

Analyst Briefing Notes

Budget Committee

(January 28, 2008)

2008 OPERATING BUDGET

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2008 OPERATING BUDGET**Executive Summary**

- The projected year-end net expenditure of \$149.039 million is expected to be \$0.640 million or 0.4% under the 2007 Approved Operating Budget of \$149.678 million, mainly due to the cost containment measures implemented in 2007 (\$0.635 million).
 - The net cost containment savings in 2007 is projected at \$0.635 million, which consists of service level adjustments (\$0.353 million) and savings from discretionary expenditures (\$0.282 million). These projected savings are \$0.600 million less than the original cost containments savings approved by the Library Board on July 25, 2007 due to the unexpectedly high level of sick-leave payouts and the cancellation of Sunday closures. These cost containment savings are not recommended to continue into 2008.
 - Utility costs are projected to be under budget by \$0.174 million due to the mild weather condition for the summer months, which is not expected to continue into 2008. The favourable variance is offset by higher salary costs, which are mainly a result of the unexpectedly high level of sick-leave payouts. The higher than budgeted funding from external grants and donations are for specific one-time purposes in 2007 and are fully offset by related expenditures by year-end.
- The 3 Year-Operating Budget supports the current strategic priority for universal access to high quality library services for residents of all ages and backgrounds.
 - As the activity in circulation, visits, program attendance and holds have risen significantly over the last five years, the escalating costs, as well as the 3.1% gapping target in 2008, will continue to present a challenge in maintaining the current level of service within target.
- The 2008 Recommended Base Budget of \$155.674 million net exceeds the 2007 Approved Budget and target of \$149.678 million by \$5.995 million, mainly due to the cost of living adjustments (COLA), merit, step and fringe increases, the reversal of a one-time draw in 2007 from Development Charges Reserve Fund for materials, and an unallocated reduction of \$0.7 million to meet a recommended 4.0% increase over the 2008 budget target.

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recomm'd Operating Budget			Change - 2008 Recommended		FY Incremental Outlook	
	2007 Appvd. Budget	2007 Proj. Actual	2008 Recomm'd Base	2008 New /Enhanced	2008 Rec. Budget	Operating Budget v. 2007 Appvd.		2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	164,313.9	164,780.8	169,988.1	0.0	169,988.1	5,674.2	3.5	798.3	719.6
REVENUE	14,635.6	15,742.0	14,314.4	0.0	14,314.4	(321.2)	(2.2)		
NET EXP.	149,678.3	149,038.8	155,673.7	0.0	155,673.7	5,995.4	4.0	798.3	719.6
Approved Positions	1,818.7	1,818.7	1,826.2	0.0	1,826.2	7.5	0.4	1.4	0.0
TARGET			149,678.3		149,678.3				
\$ Over / (Under) Program Target			5,995.4		5,995.4				
% Over / (Under) Program Target			4.0%		4.0%				

- The 2008 Recommended Operating Budget for Toronto Public Library (TPL) of \$155.674 million net does not include any new/enhanced services. The 2008 key cost drivers include Cost of Living Adjustments (COLA), merit, step and fringe increases, and an additional working day in 2008 totaling \$4.908 million; 2.3% inflationary increase for Library materials of \$0.342 million; other inflationary increases including utilities of \$0.654 million; operating impacts of capital projects such as cost from the S. Walter Stewart Library, Cliffcrest Library, Jane/Dundas Library, Dufferin/St. Clair Library, and Bloor/Gladstone Library of \$0.476 million (7.5 positions); and a reversal of \$0.350 million one-time draw in 2007 from the Development Charges Reserve Fund.
- The 2008 Recommended Operating Budget also includes an unallocated reduction of \$0.700 million to meet the recommended target of 4.0% increase over the 2007 Approved Operating Budget. The Library Board has approved reduction options to achieve a 4.0% target on January 21, 2008, which potentially involves reductions in Library materials. (*See page 16 for details*) The TPL Board will report to Budget Committee on February 11, 2008 with reduction options of \$0.700 million, to achieve the recommended 4.0% increase (from TPL Board 2007 Budget request increase of \$6.695 million) over the 2007 Approved Operating Budget.
 - The increases in 2009 and 2010 of \$0.798 million and \$0.720 million respectively, are mainly a result of non-Union staff merit and step increases, and the operating impacts from the approval of the 2008 Recommended Capital Budget including Bloor/Gladstone, Thorncliffe, Eglinton/Kennedy, and Cedarbrae.
- Over the past seven years, TPL experienced increasing activity levels mainly in the areas of electronic services with significant increases in virtual visits and book reservations. From 1999 to 2006, overall activity has increased 51%, virtual visits have increased by 1,736%, holds filled have increased by 184%, books reserved have increased by 161%, and public computer use increased by 15%.

- The 2008 Recommended Operating Budget supports the Strategic Priority of improving public services by providing free and equitable access to library services that meet the changing needs of Toronto residents, while focusing on their diverse interests, cultures, languages and needs.
 - TPL priorities include strengthening at-risk neighbourhoods by addressing the issue of growing income disparity in the City by providing access to 1,487 public computers with free high speed internet, access to word processing and office applications software, free wireless internet access at 19 locations with further expansion in 2008, free of charge library services and programs for newcomers such as ESL and English Can Be Fun, small business resources and programs, collections in 40 languages, participating in Neighbourhood Action Teams in city priority neighbourhoods, youth programming including employment programs, and 1,486 volunteer opportunities.
- The 2008 service goals of TPL include:
 - Efficiently manage circulation of approximately 29 million items, in person virtual visits and programs;
 - Respond to over 7.5 million information requests in-person, via phone or via online; and,
 - Add over 750,000 items to the collection and continue to build collection related to career and job search.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Toronto Public Library of \$169.988 million gross and \$155.674 million net, comprised of the following services be approved:

<u>Service:</u>	Gross <u>(\$000's)</u>	Net <u>(\$000's)</u>
Library Services	163,926.6	149,812.2
Library Administration	<u>6,061.5</u>	<u>5,861.5</u>
 Total Program Budget	 <u><u>169,988.1</u></u>	 <u><u>155,673.7</u></u>

2. the Toronto Library Board report to Budget Committee for consideration on February 11, 2008 with specific reduction options totaling \$0.700 million, to achieve a 4.0% increase over the 2007 Approved Operating Budget.

Section A: 2007 Budget Variance Analysis

Table 2: 2007 Budget Variance Review

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	% Unspent
GROSS EXP.	160,280.4	164,313.9	164,780.8	466.9	0.3
REVENUES	15,814.1	14,635.6	15,742.0	1,106.4	7.6
NET EXP.	144,466.3	149,678.3	149,038.8	639.5	0.4
Approved Positions	1,817.7	1,818.7	1,818.7	0.0	0.0

*Projected Actuals Based on Revised September 30, 2007 Variance Report.

2007 Experience

The projected year-end net expenditure is expected to be \$149.039 million or 0.4% below the 2007 Approved Operating Budget of \$149.678 million as indicated in the 3rd Quarter Variance Report. The projected over expenditure of \$0.467 million (gross) is mainly due to salary over-expenditures required to meet growing service demand and the unexpectedly high level of sick-leave payouts during 2007, which is partially offset by the cost containment measures implemented in 2007.

The projected favourable revenue of \$1.106 million is mainly the result of higher than budgeted external grants and donations for library programs, which by year-end, 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.

The reasons for the favourable variance are summarized in the following table:

2007 Projected Year-End Variances	Variances (\$000s)	Comments
(1) Salary and Benefits	882.60	The unfavourable variance is due to the increase in service demands and a high level of sick-leave payouts experienced in 2007. Part of the over-expenditure is offset by donations received for specific programs.
(2) Utility Costs	(174.10)	
(3) Other Expenditures	393.40	Additional expenditures associated with the extra donations/external grants received in 2007, which are partially offset by other savings achieved through operating efficiencies.
(4) Cost Containment Savings	(635.00)	
Gross Expenditure Variances	466.90	Savings generated mainly through reduced spending in Library materials, library programs, conferences, training, and travel.
(5) Revenue	(1,106.40)	
Net Expenditure Variances	(639.50)	

2007 Cost Containment Savings

As discussed above, TPL targets to achieve cost containment savings of \$0.635 million in 2007 through the measures itemized in the table below.

Net Cost Containment Savings	2007 TPL Board Approved	2007 (\$000s) Savings	2008 (\$000s) Continued	Comments
Hiring Freeze Savings:				
Hiring freeze for 70 Vacant Positions	200.0	-	-	Not achieved due to high level of sick-leave payouts
Sub-total	200.0	-	-	
Service Level Adjustments:				
Cancel Sunday Service in non-priority neighbourhoods (September to December 2007)	400.0	-	-	Not achieved due to arbitrator's ruling to reinstate full Sunday service in October 2007
Reduction in Library materials purchases	330.0	330.0	-	One-time
Cancel Library programs	23.0	23.0	-	One-time
Sub-total	753.0	353.0	-	
Discretionary Savings				
Defer web testing environment and IT security audit	110.0	110.0	-	One-time
Reduction of conferences, training, travelling, and deferral of IT projects	162.0	162.0	-	One-time
Reductions in advertising and printing materials	10.0	10.0	-	One-time
Sub-total	282.0	282.0	-	
TOTAL COST CONTAINMENT	1,235.0	635.0	-	

The projected 2007 cost containment savings is \$0.600 million below what was approved by the TPL Board on July 25, 2007 due to the followings:

- TPL experienced an unexpectedly high level of sick-leave payouts in 2007. The number of employees who retire or leave TPL after many years of services has fluctuated significantly over the last several years. Thus, it is very difficult for TPL to predict the annual requirements for sick-leave payouts. Unlike other City Programs, TPL does not have a sick-leave reserve to provide for the expenditure when the requirements arise and hence, results in unplanned pressures in the operating budget. Due to this unfavourable variance, TPL could not achieve the \$0.200 million savings of salary and benefits expenditure from the hiring freeze.
- The TPL Board approved Sunday closures at selected branches as a cost containment measure, which would have had an estimated saving of \$0.400 million in 2007. Subsequently, as a result of the grievance from the union, an arbitrator ruled that an immediate reinstatement of Sunday services is required. Thus, TPL has revised its projected 2007 cost containment savings from \$1.040 million \$0.640.

Impact of 2007 Operating Variance on 2008 Recommended Budget

TPL will attempt to manage resources given the on-going pressures on salary costs. The favourable variance in utility costs is the result of the mild weather condition in 2007 and is not expected to continue into 2008. The higher than budgeted funding from one-time external grants and donations

are for specific purposes and will be fully offset by related expenditures by year-end. TPL also experienced higher than expected sick-leave payouts in 2007. This trend may continue into 2008; however, the 2008 sick-leave costs have not been determined.

The cost containment measures implemented in 2007 are not recommended to continue into 2008.

Section B: 2008 Operating Budget Overview

3-Year Operating Budget Overview

The 3-Year Operating Budget supports the current strategic priority for universal access to high quality library services for residents of all ages and backgrounds. However, the 2008 Recommended Operating Budget includes an unallocated reduction of \$0.700 million, and the implications on services will be reported to Budget Committee.

The 3-Year Operating Budget continues to invest in public service by providing free and equitable access to library services that meet the changing needs of Toronto residents, while focusing on their diverse interests, cultures, languages and needs. It places emphasis on strengthening at-risk neighbourhoods as it reflects TPL's role in addressing the issue of growing income disparity in the city, by providing free of charge increased 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.

Toronto Public Library embarked on a new strategic planning process in 2007, which will continue into 2008, to provide a framework for the development of the operating budget in future years. The new strategic plan will complement the priorities of the new Council and respond to changing social and demographic trends in the City of Toronto.

The 3-Year Operating Budget provides funding for COLA, merits, and economic increases for 2008 including library materials and utilities, as well as the operating impacts from the approval of the 2008 Recommended Capital Budget as summarized in the following table:

2008 - 2010 Operating Impact of Approved 2008 Capital Budget and 5-Year Plan								
Project Name	2008		2009		2010		TOTAL	
	\$000's	Positions	\$000's	Positions	\$000's	Positions	\$000's	Positions
Previously Approved Projects								
Jane/Sheppard Neighbourhood Library	11.0	-		-		-	11.0	-
Cliffcrest Neighbourhood Library	11.0	-		-		-	11.0	-
Cedarbrae District Library		-	35.0	-		-	35.0	-
Bloor/Gladstone District Library	387.0	7.5	405.0	-		-	792.0	7.5
S. W. Stewart District Library	26.0	-		-		-	26.0	-
Jane/Dundas Neighbourhood Library	15.0	-		-		-	15.0	-
Dufferin/St. Clair Neighbourhood Library	12.0	-		-		-	12.0	-
Thorncliffe Library		-	92.0	1.4	80.0	-	172.0	1.4
New Projects							0.0	-
Kennedy/Eglinton Neighbourhood Library	14.0*	-		-		-	14.0	-
Total Recommended	476.0	7.5	532.0	1.4	80.0	-	1088.0	8.9

*recent estimate suggests the operating impact for Kennedy/Eglinton Library will be \$0.086 million in 2008 and \$0.022 million in 2009.

The above-mentioned projects will provide TPL with opportunities through the use of its improved facilities, to contribute further in promoting community development, literacy and job skills, as well as employment and volunteer opportunities.

Challenges and Issues

The limited resources available for TPL to meet increasing service demand for library services continue to be a challenge that needs to be addressed in light of the 4.0% budget increase in 2008. The 2008 service goals include the following:

- Efficiently manage circulation of approximately 29 million items;
- Manage 17 million in-branch visits;
- Respond to over 7.5 million information requests in-person, via phone or via online;
- Add over 750,000 items to the collection and continue to build collection related to career and job search;
- Provide computer access to over 5.1 million individuals; and
- Continue expanding access to wireless service at branches.

TPL is unable to achieve its target of 0% over 2007 without impacting service levels. Reduction options to achieve the 4.0% target had been approved by the TPL Board on and the options are summarized on Table 1 (see page 16). The TPL Board will report to Budget Committee on options to achieve the 4.0% recommended target on February 11, 2008.

Over the past seven years, TPL experienced increasing activity levels mainly in the area of electronic services with significant increases in virtual visits and holds filled. The total activity has increased 51% over the last seven years (1999-2006), virtual visits have increased by 1,736%, holds filled have increased by 184%, books reserved have increased by 161% and public computer use increased by 15%.

- The projected service level increases in 2008 over 2007 are as follows: Virtual Visits 3%; Circulation 1%, Program Attendance 3%, and Public computer use 1%. Annual library visits per capita are expected to grow in 2008 to 6.5 from 6.04 as projected in 2007 resulting in a continuing strain on resources. The high activity levels continue to contribute to the cost increases, and the gapping target of 3.1% further stretches TPL's resources and its ability to meet its service needs. In addition, TPL is also closely involved with other priority service initiatives including, the Neighbourhood Action Teams and Community Safety Plan. As well, other corporate initiatives including pandemic planning and records management to support access to information has resulted in additional demands on TPL resources.

Strategic Priorities

The 2008 Recommended Operating Budget for Toronto Public Library directly addresses, through a number of programs, the following strategic priorities outlined in Council's policy agenda:

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

The 2008 Recommended Operating Budget includes the operating impacts of seven capital projects, of which five are within the 13 Priority Neighbourhoods. The five capital projects are: S. W.

Stewart renovation, Jane/Sheppard relocation, Kennedy/Eglinton expansion, Thorncliffe renovation and expansion, and Cedarbrae renovation. These capital projects 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.

In particular, the 2008 Recommended Operating Budget supports this Strategic Priority through targeted programs for youth and newcomers, collections in 40 languages, champion and promote reading, early literacy through Ready for Reading, 1,487 public computers with free high speed internet, access to word processing and office applications software in branches across the City, free wireless internet access at 19 locations and further expansion in 2008, lifelong learning, services for newcomers, small business resources and programs, community partnerships, participating in Neighbourhood Action Teams in priority neighbourhoods, youth programming including employment programs as well as 1,486 youth volunteers in reading support programs and Youth Advisory Groups.

Section C: 2008 Recommended Base Budget

Table 3: 2008 Recommended Base Budget

	2007 Appvd. Budget	2008 Recommended Base	Change 2008 Recommended Base v. 2007 Appvd. Budget		FY Incremental Outlook	
					2009	2010
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	164,313.9	169,988.1	5,674.2	3.5	798.3	719.6
REVENUE	14,635.6	14,314.4	(321.2)	(2.2)	0.0	0.0
NET EXP.	149,678.3	155,673.7	5,995.4	4.0	798.3	719.6
Approved Positions	1,818.7	1,826.2	7.5	0.4	2.4	0.0
NET TARGET		149,678.3			0.0	0.0
\$ Over / (Under) Program Target		5,995.4			798.3	719.6
% Over / (Under) Program Target		4.0%			0.53%	0.48%

2008 Recommended Base Budget

The 2008 Recommended Base Budget of \$155.674 million is \$5.995 million or 4.0% over the 2007 Approved Base Budget of \$149.679 million, mainly due to COLA and economic factors increases of \$5.531 million, leap year impact of \$0.373 million, and the reversal of a one-time draw from Developmental Charges Reserve Fund recommended in 2007 of \$0.350 million.

The 2008 Recommended Base Budget also includes the operating impacts from the Approved Capital Projects including the S.Walter Stewart Library, Jane/Sheppard Library, Cliffcrest Library, Jane/Dundas Library, Dufferin/St. Clair Library and the Eglinton/Kennedy Library of \$0.161 million, and the reopening of the Bloor/Gladstone Library, for a total of \$0.476 million as summarized in the table on page 9.

An additional 7.5 positions are required for the reopening of the expanded Bloor/Gladstone Library in 2008, which has nearly doubled in size.

A reduction totaling \$0.700 million is recommended to limit the 2008 Operating Budget increase to 4.0% over the 2007 Approved Budget. Reduction options to achieve the 4.0% target have been approved by the TPL Board on January 21, 2008 and are summarized on Table 1 (see page 16). The TPL Board will report to Budget Committee on February 11, 2008 with options to achieve the 4.0% recommended target.

2008 Key Cost Drivers and Reduction Strategies

The 2008 Recommended Base Budget gross expenditures of \$169.988 million represent an increase of \$5.674 million or 3.5% compared to the 2007 Approved Operating Budget of \$164.314 million (gross).

Key cost drivers include the following:

- Cost of Living adjustments (COLA) and fringe benefits increase of \$3.895 million, merit and step increases of \$0.640 million, and the impact from an extra work day for leap year of \$0.373 million.
- Economic factor increases (non-labour) of \$0.654 million, and a 2.3% inflationary increase for the library materials, to maintain current purchasing level of \$0.342 million. The recommended 2.3% increase in 2008 is higher than the 2.0% increase funded in 2007 as a result of the higher costs for printing and freight, which is partially offset by a favourable US exchange rate.
- In 2007, a one-time draw from the Development Charge Reserve Fund was recommended to fund library materials totaling \$0.350 million. This one-time funding from Developmental Charges Reserve Fund is reversed in 2008, creating a pressure of \$0.350 million. No further Development Charge Reserve Fund draw is recommended in 2008 as the reserve fund is fully committed.
- Operating impacts from the approval of 2008 Capital Budget requires \$0.476 million for additional costs associated with expansion/construction of S.Walter Stewart Library, Jane/Sheppard Library, Cliffcrest Library, Jane/Dundas Library, Dufferin/St. Clair Library, Eglinton/Kennedy Library, and the re-opening of Bloor/Gladstone Library.

The 2008 Recommended Operating Budget incorporates an unallocated reduction of \$0.700 million to achieve a 4.0% increase over 2007 Approved Budget. TPL will also continue to:

- monitor all spending during 2008 to take advantage of any cost savings opportunity;
- seek external funding for service expansion opportunities such as funding to support wireless internet access; and,
- seek opportunities to create efficiencies through technology investments that will support automated processes and more self-service options for users.

2009 and 2010 Outlook: Net Incremental Impact

The Outlooks of \$0.798 million for 2009 and \$0.720 million for 2010 include merits and step increases for non-Union staff, reversal of an extra day in 2008, and the operating impacts of capital projects including the Bloor/Gladstone, Thorncliffe, Eglinton/Kennedy, and Cedarbrae branches.

An additional 1.4 positions are required in 2009 due to the re-opening of the expanded Thorncliffe Branch.

The 2009 and 2010 Outlooks do not include COLA and the implications of meeting the 4.0% target increase for 2008. Depending on the recommended reduction options adopted to achieve the 2008 target, the 2009/2010 Outlooks may be adjusted accordingly.

Section D: 2008 Recommended Service Priorities

There are no new/enhanced service priorities recommended for TPL in 2008.

Section E: Issues for Discussion

2008 Operating Budget Issues

Economic Adjustment for Library Materials

The 2008 Recommended Operating Budget includes funding for an economic increase of \$0.342 million or 2.3% (up from 2.0% increase in 2007) for library materials. This increase includes the higher costs in printing and freight, which is offset by the favourable US exchange rates. The 2.3% increase would enable TPL to maintain its 2007 purchasing power for library materials. As consistent with the practice approved by Council in prior years, \$2.051 million or 11.65% of the 2008 Recommended Library Materials Budget will be funded from the Development Charge Reserve.

	Development Charges	City Funded	Total
2004 Approved Materials Budget	\$2.051	\$13.668	\$15.719
2005 - Library Materials impacts from Capital Projects	-	0.065	0.065
2005 - Economic Factor (4%)	-	0.629	0.629
2006 - Library Materials impacts from Capital Projects	-	0.008	0.008
2006 - Economic Factor (3%)	-	0.517	0.517
2007 - Economic Factor (2%)	0.350	(0.019)	0.331
2008 - Library Materials impacts from Capital Projects		0.132	0.132
2008 - Economic Factor (2.3%)	(0.350)	0.692	0.342
2008 Materials Budget Recommendation	2.051	15.692	17.743

Note: Development Charges have been approved by Council in prior years to fund the economic increase for library material budget. An extra one-time draw from Development Charge Reserve of \$0.350 million was included in the 2007 Approved Materials Budget.

Unallocated Reduction

Although the City's target for the 2008 Operating Budget is a 0% increase over 2007 Approved Budget, the recommended budget increase for TPL is 4.0%. The increase of 4.0% is recommended as further reductions will likely result in significant service level impacts.

Reduction options to achieve the 4.0% target have been approved by the TPL Board on January 21, 2008 and the reduction options are summarized on page 16. Also, reduction options recommended

in prior years are summarized on page 17. The TPL Board will report to Budget Committee on February 11, 2008 with options to achieve the 4.0% recommended target.

Job Evaluation and Pay Equity

TPL will be engaging in a job evaluation process together with a Pay Equity review for bargaining unit employees expected to be completed in 2008. This review is required by legislation following the wage harmonization award of December 2004 impacting union wages. The Pay Equity review will analyze and compare the value and job rates of classes, with the objective outcome of equal pay for work of equal value. The wage harmonization award of December 2004 harmonized wages for similar jobs that existed pre-amalgamation, across all the libraries City-wide.

As the costs cannot be determined at this time, no provision has been made in the 2008 Recommended Operating Budget.

TORONTO PUBLIC LIBRARY 2008 Operating Budget Reduction Options to Meet Recommended Target of 4%		Table 1
MINOR SERVICE IMPACT REDUCTIONS		Budget Reduction (\$)
1 Training, Conference and Travel By not attending library conferences and training workshops, staff lose the opportunity to engage in discussions and learning about library innovations and service trends which has a negative impact on TPL's ability to remain a leader in library services. In addition, the lack of conference attendance will hurt TPL's international reputation as a leader in library services, and restrict TPL's ability to share best practices with other libraries in Ontario and Canada. The cancellation of non-legislated staff training programs may impact negatively on staff productivity and morale, and their ability to deliver a high level of customer service.		75,000
2 Bloor/Gladstone Reopening Based on the current construction schedule, the Bloor/Gladstone Branch reopening has been delayed by two months. The branch is scheduled to reopen in the fall of 2008.		80,000
3 Security Audit Delay the planned security audit of the Information Technology environment. The security audit is the first step in the identification of security risks for the Library and the development of an IT security policy, which would document information security principles and standards for the Library. Deferral of the security audit will result in the absence of a policy which could increase security risks, and the Library will continue with current practices.		60,000
4 2008 Library Materials Economic Adjustment Due to a strong Canadian dollar, the 2008 economic increase for library materials can be eliminated without negatively impacting the purchasing power of the library materials budget. Despite the strong Canadian dollar, continuing pressures on the library materials budget include the demand for multiple languages and multiple formats due to changing technology. Availability of current materials impacts circulation.		342,000
		557,000
5 Unallocated Budget Reduction Spending will be monitored during the year to take advantage of any cost saving opportunities as they arise. If the required cost savings cannot be achieved, then the library materials budget will be reduced.		143,000
		700,000

Council Approved Reduction Options (2003 to 2007)
Table 2

Year	Staff Recommended Unallocated Reduction (\$M)	Council Approved Reduction (\$M)	Decision
2007	\$0.960	\$0.060	<ul style="list-style-type: none"> Reduction achieved through continuous operating efficiencies
2006	\$1.769	\$0.694	<ul style="list-style-type: none"> Cost containment measures, \$0.335 million Reduction in materials budget due to favourable US currency exchange rate, \$0.140 million Reduction in unallocated economic increases, \$0.150 million and, \$0.069 million for one-time federal grant for internet connectivity.
2005	\$1.0	\$0.050	<ul style="list-style-type: none"> Reduction in economic Adjustment
2004	\$0.670	\$0.040	<ul style="list-style-type: none"> Reduction for standardizing closing times at 4 branches
2003	\$2.234	\$2.234	<ul style="list-style-type: none"> Reduction in staff benefit costs in 2002/03 request for \$0.427 million Revenue increase from new fines and fee policy for \$0.100 million Cost efficiencies from review of support staff and automation, a reduction of 8 positions for \$0.400 million Delay IT initiatives for \$0.270 million and delay in maintenance work for \$0.100 million Reduction in 2003 library material budget for \$0.260 million (4% economic increase instead of 6%), Amending Friday evening hours in July and August, for \$0.165 million, Property Tax savings of \$0.060 million, and Other cost savings (staffing costs, administration budget and library materials) for \$0.502 million.

Appendix 1

Summary of Recommended Base Budget Changes From 2007 Approved Budget

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
2007 Council Approved Operating Budget	1,818.7	164,347.9	14,635.6	149,712.3	0.0	0.0
In-year approvals and technical adjustments						
Corporate adjustments		(34.0)		(34.0)		
2007 Final Operating Budget	1,818.7	164,313.9	14,635.6	149,678.3	0.0	0.0
Prior year impacts	7.5	470.0	(321.2)	791.2	532.0	80.0
Zero base items						
Economic factors		5,530.9		5,530.9	639.6	639.6
Adjusted Base Budget	1,826.2	170,314.8	14,314.4	156,000.4	1,171.6	719.6
Other base changes		373.3		373.3	(373.3)	
Base revenue changes						
Recommended Base Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact		(700.0)		(700.0)		
Total Recommended Base Adjustments	0.0	(326.7)	0.0	(326.7)	(373.3)	0.0
2008 Recommended Base Budget	1,826.2	169,988.1	14,314.4	155,673.7	798.3	719.6
2008 Program Operating Target	N/A	N/A	N/A	149,678.3		
% Over (Under) Program Target				4.0%		
% Over (Under) 2007 Appvd. Budget				4.0%		

Appendix 2
Summary of Service Level Adjustments

Appendix 4

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Business Case / Issue	Balance as of September 2007 \$	Proposed Withdrawals (-) / Contributions (+)		
				2008 \$	2009 \$	2010 \$
Vehicle Equipment Reserve	XQ1700	-	299.1	232.9	66.2	0.0
Insurance Reserve Fund	XR1010	-	25,055.3	346.9	346.9	346.9
Development charges for Library Materials	XR2029		6,473.4	(2,051.2)	(2,051.2)	(2,051.2)
Total Reserve / Reserve Fund Draws / Contributions				(1,471.4)	(1,638.1)	(1,704.3)