

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 5, 2013

Item 5, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 5, 2013.

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LIBRARY MATERIAL RESERVE

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance and City Treasurer, dated December 10, 2012:

Recommendation

The Commissioner of Finance & City Treasurer recommends:

1. That a reserve contribution for library materials be created as recommended by the Vaughan Public Library (VPL) Budget & Finance Committee; and
2. That the City revise its Reserve Contribution Policy to include a reserve contribution for VPL's library materials.

Contribution to Sustainability

Financial sustainability is defined as the enduring ability of the City to ensure that it can deliver the level and types of programs to the community, while proactively managing associated risks, at acceptable levels of taxation and fees. The Vaughan Public Library has approximately \$12.5 million in books and materials which will require eventual replacement.

Economic Impact

There is no economic impact associated with the creation of a Library Material Reserve, as the base level of funding included in the existing Library operating budget would simply be substituted to a transfer to the Library Material Reserve.

The 2013 impact on the operating budget of including an inflationary increase, as set out in the City's New Infrastructure – Renewal Contribution Policy, would be approximately \$27,600, as illustrated in the revised chart below. There is no requirement for an additional infrastructure contribution in 2013, as the Library's material budget was increased in 2012 for the new Thornhill Library. The revised estimated increases for 2014 to 2016 are also included in the chart below.

Communications Plan

N/A

Purpose

The purpose of this report is to recommend approval of a reserve contribution for library materials, as requested in the VPL Board resolution of October 27, 2011, effectively including the VPL in the City's New Infrastructure – Renewal Contribution Policy.

Background - Analysis and Options

In September 2011 Council approved a new policy "New Infrastructure - Renewal Contribution Policy" which established the philosophy of including in the annual operating budget additional contributions to reserves for newly approved capital infrastructure for future replacement. At the time, the Library was invited to consider approaching the future funding of library materials in a similar fashion. In March 2012, a letter was received from the CEO of the Library (Attachment #1), with a Library Board resolution as follows:

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“That a reserve contribution for library materials be created as recommended by the Budget & Finance Committee.”

Given that by March 2012, the City's 2012 budgets had already been approved, the resolution from the Library is being submitted now for consideration as part of the 2013 budget deliberations. Library books and materials are considered to be tangible capital assets for financial statement purposes, even though the purchase of library books and materials is currently included as a line item in the Library's Operating Budget. The establishment of a Library Materials Reserve would result in the annual spending budget for library books and materials becoming a capital project within the City's annual capital budget, funded from the Library Materials Reserve. The Library Materials Reserve would be funded by a contribution from the operating budget equal to the annual Materials budget currently in the Library's Operating Budget. Essentially, there is no tax related budget impact resulting from this change, however, library books and materials will be more correctly accounted for as part of the City's capital budgets. In addition, this would permit the accumulation of funds in the reserve if the annual funding is not fully spent in any year.

In addition, the content of the letter from the CEO of the Library indicates the Board's interest in following the City's approved “New Infrastructure - Renewal Contribution Policy” of adjusting the contribution to reserves based on new infrastructure (library materials) through the annual budget process. The chart illustrated in the attached letter from the Library CEO indicates that the estimated 2013 increase for new infrastructure relating to the new North Thornhill Library is \$93,400 and the overall collection inflationary increase would be \$27,600. However, as the Library's collection budget was increased in 2012 by approximately \$109,000 for the North Thornhill Library, this portion of the additional funding has already been accommodated. Therefore, the net increase for 2013, should Council wish to include the Library materials under the City's New Infrastructure - Renewal Contribution Policy, for 2013 is \$27,600. The increases for 2014 to 2016 illustrated in the chart below would be reflected in the 2014 to 2016 Operating Plan. The revised chart, provided by the VPL Director of Finance and Facilities on December 3, 2012, is as follows:

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Revised Chart

Vaughan Public Libraries New Reserve Contribution Additions

Completion Year		Estimated New Infrastructure (Replacement Value)	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
2014	North Thornhill	\$ 1,008,000	\$ -	\$ 95,300	\$ 95,300	\$ 95,300	\$ 95,300
2015	Civic Centre	4,936,000	-	-	466,700	466,700	466,700
2016	Carrville	1,049,000	-	-	-	99,200	99,200
2017	Vellore Village	2,140,000	-	-	-	-	202,400
Annual New Infrastructure Contribution			-	95,300	562,000	661,200	863,600
Initial contribution from							
Operating Budget:			\$ 27,600	28,200	28,700	29,300	29,900
Cumulative Inflationary Impact			27,600	55,800	84,500	113,800	143,700
Total Contribution Increase w/ Inflation			\$ 27,600	\$ 151,100	\$ 646,500	\$ 775,000	\$ 1,007,300
Annual Incremental Contribution			\$ 27,600	\$ 123,500	\$ 495,400	\$ 128,500	\$ 232,300

Note: Additions to Reserve Contributions occur in year of expected completion and operation of library.

Relationship to Vaughan Vision 2020

This report supports the City's organizational excellence strategic goal and relates specifically to the "Manage Corporate Assets" and "Ensure Financial Sustainability" strategic themes.

Regional Implications

Not applicable.

Conclusion

It is recommended that Council approve the request contained within the Vaughan Public Library (VPL) Board's resolution "*That a reserve contribution for library materials be created as recommended by the Budget & Finance Committee*" and the VPL CEO's request that the City revise its Reserve Contribution Policy to include a reserve contribution for VPL's library materials.

Attachments

Attachment 1 – March 9, 2012 Letter

Report prepared by

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)