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Report to / Rapport au:

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

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SUBJECT: Second Quarter 2022 Financial Status Report

OBJET: Rapport financier du 2e trimestre 2022

REPORT RECOMMENDATION

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

RECOMMANDATION DU RAPPORT

Que le Conseil d'administration de la Bibliothèque public d'Ottawa prenne connaissance des rapports financiers du 2e 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 successive quarter represents a 25 percent increment to anticipated spending levels. The second quarter target in all categories is 50 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 which financial quarter each 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

The purpose of this report is to present second quarter results for the 2022 fiscal year. In addition, this report includes the summary actions resulting from the Works In Progress (WIP) capital account review for 2022 as recommended by the Board and approved by City Council.

DISCUSSION

At the end of the second quarter, June 30, 2022, or 50 percent of the year, OPL total expenditures are at 46.1 percent; 3.9 percent less than the calendarized budget. Total revenues are at 10.9 percent; 39.1 percent less than budget. Overall, the net operating budget as at June 30, 2022 is at 47.2 percent or 2.8 percent under the second quarter calendarized target.

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

1. Appendix A – 2022 Q2 Operating Financial Report

- a. At the end of the second quarter, the Library's total gross expenditures are under budget at 46.1 percent or 3.9 percent less than the anticipated calendarized target of 50 percent. For the same period in 2021, gross expenditures were at 44.4 percent. The primary reasons for the result are continued staffing vacancies causing underspent salaries and benefits, as well impacts on supply chain consistency resulting in fewer expenditures in the Fixed Assets and Library Materials categories.
- b. Total net expenditures are under budget at 45.6 percent, 1.6 percent less underspent compared to Q2 2021. This is the second year where overall expenditures have increased compared to the same quarter in the previous year. This indicates a slow return to pre-pandemic financial conditions. Salaries and benefits are again the largest single contributor to the result.
- c. Total revenues are under budget by 89.1 percent or \$1.55M compared to the calendarized 50 percent target for Q2. When comparing with Q2 2021, revenues have rebounded somewhat with an increase of 4.9 percent. The reopening of meeting rooms and higher in-branch donations were received in 2022. Receipt of the provincial operating grant is anticipated in Q3-Q4 2022 and will have a significant positive impact on the percentage of revenues collected by year-end.

2. Appendix B – 2022 Q2 External Funds Report

The purchase of goods and services are traditionally offset by external funds. Total external funds received at the end of the second quarter and including 2021 unspent funds is \$731,590. Expenditures were \$23,922 leaving an available balance of \$707,668. The breakdown of external revenue by source is as follows: \$361,871 from the Friends of the Ottawa Public Library Association (FOPLA); \$96,014 from general donations; and \$217,902 from the Ottawa Community Foundation (OCF).

3. Appendix C – 2022 Q2 Forecast Report

The forecast report as of the end of the second quarter 2022 projects a surplus of \$3.178M. The impacts of the COVID 19 Pandemic continue to influence revenues, expenditures, and overall financial performance.

- a. Based on results through the second quarter, total expenditures are forecasted to be underspent by 5.5 percent or \$3.123M. The majority 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 second quarter, revenues are forecasted to be under budget by 3.2 percent. OPL will face rental revenue shortfalls attributed to the impact of COVID 19 pandemic. Overall, a \$42,159 shortfall in total revenues is projected for fiscal year-end 2022.
- c. Total Net Expenditures are forecasted at year-end to be in a surplus by 5.8 percent or \$3.178M after applying the anticipated revenue shortfall and expenditure underspending.

4. Appendix D – 2022 Q2 Contract Expenditures Report

In accordance with the Acquisitions of Goods and Services Procedure, Appendix D 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 Executive Officer (CEO) are also included in Appendix D. The Board approves all contracts greater than \$500,000, as part of the annual budget process. As advised in the Q2 2021 Financial Status Report, the contract expenditures time frame covered for this report includes one full fiscal year from Q3 2021 to Q2 2022.

5. Appendix E – 2022 Q2 Library Board Operating Report

At the end of Q2, the Board's operating budget is 17.3 percent spent which is 13.5 percent more than the same period in 2021. The under-expenditure is a result of several conferences and conventions being canceled, postponed or held virtually, due to the COVID 19 Pandemic. The continuance of virtual board meetings conducted in an online environment further reduced parking and local transportation expenses. Staff expect expenditures in Q3 and Q4 2022 to be similar to pre-pandemic as in-person conferences and conventions gradually resume.

6. Appendix F – 2022 Q2 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 \$19,688 in interest and revenue through Q2 2022. OPL has a current balance of \$822,001 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 Q2 2022 is at \$216,321.

7. Appendix G – 2022 Q2 Capital Report

Attached in Appendix G is the report on the status of capital accounts as of the end of Q2 2022. The remaining capital balances are at \$19.256M including capital growth projects.

8. Appendix H – Capital Project Closures and Date Changes

At its meeting on May 10, 2022, The Board approved the recommendation “Direct staff to work with the City’s Financial Services Unit to forward Appendix F – 2022 Works in Progress (WIP) Capital Review to Ottawa City Council, for consideration as part of a report through the City’s Finance and Economic Development Committee.” On June 22, 2022, City Council approved the recommendations of the Board with no changes. In total, five capital accounts were closed with a surplus of \$25,919, and seven capital accounts had their anticipated completion dates changed. Those accounts represent available capital funding of \$3.29M in previously authorized spending. The overall impact of the account closures was an increase of the Library Reserve (Reserve) of \$25,919. The seven capital accounts which had their completion dates adjusted had no impact on the reserve.

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.

INDIGENOUS AND GENDER EQUITY IMPLICATIONS

There are no specific Indigenous, gender or race equality implications associated with the 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 Q2 Operating Financial Report

Appendix B – 2022 Q2 External Funds Report

Appendix C – 2022 Q2 Forecast Report

Appendix D – 2022 Q2 Contract Expenditures Report

Appendix E – 2022 Q2 Library Board Operating Report

Appendix F – 2022 Q2 Trust Fund Report

Appendix G – 2022 Q2 Capital Report

Appendix H – Capital Project Closures and Date Changes

DISPOSITION

The next quarterly financial status report will be brought forward to the Board in November 2022 for information purposes. The report will encompass the financial results from July through September 2022.