Capital Budget and 2018-2026 Capital Plan

Proposed Adjustment	Budget/ Plan	(\$Millions)					
		2017	2018	2019	2020	2021	TOTAL
NYCL Renovation Phase 1							-
Contribution from Operating Budget *	Budget	4.000	-	-	-	-	4.000
Debt	Budget	(0.500)	(1.443)	(2.057)	-	-	(4.000)
DC	Budget	0.500	0.171	(0.671)	-	-	-
Multi-Branch (SOGR)		-	-	-	-	-	-
Debt	Budget	0.500	0.326	0.324	0.782	2.068	4.000
DC	Budget	(0.500)	0.174	0.326	-	-	-
NYCL Renovation Phase 2		-	-	-	-	-	-
Debt	Plan	-	1.117	1.733	(0.782)	(2.068)	-
DC	Plan	-	(0.345)	0.345	-	-	-
Net Impact		4.000	-	-	-	-	4.000

* The contribution from the operating budget is funded by savings generated from the NYCL extended branch closure.

There are no changes to either NYCL Phase 1 or Phase 2 approved and planned budget amounts (\$14.974 million gross and \$10.880 million gross respectively); only cash flow timing is impacted within each project phase. There is also no net change in the total debt funding in any of the years of this plan, only a reallocation between

projects and the introduction of a \$4.000 million operating budget saving, generated from the branch closure, which would be used to fund 2017 accelerated cash flow requirements. The overall net impact of the budget adjustments is a \$4.000 million gross increase in Multi-Branch (SOGR) capital project funded by the \$4.000 million debt funding freed-up as a result of the operating budget savings from the extended closure of the NYCL branch.

The Deputy City Manager and Chief Financial Officer (City) and the Director, Finance and Treasurer (TPL) have reviewed this financial impact statement and are in agreement with it.

DECISION HISTORY

City Council, at its meeting on March 10, 2015, approved the Toronto Public Library 2015 Capital Budget and 2016 – 2024 Capital Plan, which included NYCL Phase 1 of the renovation project at a cost of \$14.974 million with cash flows over 2015 to 2019. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX3.4>

City Council, at its meeting on February 15 & 16, 2017, approved the Toronto Public Library 2017 Capital Budget and 2018 – 2026 Capital Plan, which includes NYCL Phase 1 cash flows of \$5.236 million in 2017 and cash flow commitments of \$3.595 million in 2018 and \$2.728 million in 2019. The 2018 - 2026 Capital Plan also includes Phase 2 of the NYCL project in the 10 year plan with a value of \$10.880 million and cash flows over 2018 to 2021. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>

ISSUE BACKGROUND

NYCL is a 168,022 sq. ft. branch spread over 7 floors, which required a planned renovation to be split into two separate phases due to funding restrictions. Phase 1 of the renovation was approved in 2015 at a cost of \$14.974 million with cash flows over 2015 to 2019. The scope for Phase 1 of the renovation includes the renovation and reconfiguration of floors 1 to 5 and addresses several SOGR issues, including exterior cladding and roofing. In May 2016, TPL awarded a construction contract and work began shortly afterwards in July.

NYCL was closed in December 2016 in order to complete some of the major demolition components of Phase 1. The plan was for a closure for approximately 3 months and most of the staff were relocated.

The TPL 2018-2026 capital plan includes Phase 2 of the NYCL project in the 10-year plan with a value of \$10.880 million and cash flows over 2018 to 2021. The scope for Phase 2 of the renovation includes completing the renovation and reconfiguration of the Concourse level and 6th floor and further building wide SOGR projects including fire alarm and life safety systems, AODA improvements and lighting upgrades for energy efficiency. With both phases of the project now in the 10 year capital plan, TPL has

revisited plans for the complete branch renovation while taking measures to minimize the impact of the renovation on library service.

COMMENTS

At its meeting on April 18, 2017, the Library Board approved the extension of the NYCL closure to the end of 2017 to fully complete the most disruptive work of Phase 1, including the construction work on the new staircases on every floor, openings in the floor slabs, removal and replacement of the hand railings on both sides of the atrium, and the structural reinforcing of the 6th floor terrace that will be done from the underside (5th floor). As a result of accelerating the Phase 1 capital project, additional cash flows are required in 2017, estimated to be \$4.000 million.

The NYCL closure extension to the end of 2017 would result in staffing and building costs savings of approximately \$4.000 million net of the on-going cost of alternate service delivery which includes a temporary storefront location. As these operating cost savings are a direct result of the NYCL extended closure, the proposal is to apply the anticipated operating cost savings to increase the Operating Contribution to Capital in the 2017 Operating Budget to fund the accelerated 2017 capital cash flows required for NYCL Phase 1. Effectively, \$4.000 million required in 2017 for Phase 1 NYCL is accelerated from 2018 and 2019, and is now funded with a \$4.000 million contribution from the operating budget as shown in Table 2.

Table 2 - Recommendations 1& 2: Acceleration of Phase 1 funded by Contribution from Operating Budget

NYCL Renovation Phase 1	Budget/ Plan	(\$Millions)					
		2017	2018	2019	2020	2021	TOTAL
Contribution from Operating Budget *	Budget	4.000	-	-	-	-	4.000
Debt	Budget	(0.500)	(1.443)	(2.057)	-	-	(4.000)
DC	Budget	0.500	0.171	(0.671)	-	-	-
Total Gross		4.000	(1.272)	(2.728)	-	-	-

* The contribution from the operating budget is funded by savings generated from the NYCL extended branch closure.

The utilization of operating cost savings to fund the accelerated 2017 cash flows required for NYCL Phase 1 would free up \$4.000 million in debt room which can be re-allocated to address the SOGR backlog by increasing the Multi-Branch SOGR project over 2018 to 2021 with no additional funding required from the City. This is shown in Table 3.

Table 3 - Recommendation 3: Reallocation of debt freed-up from NYCL Phase 1 Project to Multi-Branch (SOGR) project

Proposed Adjustment	Budget/ Plan	(\$Millions)					
		2017	2018	2019	2020	2021	TOTAL
Multi-Branch (SOGR)							-
Debt	Budget	0.500	0.326	0.324	0.782	2.068	4.000
DC	Budget	(0.500)	0.174	0.326	-	-	-
Total Gross		-	0.500	0.650	0.782	2.068	4.000

The extended closure and acceleration of Phase 1 of the NYCL project enabling an earlier completion date would in turn allow Phase 2 to be accelerated and finished one year earlier. The changes to Phase 2's cash flow timing is illustrated in Table 4.

Table 4 - Recommendation 4: Acceleration of NYCL Phase 2 Project

NYCL Renovation Phase 2	Budget/ Plan	(\$Millions)					
		2017	2018	2019	2020	2021	TOTAL
Debt	Plan		1.117	1.733	(0.782)	(2.068)	-
DC	Plan		(0.345)	0.345	-	-	-
Total Gross		-	0.772	2.078	(0.782)	(2.068)	-

There are no changes to either NYCL Phase 1 or Phase 2 approved and planned budget amounts, only cash flow timing is impacted within each project phase. Total annual debt funding in all years of the plan remain unchanged.

CONCLUSION

The extended closure and project acceleration have a number of positive outcomes including reduced library service disruptions, more effective planning and project delivery resulting in a shorter renovation period, and avoiding the cost and disruption of relocating staff a number of times. Applying the resulting operating budget savings to fund part of the project results in \$4.000 million of freed-up debt funding being available to address TPL's significant and growing SOGR backlog without additional funding from the City.

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SIGNATURE

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ATTACHMENTS

Appendix A: Toronto Public Library 2017 Capital Budget and 2018-2026 Capital Plan Adjustments