

Report to / Rapport au:

**Ottawa Public Library Board
Conseil d'administration de la Bibliothèque publique d'Ottawa**

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Submitted by / Soumis par:

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File Number: OPLB-2022-1108-10.5

SUBJECT: Third Quarter 2022 Financial Status Report

OBJET: Rapport financier du 3e trimestre 2022

REPORT RECOMMENDATION

That the Ottawa Public Library Board receive the 2022 third quarter financial reports.

RECOMMANDATION DU RAPPORT

Que le Conseil d'administration de la Bibliothèque publique d'Ottawa prenne connaissance des rapports financiers du 3e trimestre de 2022.

BACKGROUND

Quarterly operating and capital status reports are presented to the Ottawa Public Library (OPL) Board in keeping with Board policy #010 OPLB CEO Reporting and Board Monitoring. Each cumulative quarter represents a 25 percent increment to anticipated spending levels. The second quarter target in all categories is 75 percent of the total annual operating budget

The reports presented in financial status updates to the Board vary depending on the quarter. Table 1 identifies all financial status reports produced for the Board, along with the quarter in which each financial report will be presented in election and non-election years.

The purpose of this report is to present the third quarter results for the 2022 fiscal year.

Table 1 – Financial Status Report Content

Financial Report Name	Non-Election Year	Election Year
Operating Financial Report	Q1, Q2, Q4	Q1, Q2, Q3, Q4
Year-End Forecast Report	Q2	Q2, Q3
External Funds Report	Q1, Q2, Q4	Q1, Q2, Q3, Q4
Trust Funds Report	Q1, Q2, Q4	Q1, Q2, Q3, Q4
Library Board Operating Report	Q1, Q2, Q4	Q1, Q2, Q3, Q4
Contract Expenditures Report	Q2	Q2, Q4
Capital Financial Report	Q1, Q2, Q4	Q1, Q2, Q3, Q4
Capital Works in Progress Report	Q1	Q1

DISCUSSION

At the end of the third quarter, September 30, 2022, or 75 percent of the year, OPL total expenditures are at 66.8 percent; 8.2 percent less than the calendarized budget. Total revenues are at 16.6 percent; 58.1 percent less than budget. Overall, the net operating

budget as of September 30, 2022, is at 68.4 percent or 6.6 percent under the third quarter calendarized target.

The following are explanatory notes for each of the appended financial reports.

1. Appendix A – 2022 Q3 Operating Financial Report

- a. At the end of the third quarter, the Library's total gross expenditures are under budget at 66.8 percent or 8.2 percent less than the anticipated calendarized target of 75 percent. For the same period in 2021, gross expenditures were at 66.4 percent. The primary reasons for the result are continued staffing vacancies resulting in underspent salaries and benefits, as well as supply chain inconsistency resulting in fewer expenditures in the Fixed Assets and Materials and Supplies categories.
- b. Total net expenditures are under budget at 68.4 percent, less than the anticipated calendarized target of 75 percent. For the same period in 2021, net expenditures were at 68.2 percent. The rate of expenditures is like that of the same period in 2021. Salaries and benefits are again the largest single contributor to the result.
- c. Total gross revenues are under budget at the end of the third quarter at 16.6 percent or \$ 290,285. When compared with Q3 2021, revenues have rebounded slightly with an increase of six percent. Meeting rooms rentals and library fees received in the third quarter have largely contributed to this result. Revenue levels are greatly impacted each year by the receipt of the provincial operating grant which represents 78.8 percent of all planned revenue. The receipt of the provincial operating grant is anticipated in Q4 2022 and will add \$1.38M in revenues collected by year-end.

2. Appendix B – 2022 Q3 Year-End Forecast Report

The forecast report as of the end of the third quarter 2022 projects a net surplus of \$4.278M. The broad impacts of the COVID 19 pandemic continue to influence revenues, expenditures, and overall financial performance.

- a. Based on results through the third quarter, total gross expenditures are forecasted to be underspent by eight percent or \$4.244M. Most of the surplus is anticipated due to underspending of salaries and benefits with significantly smaller surplus contributions from all other categories. As in 2021, expenditures for circulating library materials are expected to be fully expended by the end of 2022.
- b. After the third quarter, revenues are forecasted to be over the planned budget by 1.9 percent. Overall, a \$33,987 surplus in total revenues is projected for fiscal year-end 2022.
- c. Under current circumstances, Total Net Expenditures are forecasted at year-end to be in a surplus of 7.8 percent or \$4.278M after applying the anticipated revenue increase and underspending in most categories. Staff anticipate that fixed assets may also be fully expended by year end if overall supply chain matters improve. This would potentially reduce the surplus to approximately \$3.566M.

3. Appendix C – 2022 Q3 External Funds Report

The purchase of goods and services are traditionally offset by external funds. Total external funds received at the end of the third quarter is \$873,346. Expenditures were \$60,664 leaving an available balance of \$812,681. The breakdown of external revenue by source is as follows: \$420,998 from the Friends of the Ottawa Public Library Association (FOPLA); \$99,940 from general donations; and \$296,605 from the Ottawa Community Foundation (OCF).

4. Appendix D – 2022 Q3 Trust Fund Report

- a. On behalf of OPL, the City of Ottawa holds and manages 16 trust funds of varying value. Eight of the trust funds are invested principle amounts from which OPL can spend interest revenue. The remaining funds also earn interest and are the result of fundraising; these funds are available to spend in their entirety. In total, OPL trust funds managed by the City generated \$21,971 in interest and revenue through Q3 2022. OPL has a current balance of \$824,284 available to spend from trust funds.

- b. The Ottawa Community Foundation (OCF) manages eight trust funds for OPL. Each year, OCF provides interest revenue to OPL to support library needs including library materials, furniture, age-specific programming, and programming for newcomers to Canada residing in Ottawa. The interest revenue from OCF available for library expenditure as at the end of Q3 2022 is at \$216,321. Expenditure totals and revenue generated through disbursements from OCF will be reported in the Q4 2022 Trust Fund Report.

5. Appendix E – 2022 Q3 Library Board Operating Report

At the end of Q3 2022, the Board's operating budget is 165.7 percent spent. This is primarily the result of overspending on professional services, while spending for conferences and conventions has returned to pre-pandemic levels. Other expense categories were less than 70 percent spent as of September 30, 2022.

6. Appendix F – 2022 Q3 Capital Financial Report

Attached in Appendix F is the report on the status of capital accounts as of the end of Q3 2022. The remaining capital balances are at \$19.044M including capital growth projects. Capital transfers as approved by the Board at the September 2022 meeting will be processed in Q4 and are not reflected in this update.

CONSULTATION

The development of this report required consultation with the City's Financial Services Unit to ascertain relevant reserve balances and to receive all financial appendices required for financial reporting.

ACCESSIBILITY IMPACTS

OPL supports and considers the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations. There are no accessibility impacts associated with this report.

BOARD PRIORITIES

This report aligns with OPL Board Policy OPLB-0010 CEO Reporting and Board Monitoring, falls within the Board core value of Integrity, and is a fundamental citizen expectation of good governance and stewardship of public funds.

BUSINESS ANALYSIS IMPLICATIONS

There are no business analysis implications associated with this report.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

LEGAL IMPLICATIONS

There are no legal implications associated with this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

SUPPORTING DOCUMENTATION

Appendix A 2022 Q3 Operating Financial Report
Appendix B 2022 Q3 Year-End Forecast Report
Appendix C 2022 Q3 External Funds Report
Appendix D 2022 Q3 Trust Fund Report
Appendix E 2022 Q3 Library Board Operating Report
Appendix F 2022 Q3 Capital Financial Report

DISPOSITION

The next quarterly financial status report will be brought forward to the Board in March 2023. The report will include financial performance from October through December, summarize the fiscal year 2022, and include any dispositions of the forecasted 2022 operating surplus.