

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-2017-0503

SUBJECT: First Quarter 2017 Financial Statements

OBJET: Rapport financier du 1^e trimestre 2017

REPORT RECOMMENDATIONS

That the Ottawa Public Library Board:

- 1. Receive the 2017 first quarter financial reports; and,**
- 2. Receive the closing of capital Works In Progress accounts as outlined in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Conseil d'administration de la Bibliothèque publique d'Ottawa :

- 1. Prenne connaissance des rapports financiers du 1^{re} trimestre de 2017.**
- 2. Prenne connaissance de la fermeture des comptes pour travaux d'immobilisations en cours, comme il est mentionné dans le présent rapport.**

BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by the OPL Board. Operating reports present actual year-to-date revenues and expenditures against the amounts budgeted for the corresponding period. Year-end forecasts are presented in the second and third quarter reports. Capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, along with the actual expenditures and commitments incurred to-date.

The purpose of this report is to present the first quarter operating and capital results for the Ottawa Public Library. As per the Board report OPLB-2015-0094 received in November 2015, the report on Contract Expenditures is issued semi-annually in Q2 and Q4.

In addition to the standard Q1 information contained in this report, staff have included information on capital account closures, commonly referred to as Works In Progress (WIP) closures.

DISCUSSION

As of the end of the first quarter, or 25 percent of the 2017 fiscal year, the Ottawa Public Library (OPL) is reporting expenditures of 25.1 percent; 0.1 percent or \$61,912 over target. Revenues fell short of the first quarter target by 14.2 percent or \$518,578. Net expenditures are 0.3 percent higher compared to the same period in 2016.

Expenditures in the Equipment Service and Maintenance category for Q1 2017 are well over the 25 percent calendarized target. In order to streamline the management of maintenance contracts for business systems, equipment, and virtual services platforms, the OPL, in cooperation with its vendors, has adjusted renewal periods to align with the

fiscal calendar year. The revised timing results in expenses that are concentrated in the beginning of each year. While this practice causes an over expenditure in Q1, it also provides for better coordination of services, cleaner fiscal transactions, and normalizes the effective terms of a number of contractual agreements.

From a revenue perspective, the first quarter shows a revenue shortfall of \$518,578. Of this, the loss of lease revenue for garage repairs performed in 2016 at 191 Laurier Ave. account for \$61,160. The majority of the remainder of the shortfall comes from the Provincial Libraries Operating Grant (PLOG), which accounts for more than one-third of all library revenues annually, but is historically received from the Ontario Ministry of Tourism, Culture, and Sport late in one lump sum payment in the fourth quarter of each year. Excluding the 25 percent of the Provincial Grants and Reserve Fund Transfers revenues, the Q1 net revenue shortfall would be 2.5 percent or \$91,578.

1. Operating Financial Report, Q1 2017: Appendix A

- a. At the first quarter, the Library's net expenditures are over budget at 25.1 percent. For the same period in 2016, net expenditures were at 24.8 percent or \$736,776 less than the current year.
- b. Total gross expenditures are over budget at 26.3 percent or \$580,491, a 0.4% increase from Q1 2016.
- c. Total gross revenues are under budget at the end of the first quarter at 10.8 percent. As mentioned, the PLOG will be received in late Q4 2017.

2. Report on External Funds Raised, Q1 2017: Appendix B

Total revenues available at the end of Q1 through fundraising initiatives and 2016 accruals is \$523,476. The breakdown is as follows: \$143,269 from Provincial grants for special projects; \$266,363 from the Friends of the Ottawa Public Library Association; \$16,226 from general donations; \$90,979 in earned interest from the Community Foundation of Ottawa; and, \$6,639 in grant funding from Citizenship and Immigration Canada's Immigrant Settlement and Adaptation Program (ISAP). After expenditures, \$373,572 of available funding remains with spending plans either in place or under development.

3. Library Board Operating Report, Q1 2017: Appendix C

At the end of Q1 the Board's operating budget is 7.1 percent spent, 3.2 percent or \$1,224 more than the same period in 2016.

4. Capital Financial Report, Q1 2017, Appendix D

Attached in Appendix D is the report on capital account status as of the end of Q1 2017. Please note that a legacy capital account for land acquisition remains open from activities initiated in 2009. This account does not contain actual funding, and further approval by Ottawa City Council will be required in order to exercise the authority. In removing the value of that legacy account, the report results in an overall available capital total of \$6,776,869 across 19 open accounts. This includes newly-initiated capital accounts approved through the 2017 budget process, as well as capital growth accounts funded by development charges.

5. Capital Works in Progress (WIPS), 2017 Closures, Appendix E

In recent years the OPL Board has approved the repurposing of capital accounts through the annual budget process in order to fund various initiatives and projects. This has reduced the number of active OPL capital accounts listed in Appendix D. In addition to the annual budget process, the City's Financial Services Unit (FSU) undertakes an annual review of all Capital accounts to determine which will remain open, require completion date extensions, or should be closed due to completion of respective projects. As any capital account closures impact the Library Reserve Fund, the Board is made aware of such and the resulting impacts on the reserve fund via Appendix E. In total, five capital accounts will be closed with \$41,951 transferred back to the Library Reserve Fund. Reports on capital closures are scheduled for committee and Council review in June 2016.

CONSULTATION

There were no consultations performed for the purpose of 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.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

BOARD PRIORITIES

This report falls within the Board core value of Accountability and is a fundamental citizen expectation of good governance and management for a public organization.

SUPPORTING DOCUMENTATION

1. Appendix A – Financial Report, Q1, ending March 31, 2017
2. Appendix B – External Funds Report, Q1, ending March 31, 2017
3. Appendix C – Library Board Operating Report, Q1, ending March 31, 2017
4. Appendix D – Capital Report, Q1, ending March 31, 2017
5. Appendix E – Capital Works In Progress – 2017 Closures

DISPOSITION

There are no future actions associated with this report.