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Report to / Rapport au:

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

April 11, 2023 / 11 avril 2023

**Submitted by / Soumis par:
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File Number: OPLB-2023-0411-12.2

SUBJECT: Fourth Quarter 2022 Financial Status Report

OBJET: Rapport financier du 4^e trimestre 2022

REPORT RECOMMENDATIONS

That the Ottawa Public Library (OPL) Board:

- 1. Receive this report for information;**
- 2. Approve the 2022 Library Services surplus of \$4,622,167 be transferred to the Library Reserve;**
- 3. Receive previously approved \$7,000,000 (October 2021) from Library Reserve to be transferred to the OPL-LAC Joint Facility project capital order (909293) for the purposes of Furniture, Fixtures, and Equipment; and,**
- 4. Upon the Ottawa Public Library Board's approval of the transfer of the Library operating surplus, direct staff to work with the City's Financial Services Unit to forward the report to Ottawa City Council, for consideration as part of the Disposition of 2022 Tax and Rate Supported**

Operating Surplus / Deficit report through the City's Finance and Corporate Services Committee.

RECOMMANDATIONS DU RAPPORT

Que le Conseil d'administration (C.A.) de la Bibliothèque publique d'Ottawa (BPO) :

- 1. Prenne connaissance du présent rapport à titre d'information;**
- 2. Approuve le transfert de l'excédent de 2022 des Services de bibliothèque de 4 622 167 \$ au fonds de réserve pour la Bibliothèque;**
- 3. Prenne connaissance de la somme de 7 000 000 \$ (approuvée en octobre 2021) du fonds de réserve pour la Bibliothèque pour qu'elle soit affectée à l'ordonnance de capital (909293) du projet d'installation partagée de la BPO et de BAC pour l'achat du mobilier, d'accessoires fixes et d'équipement;**
- 4. Dirige le personnel , une fois le transfert de l'excédent de fonctionnement de la Bibliothèque approuvé par le C.A., à collaborer avec l'Unité des services financiers de la Ville pour transmettre le rapport au Conseil municipal d'Ottawa, pour examen dans le cadre du rapport sur le règlement de l'excédent / du déficit de 2022 des opérations financées par les recettes fiscales et les redevances, rapport à soumettre au Comité des finances et des services organisationnels.**

BACKGROUND

As per the *Public Libraries Act* ("the PLA") and the Ottawa Public Library ("OPL" or "the Library") Board ("the Board") Policy 010 OPLB CEO Reporting and Board Monitoring ("the CEO Reporting and Board Monitoring Policy"), the Board requires the Chief Librarian / Chief Executive Officer to report on a variety of subjects so that the Board may effectively perform its monitoring role.

With respect to financial reporting, quarterly operating and capital status reports are presented to the Board with varying content depending on the time of year. Each cumulative quarter represents a 25 percent increment to anticipated spending levels.

The reports presented in financial status updates to the Board can vary depending on the quarter. Table 1, “Financial Status Report Content,” extracted from the CEO Reporting and Board Monitoring Policy 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.

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
Library Reserve and Development Charges Balances	Q4	Q4

The purpose of this report is to present the fourth quarter (total annual) results for the 2022 fiscal year, and to seek Board approval for the allocation of the 2022 operating surplus.

DISCUSSION

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

1. Appendix A – 2022 Q4 Operating Financial Report

- a. At year end, total gross revenues achieved 99.2 percent of the planned budget. This represents a shortfall in revenues of \$13,145 for the fiscal year. Meeting room rentals achieved less than planned revenues for the fiscal year at \$18,436; however unplanned donation revenues contributed \$16,740. All combined, library fees and fines and miscellaneous revenues achieved more than planned revenues at \$321,348 compared to an expectation of \$305,636. Miscellaneous revenue achieved 8.8 percent of the planned budget. This represents a shortfall in revenue of \$28,120.

When compared to Q4 2021, total self-generated revenues have increased by 5.9 percent. Increased meeting room bookings and donations received at branches in 2022 contributed to this result.

- b. The Provincial operating grant of \$1,380,328 was received in November 2022. The amount was in-line with the planned amount of \$1,380,000.
- c. At year end, total gross expenditures were under budget by 8.2 percent or \$4,632,312. For the same period in 2021, gross expenditures were under budget by 9.8 percent. As noted in Appendix A, staff vacancies contributed to underspent salaries and benefits, while continued supply chain challenges resulted in lower-than-expected expenditures in the categories of Fixed Assets, Purchased Services, and Materials and Supplies.
- d. Total net expenditures were under budget by 8.4 percent or \$4,622,167. Overall, expenditures have increased when compared to the same quarter in the previous year, indicating a slow return to pre-pandemic financial conditions. Salaries and benefits are again the largest single contributor to the result.
- e. At year end, OPL had a surplus of 8.4 percent or \$4,622,167. The 2022 surplus result is a combination of vacancies (therefore underspending on salaries and benefits) and continued supply chain challenges.

2. Appendix B – 2022 Q4 External Funds Report

Total external funds received at the end of the fourth quarter 2022 were \$210,672. Expenditures were \$60,664, leaving an available balance of \$812,681. The breakdown of external revenue sources is as follows: \$66,370 from the Friends of the Ottawa Public Library Association (FOPLA); \$23,373 from general donations; \$8,342 from the Sun Life Musical Instrument Lending Library; and \$112,587 from the Ottawa Community Foundation (OCF). Funds were used to directly support facility improvements, expand the library collection, and fund programs for children, older adults, and newcomers to Canada.

3. Appendix C – 2022 Q4 Trust Funds Report

- a. On behalf of OPL, the City holds and manages 15 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 fund development activities, with the account balances entirely available to spend. In total, OPL trust funds managed by the City generated \$98,160 in interest and revenue during the fiscal year. OPL has a balance of \$900,473 available to spend.
- b. The Ottawa Community Foundation (OCF) manages nine trust funds for OPL. For eight of these trust funds, OCF provides interest revenue to OPL on an annual basis to support library needs including library materials, furniture, age-specific programming, and programming for newcomers to Canada residing in Ottawa. For one fund specific to Ottawa Central Library (OCL), and established in December 2022, contributions may be held in trust for three years. At maturity, the total amount of principle capital is available for expenditure. In total, OPL OCF funds generated \$80,449 in revenue during 2022. As of December 31, 2022 there is a balance of \$184,018 available to spend from trust funds in 2023.

4. Appendix D – 2022 Q4 Library Board Operating Report

At year end, the Board's operating budget is at 173.8 percent spent. This is primarily the result of overspending on professional services (executive

recruitment), as well as costs related to one-time events. Other expenses categories were less than 70 percent spent as of December 31, 2022.

5. Appendix E – 2022 Q4 Contract Expenditures Report

In accordance with the Acquisitions of Goods and Services Procedure, Appendix E contains a list of contracts valued at more than \$25,000 and less than \$500,000 awarded for the reporting period. Contracts awarded based on capital authority delegated to the Chief Librarian/Executive Officer are also included in Appendix E. The Board approves all contracts greater than \$500,000, as part of the annual budget process. The contract expenditures time frame covered for this report includes Q3 2022 to Q4 2022.

6. Appendix F – 2022 Q4 Capital Status Report

Attached in Appendix F is the report on capital account status as of December 31, 2022. Remaining capital balances are at \$18.280M including capital growth projects for facilities and library materials. One capital account has a deficit balance: the Rosemount branch revitalization project is 0.48 percent overspent.

7. Appendix G – 2022 Q4 Library Reserve and Development Charge Balances

OPL has a Library Reserve account (“the Reserve”), which supports operations and unforeseen financial pressures, as well as a group of Development Charge accounts (“DC accounts”) that support the growth or expansion of library services.

- a. The balance of the Reserve as of December 31, 2022 is \$6,304,359. At the closing of the 2022 fiscal year, OPL has an operating surplus of \$4,622,167, representing an expenditure of 91.6 percent of the planned operating budget. As per the recommendations in this report, if approved, the 2022 operating surplus as well as an additional \$2,377,833 from the Library Reserve would be allocated to the OPL LAC Joint Facility project capital order (909293) for the purposes of Furniture, Fixtures, and Equipment (FF&E). This is in keeping with the October 2021 Board-approved decision to fund \$7M in FF&E via Reserves, thereby discharging the last remaining obligation against the Reserve related to previously approved decisions.

- b. DC accounts consist of monies collected by the City pursuant to the *Development Charges Act, 1997, SO 1997, c. 27 – Ontario* (“the DC Act”), and City of Ottawa BY-LAW NO. 2019 – 156. These monies are used to invest in Board-approved growth-related projects according to studies, listings, and estimates as prescribed by *the DC Act* and further by geographical areas as per the By-Law. As of December 31, 2022, all DC Account balances totalled \$33,757,213. This total includes prior commitments (Board and Council authorities to spend) of \$9,372,087. The remaining available balance after commitments is \$24,385,126.

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 appendixes required for financial reporting.

ACCESSIBILITY IMPACTS

Ottawa Public Library complies with 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 considerations associated with this report.

FINANCIAL IMPLICATIONS

The financial implications of this report are associated with the intended disposition of the 2022 Library Services operating surplus and the remaining obligations as previously approved by the OPL Board (October 2021) to fund FF&E as it relates to the OPL portion of the OPL-LAC Joint Facility project and to the Library Reserve balance. If approved, the recommended allocations will result in a Library Reserve balance of

\$3,926,526 or 6.68 percent of the Library's 2023 budget (Table 2 below). This balance is less than the Board's reserve target of 7.5 percent outlined in the Financial Framework. The recommendations in this report will achieve full compliance with Board report #OPLB-2021-1001, *Ādisōke – Project Update and Funding Strategy*, recommendations 3(a), (b), and (c) approved by the Board in October 2021.

Table 2 – Library Reserve balance

Order	Description	December 31, 2022	Recommendation Impact	Balance
820063	OPL Reserve Fund	6,304,359	-2,377,833	3,926,526

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 Q4 Operating Financial Report

Appendix B – 2022 Q4 External Funds Report

Appendix C – 2022 Q4 Trust Funds Report

Appendix D – 2022 Q4 Library Board Operating Report

Appendix E – 2022 Q4 Contract Expenditures Report

Appendix F – 2022 Q4 Capital Status Report

Appendix G – 2022 Q4 Library Reserve and Development Charges Balances

DISPOSITION

Upon the Board's approval, staff will work with the City's Finance Services to include the recommendations as part of the Disposition of 2022 Tax and Rate Supported Operating Surplus / Deficit report through the City's Finance and Economic Development Committee.

The next quarterly financial status report will be brought forward to the Board in May 2023 for information purposes. The report will encompass the financial results from January through March 2023.