

## **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.

**5**

#### **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**

Barbara Cribbett  
Commissioner of Finance & City Treasurer  
Ext. 8475

(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.)

**LIBRARY MATERIAL RESERVE**

**Recommendation**

The Commissioner of Finance & City Treasurer recommends:

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**Contribution to Sustainability**

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**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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#### **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
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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**

Barbara Cribbett  
Commissioner of Finance & City Treasurer  
Ext. 8475

Respectfully submitted,

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Barbara Cribbett, CMA  
Commissioner of Finance & City Treasurer

**REVISED**

March 9, 2012

Marilyn Iafrate  
Chair, Finance and Administration Committee  
City of Vaughan  
2141 Major MacKenzie Drive  
Vaughan, Ontario L6A 1T1

Dear Finance & Administration Committee:

On September 19, 2011, the City of Vaughan's Finance staff introduced to the Finance and Administration Committee that a New Infrastructure – Renewal Contribution Policy be established to address the addition of new municipal infrastructure based on lifecycle replacement practices and setting up appropriate reserve contributions for their eventual replacement. This policy was adopted/approved by Council on September 27, 2011.

Vaughan Public Libraries was invited to participate in the September 19<sup>th</sup> report to the Finance and Administration Committee, however, without prior approval from the Vaughan Public Library Board, we were unable to proceed at that time.

At its meeting of October 27, 2011, the Vaughan Public Library Board received a report about the Renewal Contribution Policy from its Budget & Finance Committee. While other VPL capital assets such as buildings, telecommunications, technology, and furniture & equipment were considered for reserve contribution schedules based on life cycle replacement practices, it was felt that existing capital and operating funding levels remain sufficient to meet the ongoing needs. However, it was recommended that VPL's library material assets be amended to reflect an annual reserve contribution for new acquisitions based on estimated future values and a lifecycle replacement period of 12 years. Growth is an expected outcome for VPL over the foreseeable future. As a result, there will be significant infrastructure investments in new libraries and library materials. Continued investment will be required to ensure that VPL's library materials are maintained at current levels.

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The following chart summarizes the projected annual budget adjustments for the period 2012 to 2016:

Acquisition Year	Estimated New Infrastructure (Replacement Value)	2% Inflation					
		2012	2013	2014	2015	2016	2017
2012	\$ 988,000	\$ ---	\$ 93,400	\$ 93,400	\$ 93,400	\$ 93,400	\$ 93,400
2013	---	---	---	---	---	---	---
2014	4,936,000	---	---	---	466,700	466,700	466,700
2015	1,049,000	---	---	---	---	99,200	99,200
2016	2,140,000	---	---	---	---	---	202,400
Annual New Infrastructure Contribution		\$ ---	\$93,400	\$93,400	\$560,100	\$659,300	\$861,700
Initial Contribution from Operating Budget: \$1,381,100		\$ ---	\$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:		\$ ---	\$121,000	\$149,200	\$644,600	\$773,100	\$1,005,400
Annual Incremental Contribution:		\$ ---	\$121,000	\$28,200	\$495,400	\$128,500	\$ 232,300

Following discussion, the Vaughan Public Library Board made the following resolution:

**MOTION:** THAT a reserve contribution for library materials be created as recommended by the Budget & Finance Committee.

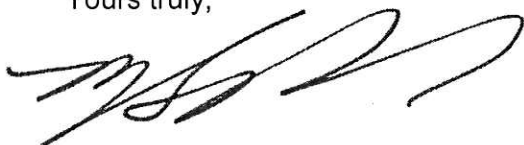
**Moved by:** G. Rosati

**Seconded by:** P. Puri

**MOTION CARRIED.**

It is therefore respectfully requested that the City of Vaughan revise its Reserve Contribution Policy to include a reserve contribution for VPL's library materials.

Yours truly,



Margie Singleton  
Chief Executive Officer

Board\Reserve Contributions for Library Materials py

cc: Clayton Harris, City Manager  
Barbara Cribbett, Commissioner of Finance & City Treasurer  
John Henry, Director of Budgeting & Financial Planning  
Sandy Vander Werff, Director of Finance & Facilities, Vaughan Public Libraries