

Analyst Briefing Notes

Budget Advisory Committee Review

(November 10, 2005)

Page

PART I: CAPITAL PROGRAM

Executive Summary	2
Recommendations	4
2005 Capital Variance Review	5
5-Year Capital Plan (2006-2010)	6
2006 Capital Budget Submission Summary	9
Proposed 2006 Capital Budget Changes	10
2006 Proposed Total Cash Flow & Future Year Commitments	11
Operating Budget Impact	12

PART II: ISSUES FOR DISCUSSION

2006 Issues	14
Issues Referred to 2006 Capital Budget	N/A
Outstanding Issues From Prior Years	21

APPENDICES

Appendix 1 2006 Proposed Capital Budget and 2007 to 2015 Revised Program.....	A1 – A7
Appendix 2 2006 Proposed Capital Budget & Future Year Commitments	A8 – A11
Appendix 3 2006 Proposed Projects with Financing Details	A12- A14
Appendix 4 Reserve / Reserve Fund Review	A18

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2005 Approved Capital Budget of \$15.669 million is 72% spent as of September 30, 2005, and projected to be 91% spent as of December 31 2005. The 2 projects with carry forward funding into 2006 include; the Jane/Sheppard Neighbourhood Relocation project, for \$0.949 million, which was delayed due to Shelter, Housing and Support's delay in securing partnership agreements to proceed with the housing project that will occupy the site jointly with the library and, the Integrated Library System (ILS), for \$0.400 million, as the contract is not expected to be awarded until January 2006.
- The 2006 Capital Submission of \$17.055 million gross and \$14.341 million debt, is \$4.341 million or 43% over the debt affordability guideline of \$10.0 million. The TPL Board recommended reductions of \$3.341 million to \$11.0 million debt. The remaining \$1.0 million reduction is required to achieve the target. It is recommended that the Toronto Public Library Board report to Budget Advisory Committee on options to achieve the \$10.0 million target.
- The 2006 Proposed Capital Budget is \$13.114 million gross (\$10.0 million debt), which includes \$9.446 million previously approved projects and \$3.668 million for new projects, which include Jane/Dundas Renovation and Dufferin/St.Clair Renovation. The future year commitments are \$8.427 million gross (\$6.533 million debt) for 2007 and \$6.325 million gross (\$4.721 million debt) for 2008.
- The 2006 Proposed Capital Budget consists of 90% State of Good Repair projects and 10% Growth related.
- The 2006-2010 Capital Plan Submission totals \$89.304 million with 2006 cash flow of \$17.523 million, \$18.137 million in 2007, \$19.650 million in 2008, \$16.054 million in 2009 and \$17.940 million in 2010. The 5 Year Submission averages \$14.223 million debt per year, and exceeds the affordability guideline of \$10.0 million target by an average of \$4.2 million per year.
- To meet the guideline for 2006 Capital Budget, 4 new projects had to be deferred to future years for a total reduction of \$3.341 million debt, and an unallocated reduction of \$1.0 million which is pending TPL Board report back to BAC. The Revised 5-Year Capital Plan includes a further TPL Board reduction of \$10.772 million for future years. However, the TPL Board's 5-Year Capital Plan remains over the target by \$7.0 million. An unallocated reduction of \$1.0 million is included in the 2006 Proposed Budget and \$1.5 million for each of the years from 2007-2010, to achieve the \$10 million target.
- The Revised 5-Year Capital Plan includes a further TPL Board reduction of \$10.772 million for future years. However, the TPL Board's 5-Year Capital Plan remains over the target by \$7.0 million. An unallocated reduction of \$1.0 million is included in the 2006 Proposed Budget and \$1.5 million for each of the years from 2007-2010, to achieve the \$10 million target.

- The Revised 5-Year Capital Plan request includes 25 projects, totaling \$24.210 million which are funded through Development Charges, accounting for 14% of the total financing. The Plan is based on the new Development Charge By-Law which qualifies 'State of Good Repair' projects for Development Charge funding, in situations where the facilities are reconfigured to increase the existing service capacity so as to accommodate increasing demands from public growth.
- The 5-Year Capital Plan will be referred to the Deputy City Manager & Chief Financial Officer for review in consultation with appropriate staff, and report back to the Budget Advisory Committee, in the Spring of 2006.
- The Building SOGR backlog at the end of 2006 is estimated to be \$14.7 million based on the \$10.5 million annual SOGR benchmark and is projected to increase exponentially over the next 5 Years.

Recommendations

It is recommended that:

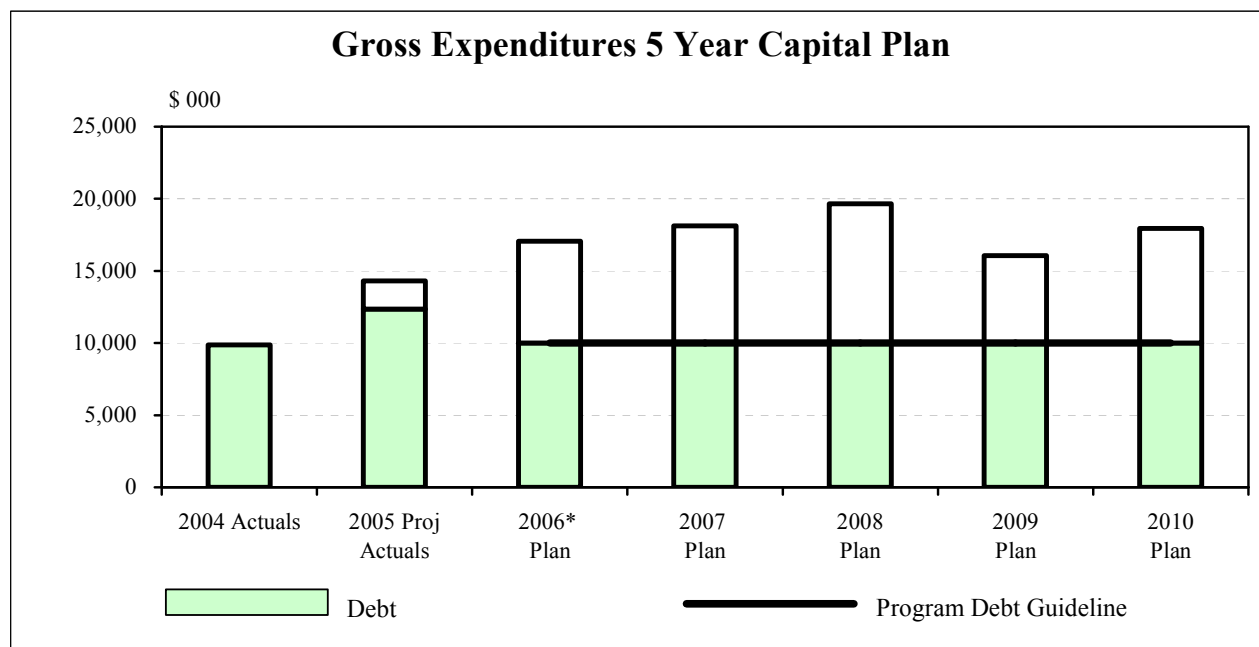
1. the 2006-2015 Toronto Public Library Capital program request with a total 10-year project cost of \$169.209 million be received;
2. the 2006 Proposed Capital Budget for Toronto Public Library with a total project cost of \$9.533 million and a 2006 cash flow of \$13.114 million and future year commitments of \$14.752 million be approved. The 2006 Proposed Capital Budget consists of the following:
 - (a) Cash Flow Funding for:
 - i) 5 new sub-projects with a 2006 total project cost of \$9.533 million that requires cash flow of \$3.668 million in 2006 and a future year commitment of \$2.392 million in 2007 and \$2.473 million in 2008;
 - ii) 7 previously approved sub-projects with a 2006 cash flow of \$8.978 million and a future year commitment of \$6.035 million in 2007 and \$3.852 million in 2008.
 - (b) 2 previously approved sub projects with 2005 carry forward funding into 2006, for a total of \$0.868 million.
3. new debt service costs of \$0.300 million in 2006 and incremental costs of \$1.100 million in 2007, resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2005 and future year operating budgets;
4. operating impacts in the Toronto Public Library Operating Budget of \$0.197 million for 2006, \$0.485 million for 2007 and \$0.540 million for 2008 emanating from the approval of the 2006 Capital Budget be considered within the overall scope of the Toronto Public Library's 2006 and future years' operating budget submissions.
5. that the revised cashflow projections of \$13.823 million in 2007; \$15.020 million in 2008; \$12.381 million in 2009 and \$13.627 million in 2010, for Toronto Public Library be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits;
6. that the Toronto Public Library Board report to Budget Advisory Committee on recommended option to achieve the unallocated reduction of \$1.0 million gross and debt for 2006.

Table 1: 2005 Capital Variance Review

2005 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2005 Approved	Actuals as of Sept. 30 Y-T-D (3rd Qtr Variance)		Projected Actuals to Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
15,669	11,321	72	14,320	91	1,349

- A spending rate of 91% of the total 2005 Approved Capital budget is projected for year-end, based on actual spending and commitments, which meets TPL's spending objectives. The spending rate of 72% as of September 30, is consistent with the spending trends of prior years.
- The variance of \$1.349 million between the 2005 Approved Capital Budget and Projected Actuals to year-end, is due to the delay of Jane /Sheppard project in 2005 for \$0.949 million, and the Integrated Library System (ILS) Project, for \$0.400 million as the contract is not expected to be awarded until January 2006.
- The Jane/Sheppard project was delayed as it is dependant upon Shelter, Housing and Support to secure partnership agreements to proceed with the housing project that will occupy the site jointly with the library.
 - The funding of \$0.468 million is carried forward from 2005 to 2006, and the 2004 funding of \$0.500 million is committed for 2007. The project is planned for completion in 2008.
- The 2005 projected year-end expenditures are attributed to 23 projects. The status of the projects are as follows, (Project details are tabled in the Issues section):
 - 11 Building projects are expected to be completed in 2005.
 - 6 Information Technology projects are expected to be completed in 2005.
- The 2006 Proposed Capital Budget does not reflect any subsequent changes to funding being carried forward from 2005 to 2006 based on the unspent cashflow balance projected as at September 30th, 2005. Adjustments to carry forward funding will be reported through to the Budget Advisory Committee during its review of the 2006 Proposed Capital Budget.

Table 2: 5-Year Capital Plan (2006-2010)



	5 Year Plan							2006-2010
	2004	2005	2006	2007	2008	2009	2010	
Gross Expenditures:								
Budget (Excluding 1-Yr. Carry/Fwd)	10,895	13,716	17,055	18,137	19,650	16,054	17,940	88,836
1-Yr Carry/Fwd Gross (Reference only)	1,519	1,878	468					
Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd	12,414	15,594	17,523					
Actuals	9,880	14,320						
Financing:								
Debt	10,000	10,000	10,000	10,000	10,000	10,000	10,000	50,000
Debt Actuals (including 1-Yr Carry/Fwd)	9,880	12,361						
Program Debt Target			10,000	10,000	10,000	10,000	10,000	50,000
Other Financing Sources:								
Reserves/Reserve Funds			164	82	82	0	0	328
Development Charges			1,339	2,472	3,630	519	1,826	9,786
Federal			0	0	0	0	0	0
Provincial			0	0	0	0	0	0
Other Revenue			1,211	1,337	1,645	1,708	1,708	7,609
By Category:								
Health & Safety			0	0	0	0	0	0
Legislative			0	0	0	0	0	0
SOGR			15,392	17,821	17,679	13,799	15,809	80,500
Service Improvement			0	0	0	0	0	0
Growth Related			1,663	316	1,971	2,255	2,131	8,336
Yearly SOGR Backlog Estimate (not addressed by current year projects)			1,738	1,706	1,661	1,699	1,648	
Accumulated Backlog Estimate (end of year)			14,700	16,406	18,067	19,766	21,414	

* Note: 2006 Debt excludes 1-Year carry forward.

The 5-Year Capital Plan as recommended by the TPL Board is \$11.0 million debt for 2006 and \$11.5 million debt for each of the years from 2007 through 2010, which is over the \$10.0 million annual target established in 2003. The Revised 5-Year Capital Plan recommends a \$10.0 million flat line Capital Budget.

Facilities

- TPL's strategic direction focuses primarily on the upkeep of its existing assets to an acceptable state of good repair. Of the 102 buildings maintained by TPL, approximately 20% are more than 50 years old and 60% are more than 25 years old. Presently, the average building is 34 years old and one third of the branches have not had a renovation in over 20 years.
- The SOGR evaluations of the library facilities are carried out on an on-going basis by internal and external sources, including, the Norr Report (1999) and the Wong Gregerson Building Audit (2002). These comprehensive evaluations of building conditions include architectural and structural assessments, and regulatory inspections.

TPL plans to undertake a comprehensive audit in 2007 by an external firm to assess on SOGR of facilities and equipment. It is a standard industry practice to conduct similar audits every five years and to monitor the needs and conditions internally, on an on-going basis.

- TPL's SOGR backlog is \$13 million accumulated over the period 2000-2005, (the average annual requirement being \$10.5 million). This is based on the benchmark of 2.5% of historic value of \$420 million (1.8 million square feet) of building investment. (See details in the Issues Section). The standard benchmark of 2.5% of asset value is higher than the preferred standard rate of 2% as used by the City.
- TPL's 2006 Proposed Budget for building SOGR is \$8.8 million, and \$82.631 million over 2006-2010. The 2006 SOGR budget request of \$10.5 million is \$1.7 million in excess of the SOGR budget of \$8.8 million, thus representing an incremental increase to the accumulated SOGR backlog of \$13.0 million, to \$14.7 million in 2006.
- The 2006 Proposed Budget of \$8.8 million, for SOGR to buildings, is consistent with 2005 level of \$8.4 million, reflecting the on-going efforts to achieve the benchmark state of good repair funding level as well as addressing part of the backlog of repairs.

Information Technology

There is no SOGR backlog for information technology requirements at the end of 2005. Assets are to be replaced on an on-going basis through the following programs.

Electronic Information Services – Web Sites, Virtual Reference Library and Portals

- At a cost of \$0.500 million gross and debt, the project will allow upgrades and provide improvements to TPL web sites and Virtual Reference Library including, web site changes that improve usability and ease of navigation, added functionality and additional digitized content. The future year projects for 2007-2015 funding totals \$12.750 million gross.

Integrated Library System (ILS) Replacement

- As the current ILS is reaching the end of its life, no further product upgrades or support will become available after 2008, at which time the existing system will be 10 years old. The project which started in 2005, with a total cost of \$3.5 million gross, will allow TPL to replace the system by 2007. The 2006 request is \$2.5 million, and \$0.500 million in 2007.

Technology Asset Management Program (TAMP)

- TPL operates its own computing center which supports both public library information services and administrative and support services and is responsible for the acquisition, maintenance and replacement of all Information Technology hardware and software owned by the Library. Through TAMP, the Library will provide for the replacement of existing hardware and software during 2006. The current asset inventory of hardware, software and network infrastructure at the Library is \$27.2 million.

The 2006 request for this state of good repair project is \$3.062 million gross with \$1.211 million funded from Library's Operating Budget. The future year project for 2007-2015 is for \$35.397 million gross, with \$14.938 million from Library's Operating Budget. (See Issues Section for details).

- TPL's 5-year Capital Plan of \$71.113 million debt, averages \$14.2 million debt per year, of which information technology comprises 30.3% at an annual average of \$4.3 million. TPL has submitted an achievable 5-Year Plan, which fairly represents its readiness to proceed and, reflects TPL's requirements and needs of the future, based on the facility SOGR evaluations.
- The affordability in meeting TPL's 5-Year target remains a challenge as the initial Submission was over the target by \$4.341 million debt for 2006 and the Revised Plan, by \$1.0 million debt. The affordability guideline for the 5-Year Capital Plan is \$10.0 million, annually, To conform to the 5 year Plan, the guideline needs to be reviewed to smooth out the cash flows thus, enabling TPL to deliver its objectives without displacing the priority of the projects as planned.
- The revised cashflow projections of \$13.823 million in 2007; \$15.020 million in 2008; \$12.381 million in 2009 and \$13.627 million in 2010, for Toronto Public Library are to be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits;

Table 3: 2006 Capital Budget Submission Summary
(\$000)

2006 Capital Projects		Total Project Cost		2004 Carry Forward		2006 Previous Commitment		2006 New		Total 2006 Request (w/o 2005 C/Fwd)		2005 Carry Forward		Total 2006 (Incl 2005 C/Fwd)	
Project / Sub-Project Name	Cat	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Carryforwards:															
Jane Sheppard Neighbourhood Relocation	3	2,053	830							0	0	468	0	468	0
Sub-Total				0	0	0	0	0	0	0	0	468	0	468	0
Previously Approved:															
Morningside Relocation	3	2,258	1,472			1,152	988			1,152	988			1,152	988
Pape/Danforth Renovation	3	2,052	1,939			895	895			895	895			895	895
S.W. Stewart Renovation	3	5,089	4,917			1,830	1,830			1,830	1,830			1,830	1,830
Bloor/Gladstone Renovation & Expansion	3,5	7,832	3,693			2,601	1,626			2,601	1,626			2,601	1,626
Integrated Library System Replacement	3	3,500	3,500			2,500	2,500			2,500	2,500			2,500	2,500
Sub Total				0	0	8,978	7,839	0	0	8,978	7,839	0	0	8,978	7,839
New and Change in Scope Projects															
Toronto Reference Library Renovation & Retrofit	3	1,500	1,432					1,500	1,432	1,500	1,432			1,500	1,432
Multi-branch Minor Renovation Program	3	1,750	1,671					1,750	1,671	1,750	1,671			1,750	1,671
Jane/Dundas Renovation	3	2,664	2,551					128	15	128	15			128	15
Dufferin/St.Clair Renovation	3	2,448	2,344					119	15	119	15			119	15
Thorncliffe Renovation	3	2,590	2,590					1,018	1,018	1,018	1,018			1,018	1,018
Technology Asset Management Program	3	3,062	1,851					3,062	1,851	3,062	1,851			3,062	1,851
Electronic Information Services- Websites/VRL	3	500	500					500	500	500	500			500	500
Sub Total		14,514	12,939	0	0	0	0	8,077	6,502	8,077	6,502	0	0	8,077	6,502
Total 2006		14,514	12,939	0	0	8,978	7,839	8,077	6,502	17,055	14,341	468	0	17,523	14,341

*Category Index: (1) Health & Safety; (2) Legislated/ City Policy, (3) SOGR, (4) Service Improvement/Enhancement, (5) Growth Related

Table 4: Proposed 2006 Capital Budget Changes (\$000)

		2006 Requested Cash Flow		Proposed Changes			2006 Proposed Cash Flow	
Project/Sub Project Name	Cat.	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Comments / Issues	Gross	Debt/ Internal Sources
2005 Carryforwards								
Jane Sheppard Neighbourhood Relocation	3	468					468	0
Sub Total		468	0	0	0		468	-
2004 Carryforwards								
							0	0
Sub Total		0	0	0	0		0	0
2006 Previously Approved Commitments								
Morningside Relocation*	3	1,152	988				1,152	988
Pape/Danforth Renovation	3	895	895				895	895
S.W. Stewart Renovation	3	1,830	1,830				1,830	1,830
Bloor/Gladstone Renovation & Expansion	3,5	2,601	1,626				2,601	1,626
Integrated Library System Replacement	3	2,500	2,500				2,500	2,500
Sub Total		8,978	7,839	0	0		8,978	7,839
New Projects								
Toronto Reference Library Renovation & Retrofit	3	1,500	1,432	(1,500)	(1,432)	Deferral to meet guideline	0	0
Multi-branch Minor Renovation Program	3	1,750	1,671	(40)	(40)	Deferral to meet guideline	1,710	1,631
Jane/Dundas Renovation	3	128	15				128	15
Dufferin/St.Clair Renovation	3	119	15				119	15
Thorncliffe Renovation	3	1,018	1,018	(1,018)	(1,018)	Deferral to meet guideline	0	0
Technology Asset Management Program (TAMP)	3	3,062	1,851	(851)	(851)	Deferral to meet guideline	2,211	1,000
Electronic Information Services- Websites/VRL	3	500	500				500	500
Sub Total New Projects		8,077	6,502	(3,409)	(3,341)		4,668	3,161
Unallocated Reduction				(1,000)	(1,000)	Unallocated reduction options to be reported to BAC	(1,000)	(1,000)
Total 2006 Proposed (Incl. 2005 C/Fwd)		17,523	14,341	(4,409)	(4,341)		13,114	10,000
Less 2005 Carry Forwards		(468)	0	0	0		(468)	0
Total 2006 Proposed (Excl. 2005 C/Fwd)		17,055	14,341	(4,409)	(4,341)		12,646	10,000

* Morningside Relocation is a self-funding project. The request of \$0.988 million debt up-front, is to be offset by TPL's operating savings.

**Table 5: Total 2006 Proposed Cash Flow & Future Year Commitments
(\$000s)**

	2004 & Prior Year Carry Forward	2006 Previous Commitments	2006 New Rec'd	2006 Total Cash Flow Rec'd	2006 Guidelines	2005 Carry Forward	Total 2006 Cash Flow (Incl 2005 C/Fwd)	2007	2008	2009	2010	2011-2015	Total Cost
Expenditures													
Previously Approved		8,978		8,978	7,839	468	9,446	6,035	3,852				19,333
Change in Scope													0
New			3,668	3,668	2,161		3,668	2,392	2,473				8,533
New w/Future Year													0
Total Expenditure	0	8,978	3,668	12,646	10,000	468	13,114	8,427	6,325	0	0	0	27,866
Financing													
Debt		7,839	2,161	10,000	10,000		10,000	6,533	4,721				21,254
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges		975	296	1,271		243		1,812	1,522				3,334
Other			1,211	1,211			1,211						1,211
Federal Grants													0
Reserves/Res Funds		164		164		225	389	82	82				553
Total Financing	0	8,978	3,668	12,646		468	13,114	8,427	6,325	0	0	0	27,866

Comments / Issues:

- The 2006 Proposed Capital Budget is \$13.114 million gross (\$10.0 million debt), including previously approved commitments of \$8.978 million gross (\$7.839 million debt), new projects of \$3.668 million gross (\$2.161 million debt) and 2005 carry forward funding of \$0.468 million gross (\$0 debt) for projects in approved in 2004 or prior.
- The carry forward funding from 2005 to 2006 of \$0.468 million for the Jane/Sheppard relocation is due to the delays in proceeding with the housing component of the project that will jointly occupy the site with Shelter, Housing and Support.
- Reserve funding of \$0.389 million in 2006 and \$0.082 million in 2007 and 2008, represent the operating cost savings, from Jane/Sheppard and Morningside Neighbourhood Library closures, due to relocation. These savings are being accumulated in the Library Capital Projects Reserve Fund to reduce debt requirement and to repay the City for the entire debt associated with these projects.
- The 2006 Development Charge funding of \$1.582 million, is for 5 projects. The 'Other' financing of \$1.211 million, are the TPL's operating contribution for the 'Technology Asset Management Program' in 2006.

Operating Budget Impact

Table6: Incremental Operating Budget Summary

Incremental Operating Budget Impact	2006	2007	2008	2009	2010
Program Costs (net) (\$000s)	197.0	485.0	540.0		
Debt Service Charges (\$000s)	300.0	1,100.0	0.0	0.0	0.0
Approved Positions	0.0				

Program Incremental Operating Costs

The 2006 Proposed Capital Budget will increase the Program's Operating Budget, with incremental impacts in 2006 and future years as a result of the following capital projects/subprojects:

2006 Capital Projects/Sub-Projects	2006 (\$000s)	2006 approved position change	2007 (\$000s)
Bloor/Gladstone District Library Renovation	0.0	0	370.0
Morningside Neighbourhood Library Construction	40.0	0	0.0
S.Walter Stewart District library Renovation	0.0	0	2.0
Electronic Information Services- Web Sites & VRL	25.0	0	0.0
Integrated Library System	183.0	0	113.0
Jane/Sheppard Neigh Library Reconstruction (savings due to closure)	(51.0)	0	0.0
TOTAL	197.0	0	485.0

No new positions requested as a result of approving the 2006 Proposed Capital Budget.

The incremental operating costs outlined above include the following:

- **Morningside Neighbourhood Library:** The incremental cost of \$0.040 million is for utilities and services and rents, after the re-opening of the expanded branch in 2006.
- **Electronic Information Services:** Services and rents in the amount of \$0.025 million in 2006 include purchase of software licences, maintenance and technical support for the new project.
- **Integrated Library System:** Annual software maintenance and database licensing costs in 2006 in the amount of \$0.183 and for the development of descriptive content to upgrade and replace public catalogue in 2007 for \$0.113 million.
- **Bloor/Gladstone District Library:** The 6 month impact of operating costs for the new project in 2007 in the amount of \$0.370 million, with the balance of \$0.390 million in 2008, for salary and non-salary expenses resulting from the expanded area utilities, collections materials and licensing for additional computer software. Additional 7.5 positions in 2007, would be required for staffing of the expanded area.
- **S.W. Stewart District Library:** The 6 month impact of operating costs for the new project in 2007 for \$0.002 million and \$0.065 million in 2008, are for non-salary expenses including, licensing for additional computer software.

Debt Service Cost

The 2006 Proposed Program Capital Budget will result in new debt service costs of \$0.300 million in 2006 and the incremental cost of \$1.100 million in 2007.

Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.

PART II: ISSUES FOR DISCUSSION

2006 Issues

2006 Recommended Capital Budget versus Guideline

The 2006 Debt Affordability guideline of \$10.0 for Toronto Public Library, represents 69.7% of the total 2006 debt request of \$14.341 million. This debt is allocated to all previously approved commitments for \$8.978 million gross and \$7.839 million debt, and the remaining to new projects for \$3.668 million gross and \$2.161 million debt.

In April 2003, Council approved the establishment of a \$10 million guideline for Toronto Public Library for 2004 through 2008, for both previously approved and new projects. It was also recommended that the funding target for TPL be monitored annually. The 2006 Proposed Budget for TPL is \$10.0 million debt.

To meet the guideline, TPL Staff have presented reduction/deferral options which were also adopted by the TPL Board in its October 24, 2005 meeting, as follows:

	2006 Cash flow Request		TPL Staff Report Adjustments		TPL Board Adoption	
	Gross	Net	Gross	Debt	Gross	Debt
TPL 2006 Submission Request			\$17,523	\$14,341	\$17,523	\$14,341
<i>Adjustments:</i>						
1. Toronto Reference Lib Renov & Retrofit- Deferred	1,500	1,432	(1,500)	(1,432)	(1,500)	(1,432)
2. Multi-branch minor Renovation Prog- Deferred	1,750	1,671	(40)	(40)	(40)	(40)
3. Thorncliffe Renovation and Expansion- Deferred to future years	1,018	1,018	(1,018)	(1,018)	(1,018)	(1,018)
4. Technology Asset Management Prog. (TAMP)- Deferred	3,062	1,851	(851)	(851)	(851)	(851)
5. Funding from TPL Operating Budget (CFC)				(1,000)		
Revised 2006 Request			\$14,114	\$10,000	\$14,114	\$11,000
Unallocated Reduction					(1,000)	(1,000)
2006 Proposed Capital Budget					13,114	\$10,000

1. Deferral of Toronto Reference Library Renovation & Retrofit Project from the original Plan, which included \$1.500 million gross and \$1.432 million debt for 2006.
2. Deferral of Multi-branch Minor Renovation Program for \$0.040 million gross and debt from 2006 to future years.
3. Deferral of the Thorncliffe Renovation & Expansion Project from TPL's 2006-2010 Capital Plan, resulting in a reduction of \$1.018 million gross and net in 2006. As this project was not part of TPL's original Plan, TPL were to proceed only if additional debt were to be granted to accelerate the project from 2010 to 2006. (See Issues Section for details).

4. In addition to the above, TPL staff presented a deferral of \$0.851 million gross and debt and an additional \$1.0 million be added to the TPL Operating Budget to fund the Technology Asset Management Program (TAMP) in the Capital Budget. TPL Board approved only the deferral of \$0.851 million gross and debt. This leaves a further unallocated reduction of \$1.0 million, for which the TPL Board is to report back to Budget Advisory Committee in November 2005, on the options to achieve the target.

Thorncliffe Project

During the 2005 Capital Budget process, Council adopted the following motion as recommended by BAC in its meeting of January 31, 2005;

‘the Thorncliffe Library/Jenner Jean-Marie Community Centre Project be funded \$0.090 million by debt in 2005, to keep the Toronto Public Library Capital Budget within the \$10 million Capital guideline set by the Council and further that this project not affect any projects within the 2005 Toronto Library Capital Program”.

As a result, the TPL’s Capital plan was adjusted to include the Thorncliffe project in 2005 and \$0.90 million was spent on the initial study in conjunction with Parks and Recreation. To meet the guideline, this project which involved renovation and expansion of 10,000 sq.ft. TPL-owned facility has been deferred beyond the Library’s 2006-2010 Capital Plan as it would displace the priority of other project/s within the Proposed Budget envelope. A joint project with Parks, Forestry and Recreation would have offered cost saving opportunities, however, Parks, Forestry and Recreation are able to proceed without Library’s further participation in this project.

5 Year Capital Plan Overview

TPL’s 5-year Capital Plan of \$71.113 million debt, averages \$14.2 million debt per year, of which information technology comprises 30.3% at an annual average of \$4.3 million. TPL has a submitted an achievable 5-Year Plan, which fairly represents its readiness to proceed and, reflects TPL’s requirements and needs of the future, based on the facility SOGR evaluations.

However, affordability in meeting TPL’s 5-Year target remains a challenge as the initial Submission was over the target by \$4.341 million debt for 2006, and \$16.772 million over the target for 2007-2010 (an average of \$4.2 million annually for 2006-2010). The TPL’s 2006 Revised Plan meets the guideline of \$10 million, with reductions as identified in Table on Page 13, except for \$1.0 million unallocated reduction options which TPL Board has to report back to BAC. The TPL Staff have adjusted the 2007-2010 request to \$10.0 million annually, with identified reductions, in each year.

As part of the 2003 budget process, Council approved a long-term \$10 million annual capital funding envelope for TPL to improve capital planning, to be reviewed each year. To conform to the 5 year Plan, the affordability guideline needs to be reviewed to smooth out the cash flows thus, enabling TPL to deliver its objectives without displacing the priority of the projects as planned.

The revised cashflow projections of \$13.823 million in 2007; \$15.020 million in 2008; \$12.381million in 2009 and \$13.627 million in 2010, adjusted to meet the guideline of \$10.0 million annually, are subject to further review by the Deputy City Manager & Chief Financial Officer, in consultation with appropriate staff, and report back to the Budget Advisory Committee (refer to Recommendation #6).

The following Table, highlights the projected shortfall in funding based on the \$10.0 million guideline compared to Toronto Public Library's 5-Year Capital Plan Request.

	2006	2007	2008	2009	2010	Total
2006-2010 Gross Capital Budget Submission (,000's)						
Real SOGR- Facilities	\$9,798	\$9,956	\$10,411	\$7,790	\$10,298	\$48,253
Expansion/Growth Related - Facilities	\$1,663	\$2,243	\$3,493	\$2,555	\$1,933	\$11,887
Total Facilities	\$11,461	\$12,199	\$13,904	\$10,345	\$12,231	\$60,140
IT Projects	\$6,062	\$5,938	\$5,746	\$5,709	\$5,709	\$29,164
Total Gross	\$28,984	\$30,336	\$33,554	\$26,399	\$30,171	\$89,304
Debt Funding:						
Real SOGR- Facilities	8,802	9,042	9,803	7,271	9,111	44,029
Expansion/Growth Related - Facilities	688	603	389	2,555	1,294	5,529
Total Facilities	9,490	9,645	10,192	9,826	10,405	49,558
IT Projects	4,851	4,601	4,101	4,001	4,001	21,555
2005-2009 Debt Request	14,341	14,246	14,293	13,827	14,406	71,113
Shortfall in funding based on the guideline of \$10,000	(4,341)	(4,246)	(4,293)	(3,827)	(4,406)	(21,113)

Information Technology Needs:

TPL's Integrated Library System (ILS), which manages the library catalogue of 11 million items and the associated circulation activity of 29 million, in addition to over 5.3 million reservation holds, is approaching its end of life. The ILS replacement which was approved in 2005 for \$0.500 million, is estimated to be completed over the remaining 2 years, as follow; 2006, \$2.500 million; and 2007, \$0.500 million.

Radio Frequency Identification (RFID) technology may offer significant opportunities for self-service but full benefits of reduced material handling may only be achieved with full RFID implementation, as was the finding from the successful implementation of the pilot projects at Malvern and St. James Town. This would also incur significant cost of implementation across the entire library system.

Technology Asset Management Program (TAMP)

TPL is responsible for the acquisition, maintenance and replacement of all Information Technology hardware and software owned by the Library which is monitored through TAMP. Prior to 2005, this project was part of TPL's operating base budget. In 2005, when it was transferred to the capital budget, it was financed through Library's operating budget for \$1.211 million and from Corporate Capital from Current (CFC), for \$1.0 million, for a total of \$2.211 million.

The 2006 original request was for \$3.062 gross with \$1.211 million offset by TPL's operating budget and \$1.851 million debt. To meet the guideline, TPL staff deferred the 2006 request of \$0.851 million gross and increased the funding from their operating budget by \$1.0 million to \$2.211 million. The TPL Board, in its October 24th meeting, adopted the recommendation to fund TAMP from Operating Budget for \$1.211 million and requested an increase in debt for the balance of \$1.0 million for 2006, and increases for 2007 through 2010, for \$1.500 million debt per year, as shown in the following Table.

To meet the affordability guideline of \$10 million, while recognizing the high priority of the 2006 and future year phases of the TAMP, the Board adopted a reduction of \$1.0 million gross and debt in 2006, and a reduction of \$6.0 million gross and debt, for 2007-2010 from other projects which are unallocated, pending review and report back to BAC.

Technology Asset Management Program							
(,000's)	2005	2006	2007	2008	2009	2010	2006-2010
Gross							
Project Costs	4,466	2,211	2,837	3,145	3,208	3,208	14,609
Funding:							
TPL Operating Budget	1,211	1,211	1,337	1,645	1,708	1,708	7,609
Corporate CFC (Capital from Current)	1,000						
TELS	2,255						
Debt Request	-	1,000	1,500	1,500	1,500	1,500	7,000

The total IT replacement funding in 2005 was \$4.466 million, of which \$2.255 million was funded through Corporate TELS program, for the replacement of 2022 PCs and 350 LCD monitors. The additional \$2.211 million was used to replace all 1800 public PCs and approximately 800 staff PCs and for the on-going replacement cycle for servers that support TPL web services and data communication equipment supporting all the 99 branch locations.

The future year project funding for 2007-2010 is \$15.602 million gross, with \$6.398 million to be offset from TPL's Operating Budget, as per the TPL's Revised Capital Plan.

5-Year Plan Proposed Changes (\$000)

Project / Sub-Project Name	Cat	2006		2007		2008		2009		2010		TOTAL 2011-2015		Comments / Issues
		*Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	Gross	Debt/ Internal Sources	
		1	2	3	4	5	6	7	8	9	10	11	12	
PROGRAM REQUEST		17,523	14,341	18,137	14,246	19,650	14,293	16,054	13,827	17,940	14,406	0	0	
Proposed 2006 Changes		(4,409)	(4,341)											
PROPOSED CHANGES:														
2004 Carry Forwards:														
Previously Approved:														
New:														
Toronto Reference Ren & Retrofit	3			(1,555)	(1,487)	(797)	(752)	(1,000)	(955)					Adjustment to meet guideline
Multi-branch Minor Reno. Prog	3			980	980	1,002	1,002	980	980	1,310	1,310			Adjustment to meet guideline
Jane/Dundas Renovation	3			562	562	(562)	(562)							Adjustment to meet guideline
Thornclyffe Renovation & Expnsn.	3			(950)	(950)	(532)	(532)							Adjustment to meet guideline
Cedarbrae Renovation	3							300	300	(300)	(300)			Adjustment to meet guideline
Brentwood Reconstruction	5							300	300	(300)	(300)			Adjustment to meet guideline
Northern District Renovation	3					(390)	(98)	(2,012)	(2,304)					Adjustment to meet guideline
Mount Dennis Renovation	3							1,115	1,115	(1,115)	(1,115)			Adjustment to meet guideline
Sanderson Renovation	3							(105)	(12)	(657)	(750)			Adjustment to meet guideline
Electronic Information Services	3			(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)			Adjustment to meet guideline
Technology Asset Mgmt. Prog	3			(851)	(851)	(851)	(851)	(751)	(751)	(751)	(751)			Adjustment to meet guideline
Sub-Total Proposed Changes		(4,409)	(4,341)	(2,814)	(2,746)	(3,130)	(2,793)	(2,173)	(2,327)	(2,813)	(2,906)	0	0	
Unallocated Reduction				(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)			
Proposed 5-Yr. Cash Flow		13,114	10,000	13,823	10,000	15,020	10,000	12,381	10,000	13,627	10,000	0	0	
Debt Guideline			10,000		10,000		10,000		10,000		10,000			
Variance To Debt Guideline			0		(0)		0		0		0			

*Includes 1-Year carry forward funding

Capacity

TPL is projecting a spending rate of 95% of the total 2005 Approved Capital Budget by the end of the year. The 5% variance is due to the delay in Jane/Sheppard Relocation project which required Shelter, Housing & Support's action through Let's Build, to secure the partnerships necessary for the project to commence. The project with a cost of \$2.053 million gross, which is to be fully funded from development charges and TPL's operating cost savings, is targeted for construction to begin in mid-2006 and be completed in 2008. The 2006-2007 funding request, as a result, has been adjusted to reflect this delay and includes carry-forward funding from 2004 to 2006 for \$0.468 million gross; \$1.015 million in 2007 and \$0.467 million gross in 2008.

In 2004, 80% of the Approved Capital Budget was spent with a carry forward funding from 2004 to 2005 for \$2.534 million, consisting of 8 projects, mainly as a result of unanticipated delays in the undertaking of the projects. The Jane/Sheppard project, however, was delayed as a result of the delayed housing project approval that would occupy the site jointly with TPL. With the exception of the Jane/Sheppard Relocation project, all other projects with carry-forward funding from 2004, are scheduled for completion by the end of 2005.

Backlog of Projects – Unmet Needs

Of 102 buildings maintained by TPL, approximately 20% are more than 50 years old and 60% are more than 25 years old. Today, TPL's average building is 34 years old and one third of the branches have not had a renovation in over 20 years.

TPL's SOGR backlog is estimated at \$14.7 million, accumulated over the period 2000-2006, (the average annual requirement being \$10.5 million), based on the standard benchmark of 2.5% of historic insured value of \$420 million (1.8 million square feet) of building investment.

Year	SOGR Funding (in \$M)	Shortfall (in \$M)
2000	\$6.8	(\$3.7)
2001	9.4	(1.1)
2002	7.5	(3.0)
2003	9.3	(1.2)
2004	8.5	(2.0)
2005	8.5	(2.0)
Sub-total	\$50.0	(\$13.0)
2006	8.8	(1.7)
Total	\$58.8	(\$14.7)

Based on the preferred rate of 2% of asset value as a benchmark or \$8.4 million annually, there would be no shortfall in facility SOGR funding for 2000-2006.

2006 Debt Request vs. Proposed Budget

The Table on the following page, summarizes and compares the 2006 Capital Budget debt request to the 2006 affordability guideline, including the status of each project.

2006-2015 Capital Program

Toronto Public Library

in (,000's)	2005 Debt Request	Proposed Budget	Comments/Proposed changes to meet Guideline
Previously Approved Commitments.			
Morningside Construction	988	988	Approved in 2004, the 2005 cash flow of \$1.030M gross (\$0.484 M debt) will provide for first year construction costs for the relocation and reconstruction of a 7,000 sq.ft. library. The 2006 cash flow commitment of \$1.152 M gross (\$0.988M debt) will bring the project to completion within budget.
Pape/Danforth District	895	895	Approved in 2004, the 2005 cashflow of \$1.044M gross (\$1.006M debt) provided first year construction costs. The 2006 cash flow commitment of \$0.895 M gross and debt in 2006, will bring the project to completion within budget.
Bloor/Gladstone Renovation	1,626	1,626	Approved in 2005, this project has a SOGR and an expansion component to double the size of the library from its existing 11,397 sq. ft. to 25,000 sq. ft. at a total project cost of \$7.832M gross (\$4.593M debt). Construction costs over the next 3 years are as follows: \$2.601M (2006), \$2.865M (2007), and \$2.021M (2008). Total debt over 2006-2008 is \$3.666M.
S. Walter District Renovation	1,830	1,830	Approved in 2005, the total cost of renovation and revitalization for the SOGR project is \$5.089M gross and debt funded over 4 years. Construction costs over the next 3 years are as follows: \$1.830M (2006), \$1.655M (2007), and \$1.364M (2008).
Intergrated Library Systems	2,500	2,500	Approved in 2005, the 3 year SOGR project for a total cost of \$3.5M gross and debt, is to replace the hardware, application software and database management system of the Library's integrated library system. The 2006 request of \$2.5 million gross and debt will allow for the purchase of hardware and database management systems and for staff training.
Total Commit.	7,839	7,839	\$7.839M of Previously Approved Commitments are included in the Guideline.
New Projects:			
Toronto Reference Lib Reno & Retrofit	1,432	-	This project which included repairs to building envelope, security upgrades, electrical and mechanical upgrades and repairs and replacements has been deleted to meet the guideline.
Multi-branch Minor Renovation Program	1,671	1,631	The 2006 request of \$1.750M gross (\$1.631 M debt) covers 32 renovation projects located in 22 branches including on-going renovations to roofing, building systems (HVAC, elevator fire alarm), flooring, shelving and furnishings. The 2007-2010 future year costs are estimated at \$10.956M gross (\$10.607M debt) and will be submitted on an annual basis.
Jane/Dundas Renovation	15	15	This SOGR project is for the renovation of the 11,600 sq. ft. library at a cost of \$2.664M gross (\$2.551M debt) funded over 3 years and involves building repairs and renovations to enhance service and address accessibility issues. The 2006 request of \$0.128 million gross (\$0.015M debt) will allow for the planning and design of the project. Gross and debt construction costs over the next 2 years are as follows: \$0.870M gross (2007) and \$1.459M gross (2008).
Dufferin/St.Clair Renovation	15	15	This SOGR project is for the renovation of the 8,969 sq. ft. library, at a cost of \$2.448M gross (\$2.344M debt) funded over 3 years and involves building structure repairs and renovations to enhance service and to address accessibility deficiencies. The 2006 requested amount of \$0.119M gross (\$0.015M debt) will allow for the planning and design of the project. Gross and debt construction costs over the next 2 years are as follows: \$0.870M (2007) and \$1.459M (2008).
Thorncliffe Renovation & Expansion	1,018	-	This SOGR project was for the renovation of 10,000 sq. ft Library-owned facility. Attached to the Jenner Jean Marie Community Centre, this is a joint project with Economic Development. In 2005 Council approval of \$0.090M gross, included design and drawings. This project has been deferred beyond the 5 year-Capital Plan to meet the guideline.
Technology Asset Management Program	1,851	1,000	This SOGR project at a cost of \$2.211M gross (\$1.0M debt) in 2006, will allow for the scheduled replacement or upgrade of library-owned hardware and software, based on City Council guidelines, enabling the Library to maintain its investment in the technology while providing public Internet access in all branches and remote 24/7 access to electronic information resources. The 2007-2010 funding totaling \$15.602M gross (\$6M debt), will be requested on an annual basis.
Electronic Information Services	500	500	This SOGR project with a request of \$0.500M gross and debt in 2006, will allow for upgrade and provide improvements to Virtual Reference Library and TPL web sites which include: web site changes that improve usability and ease of navigation, added functionality and additional digitized content.
Total New	6,502	3,161	Unallocated reduction to offset TAMP related debt.
Unallocated Reduction		(1,000)	
Total	14,341	10,000	

Development Charge Funding

The 10 Capital Year Plan includes 27 projects, totaling \$24.436 million or 13% of total financing. The Development Charge By-Law qualifies 'State of Good Repair' projects for Development Charge funding, in situations where the facilities are reconfigured to increase the existing service capacity so as to accommodate increasing demands from public growth. TPL has maximized Development charge funding in its Capital Budget and Plan.

Issues Referred to 2006 Capital Budget

There are no issues referred to 2006 Capital Budget.

Outstanding Issues from Prior Years

During the 2005 Capital Budget process, Council adopted the following motion as recommended by BAC in its meeting of January 31, 2005;

'the Thorncliffe Library/Jenner Jean-Marie Community Centre Project be funded \$0.090 million by debt in 2005, to keep the Toronto Public Library Capital Budget within the \$10 million Capital guideline set by the Council and further that this project not affect any projects within the 2005 Toronto Library Capital Program”.

As a result, the TPL's Capital plan was adjusted to include the Thorncliffe project in 2005 and \$0.090 million was spent on the initial study in conjunction with Parks and Recreation. To meet the guideline, this project has been deferred beyond the Library's 2006-2010 Capital Plan. Parks, Forestry and Recreation is able to proceed without Library's further participation in the project.

Appendix 1
2006 Capital Budget and 2007 to 2015 Revised Program

Appendix 2
2006 Capital Budget & Future Years Commitments
Submission

Appendix 3
2006 Capital Project with Financing Details
Submission

Appendix 4

Reserve / Reserve Fund Review

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Balance as of Aug 31	Proposed Withdrawals			
			2006	2007	2008	2009 & Beyond
		4,130.1				
XR2029 Development Charges Reserve Fund	Estimated annual DC Contributions for buildings*		1,500	1,500	1,500	
XR2029 Development Charges Reserve Fund	Dufferin/St Clair Neighbourhood Library		(104)			
XR2029 Development Charges Reserve Fund	Jane/Dundas Neighbourhood Library		(113)			
XR2029 Development Charges Reserve Fund	Multi-branch minor renovation Prog 2006		(79)			
XR2010 Development Charges Reserve Fund	Jane/Sheppard Neighbourhood library		(243)	(488)		
XR2029 Development Charges Reserve Fund	Toronto Reference Library Reno & Retro 2006		(68)			
XR2029 Development Charges Reserve Fund	Bloor/Gladstone District Library		(975)	(1,324)	(1,522)	
	sub total	\$4,130	(\$82)	(\$312)	(\$22)	\$3,714
XR1061 Library Capital Projects Reserve Funds	Jane/Sheppard operating savings	\$92	\$133	\$82	\$82	
XR1061 Library Capital Projects Reserve Funds	Jane/Sheppard project	0	(225)	(82)	(82)	
	sub total	\$92	(\$92)	\$0	\$0	\$0
XR1061 Library Capital Projects Reserve Funds	Morningside operating savings	\$82	\$82	\$164	\$164	
XR1061 Library Capital Projects Reserve Funds	Morningside project	0	(164)	0	0	
	subtotal	\$82	(\$82)	\$164	\$164	\$328
Total Reserve / Reserve Fund		\$4,304	(\$256)	(\$148)	\$142	\$4,042

Note:

*The level of withdrawals from Development Charges Reserve Fund authorization is based on the 1999 and 2004 DC Studies and include only the committed projects as shown. As future year projects get committed and approved, the reserve balance will be reduced accordingly.