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Report to / Rapport au:

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

March 12, 2024 / 12 mars 2024

Submitted by / Soumis par:

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SUBJECT: Fourth Quarter 2023 Financial Status Report

OBJET: Rapport financier du 4^e trimestre 2023

REPORT RECOMMENDATIONS

That the Ottawa Public Library (OPL) Board:

- 1. Receive this report for information;**
- 2. Approve that the 2023 operating surplus in Library Services of \$1,870,475 be transferred to the Library Reserve; and,**
- 3. 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 2023 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 1 870 475 \$ de l'excédent de fonctionnement de la Bibliothèque au fonds de réserve pour la Bibliothèque;**
3. **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 2023 des opérations financées par les recettes fiscales et les redevances, rapport à soumettre au Comité des finances et des services organisationnels.**

BACKGROUND

In keeping with the *Public Libraries Act, RSO 1990, c.P.44* (the Act), the Ottawa Public Library ("OPL" or "the Library") Board ("the Board" or "OPLB") Policy 010 OPLB CEO Reporting and Board Monitoring ("the CEO Reporting and Board Monitoring Policy"), requires the Chief Executive Officer (CEO) to report on a variety of subjects so that the Board may effectively perform its monitoring role. Trustees' attention primarily focuses on the long-term needs and goals for the library.

With respect to financial reporting, OPL's operating and capital status reports are prepared each quarter representing actual year-to-date cumulative revenues and expenditures against the amounts budgeted for the corresponding quarter.

The purpose of this report is to present the fourth quarter (total annual) operating and capital results for the 2023 fiscal year, and to seek Board approval for the allocation of the 2023 operating surplus.

DISCUSSION

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

1. Appendix A – 2023 Q4 Operating Financial Report

- a. At year end, total gross revenues exceeded expectations by 5.1 percent or \$89,129 for the fiscal year. Facility rentals (meeting rooms) achieved less than planned revenues by \$17,474, however, unplanned donation revenues contributed \$16,178 to nearly account for the rental revenue shortfall. Library fees and other miscellaneous revenues combined, generated \$90,098 more than the anticipated amount. When compared to 2022 year-end totals, total gross revenues in 2023 increased by 5.9 percent.
- b. The Provincial operating grant of \$1,380,328 was received in December 2023. The amount was in line with the planned amount of \$1,380,000. The amount received through the operating grant has been static since 2002.
- c. At year end, total gross expenditures were under budget by 3.1 percent or \$1,778,414. For the same period in 2022, gross expenditures were under budget by 10.8 percent. As summarized in Appendix A, the total under-expenditure was primarily the result of underspending on salaries and benefits, and was further contributed to by purchased services, materials and supplies, and fleet costs. Underspending on salaries and benefits was the single-largest contributor, primarily driven by the timelines to create and staff new positions (as requested in the 2023 budget). At year-end, mandatory expenditures for library materials and supplies, fixed assets, and program facility costs were overspent, and indicative of inflationary costs related to utilities, operational facility care charges, and increased costs for shipping and transport of goods.
- d. At year end, including all expenditures and revenues, the total net financial result for 2023 was a 3.3 percent or \$1,870,475 surplus. The 2023 surplus result is a combination of revenue performance surpassing planned expectations and less-than-anticipated expenditures in core expense categories such as compensation and materials and supplies not related to circulating materials. As per the recommendation in this report, it is requested that the operating surplus be transferred to the Library Reserve to balance the year-end accounting books.

2. Appendix B – 2023 Q4 External Funds Report

Total revenue received from external sources at year-end 2023, including unspent funds from 2022 were \$981,223. Expenditures were \$211,039, leaving an available balance of \$770,184. The breakdown of external revenue sources is as follows: \$548,560 from the Friends of the Ottawa Public Library Association (FOPLA); \$113,263 from general donations; \$47,459 from the Sun Life Musical Instrument Lending Library (MILL); and \$271,941 from the Ottawa Community Foundation (OCF). Funds contribute to the support of facility improvements, furnishings, or equipment, expanding and/or maintaining the library materials collection, and to fund programs for clients of all ages.

3. Appendix C – 2023 Q4 Trust Funds Report

- a. On behalf of OPL, the City holds and manages 17 trust funds of varying value. Eight of the trust funds are invested principle amounts from which OPL has access to interest revenue only. 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 \$559,940 in interest and revenue during the fiscal year. OPL has a balance of \$1.358M available to spend from trust funds.
- b. The Ottawa Community Foundation (OCF) manages ten 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 general purpose, library materials, furniture, age-specific programming, and programming for newcomers to Canada residing in Ottawa. The OPL Campaign Fund was established in December 2022 as an interest-bearing fund. Contributions are held in trust for a period of three years and at maturity, the total amount of principle and capital will be available for expenditures towards the new central library. In total, OPL OCF funds generated \$99,625 in revenue during 2023. As of December 31, 2023 OPL has a balance of \$245,840 available to spend from trust funds in 2024. Please note that as of writing, OPL Campaign Fund

totals for 2023 were not available for update. Information will be included in the 2024 Q1 Financial report, due in May 2024.

4. Appendix D – 2023 Q4 Library Board Operating Report

At the end of 2023, the Board's operating budget was 68.3 percent spent. Receptions and miscellaneous supplies are overspent due to onboarding trustees for the 2023-2026 term of Board, as per Board Policy 003 OPLB Trustee Orientation (costs that occur once every four years). Conferences and conventions are also overspent due to increased opportunity and availability for in-person conference participation not experienced since pre-pandemic periods. Options to attend board or ad-hoc committee meetings virtually, however, continue to reduce costs associated with office supplies, local transportation, and parking. For the same period in 2022, Board expenditures were at 173.8 percent largely as a result of spending related to executive recruitment.

5. Appendix E – 2023 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 in the reporting period. As per the Delegation of Authority Policy 002-OPLB, the Board approves all operational expenses, leases (single or multi-year with total expenditure within financial authority); single or multi-year tenders or contracts (including any contingencies) per vendor; settlement and lawsuit payments; or software license agreements greater than \$500,000. Contracts awarded based on capital authority delegated to the Chief Librarian / Executive Officer are also included in Appendix E. The contract expenditures time frame covered for this report is July 1, 2023 to December 31, 2023. The total maximum value of contracts awarded for the period is \$4,474,304.

6. Appendix F – 2023 Q4 Capital Status Report

Attached in Appendix F is the report on capital account status as of December 31, 2023. Remaining capital balances are at \$28,226,603 including all budget approvals through December 31, 2023.

7. Appendix G – 2023 Q4 Library Reserve Account Balances

On behalf of OPL and in accordance with City of Ottawa financial policies and by-laws which support the use of reserve accounts, the Financial Services Unit (FSU) administers and maintains six reserve accounts. The Library reserve account (“the Reserve”) supports operational surplus and deficit outcomes each year as well as unforeseen financial pressures that may arise. Five additional reserve accounts serve as collector accounts for geographically identified areas or legacy development charge funds. Development Charge accounts (“DC accounts”) support the growth or expansion of library services in their respective geographical zones.

- a. The balance of the Reserve as of December 31, 2023 is \$4,683,535. During the 2023 fiscal year, the Reserve fund supported approved net expenditures totaling \$1,621,006. Conversely, at the closing of the 2023 fiscal year, OPL had an operating surplus of \$1,870,475 representing an under expenditure of 3.1 percent of the planned operating budget. As per the recommendations in this report, if approved, the 2023 operating surplus will be transferred to the Reserve through Council approval. The estimated starting 2024 balance for the Reserve will be \$6,554,010. This balance is 10.72 percent of the approved OPL 2024 Operating and Capital Budget. This is slightly more than the guiding principle goal of between 7.5 and 10 percent.
- 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 as prescribed by the DC Act and further by geographical areas as per the By-Law. As of December 31, 2023, all DC Account balances totaled \$36,181,017 exclusive of prior authorities (commitments) approved by the Board and Council. Total revenue of the five DC accounts in 2023 was \$2,423,804.

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 and OPLB-002 Delegation of Authority. The report 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 treatment of the 2023 Library Services operating surplus and the Library Reserve balance as it relates to the Financial Framework. Approval of the recommendations of this report will result in an increase to the Reserve of \$1,870,475 and a balance of \$6,554,010. This balance is 10.72 percent of the approved OPL 2024 Operating and Capital Budget. This is slightly more than the guiding principle goal of between 7.5 and 10 percent.

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 – 2023 Q4 Operating Financial Report

Appendix B – 2023 Q4 External Funds Report

Appendix C – 2023 Q4 Trust Funds Report

Appendix D – 2023 Q4 Library Board Operating Report

Appendix E – 2023 Q4 Contract Expenditures Report

Appendix F – 2023 Q4 Capital Status Report

Appendix G – 2023 Q4 Library Reserve Account Balances

DISPOSITION

Upon the Board's approval, staff will work with the City's Finance Services Unit to include the recommendations as part of the Disposition of 2023 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 2024 for information purposes. The report will encompass the financial results from January through March (Q1) 2024.