

Report to / Rapport au:

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

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SUBJECT: First Quarter 2021 Financial Status Report

OBJET: Rapport financier du 1^{re} trimestre 2021

REPORT RECOMMENDATIONS

That the Ottawa Public Library (OPL) Board:

- 1. Receive the 2021 first quarter financial reports;**
- 2. Approve the closing of the accounts as per the Works in Progress (WIP) Capital Review, including the adjustments of \$17,000 to be withdrawn from the reserves, as further described in this report; and,**
- 3. Direct staff to work with the City's Financial Services Unit to forward Appendix F – 2021 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.**

RECOMMANDATIONS DU RAPPORT

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

- 1. Prenne connaissance des rapports financiers du premier trimestre de 2021; et,**
- 2. Approuve la clôture des comptes conformément à l'examen du capital des travaux en cours, y compris l'ajustement de 17 000 \$ à retirer des réserves, tel que décrit plus en détail dans le rapport; et,**
- 3. Charge le personnel de collaborer avec l'Unité des services financiers de la Ville pour transmettre l'annexe F – Examen des immobilisations liées aux travaux en cours (TEC) de 2021 au Conseil municipal d'Ottawa, pour examen dans le cadre d'un rapport du Comité des finances et du développement économique de la Ville.**

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 first quarter target in all categories is 25 percent and so on culminating with the fourth quarter target of 100 percent.

The purpose of this report is to present first quarter results for the 2021 fiscal year. In addition, this report includes the summary actions resulting from the Works In Progress (WIP) capital account review for 2021. The WIP process is an annual review ensuring capital projects are accurately maintained, and appropriate actions are taken to close or extend projects based on their status.

DISCUSSION

At the end of the first quarter, March 31, 2021, or 25 percent of the year, OPL total expenditures are at 21.6 percent; 3.4 percent less than the calendarized budget. Total revenues are at 4.3 percent, 20.7 percent less than budget. Overall, the net operating budget as at March 31, 2021 is at 22.2 percent or 2.8 percent under the first quarter calendarized target.

In year-over-year comparison, total revenue results are 5.3 percent less than those of the same period in 2020. Total expenditures are 1.5 percent lower than the same period in 2020.

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

1. Appendix A – 2021 Q Operating Financial Report

- a. At the end of the first quarter, the Library's total gross expenditures are under budget at 21.6 percent. For the same period in 2020, gross expenditures were at 23.1 percent. Taken in the context of total available budget and the Q1 operations environment, this is a consistent result when compared to pre-pandemic Q1 2020, or normal operating context.
- b. Total expenditures were under budget at 21.6 percent or 1.5% less from Q1 2020. Salaries and benefits, library materials and all other categories of expenditures are below the calendarized target spending levels except for purchased services. Expenditures in purchased services are often based on annual contractual agreements which are paid for at the start of each calendar year. This standardizes contract management and assists with tracking licensing and maintenance costs year-over-year. Aside from purchased services, the first quarter of each fiscal year is historically underspent with less extra hours required for staff, year-end activities closing in February, and the impact of resetting for new or revised corporate initiatives. Current operational conditions due to provincial orders has further impacted spending in Q1 2021. Overall, this is a consistent result when compared to 2020 with an added impact from the COVID-19 pandemic.
- c. Total gross revenues are under budget at the end of the first quarter at 4.3 percent or \$75,048. When comparing with Q1 2020, meeting room rentals, library fees are down significantly as a result of decreased availability of in-branch services and the suspension of meeting room booking availability to customers as a result of the pandemic. In addition, the year over year revenue comparison includes recognition that the adoption of the Materials Recovery Model removed a \$1.035M revenue source from the operating budget. Receipt of the provincial operating grant is anticipated in Q3 2021 and will have a positive impact on the percent of revenues collected

compared to the 2021 budget plan.

2. Appendix B – 2021 Q4 External Funds Report

Total external revenue balances from external sources at the end of the first quarter and including 2020 unspent funds is \$509,808. The breakdown is as follows: \$348,917 from the Friends of the Ottawa Public Library Association (FOPLA); \$12,677 from general donations; and \$148,214 from the Ottawa Community Foundation (OCF). As per the financial framework, spending plans for these funds are in development according to the prioritized list of categorical spending.

3. Appendix C – 2021 Q Library Board Operating Report

At the end of Q1, the Board's operating budget is 4.6 percent spent or 14.8 percent less from Q1 2020. The under-expenditure is primarily the result of under spending in Conferences and Conventions categories. Miscellaneous supplies were overspent by \$546 for the purchase of a commemorative naming plaque at the Cumberland branch. This expenditure is more than offset by under expenditure in all other categories.

4. Appendix D – 2021 Q1 Capital Status Report

Attached in Appendix D is the report on capital account status as at the end of Q1 2021. Remaining capital balances are at \$13,307,641. Further information follows in this report regarding the annual Works In Process review of capital accounts (see Appendix F) for closure.

5. Appendix E – 2021 Q1 Trust Funds Report

- a. On behalf of OPL, the City of Ottawa 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 fundraising; these account balances are entirely available to spend. In total, OPL trust funds managed by the City generated \$1,107 in interest and revenue in Q1 2021. OPL has a current balance of

\$682,102 available to spend from trust funds. As per the financial framework, spending plans for these funds are in development according to the prioritized list of categorical spending.

- b. The Ottawa Community Foundation (OCF) manages ten legacy trust funds for OPL. Each year, OCF provides OPL with interest revenue 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 Q1 2021 is \$148,213.

6. Appendix F – 2021 Works in Progress (WIP) Capital Review

Each year, all capital accounts are reviewed based on their financial status and their anticipated year of closure. This process is referred to as the WIP process and is undertaken as a best practice in the stewardship of capital accounts.

There are three potential actions that can be taken through the WIP process: close the account, change (extend) the closing year of an account, or, close the account with comments (special instructions).

For the 2021 WIP review, OPL has nine capital accounts that are recommended for closure or extension of their closing dates. The recommended actions to Council are to close one account (-\$17,645), and to extend the closing year of eight accounts (\$496,818), to address COVID-related supply-chain and procurement delays. In total, the net effect on the Library Reserve will be a \$17,645 deduction. Appendix F details the requested actions.

CONSULTATION

There were no internal or public consultations performed for the purpose of this report.

ACCESSIBILITY IMPACTS

There are no accessibility impact associated with this report.

BOARD PRIORITIES

There are no impacts to the Board Strategic Priorities associated with this report.

BUSINESS ANALYSIS IMPLICATIONS

There are no business analysis implications associated with this report.

FINANCIAL IMPLICATIONS

The library reserve balance will be reduced by \$17,645 as the result of the recommendations in this report and as explained in section 6, and noted in Appendix F.

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 – 2021 Q1 Operating Financial Report

Appendix B – 2021 Q1 External Funds Report

Appendix C – 2021 Q4 Library Board Operating Report

Appendix D – 2021 Q1 Capital Status Report

Appendix E – 2021 Q1 Trust Funds Report

Appendix F – 2021 Works in Progress (WIP) Capital Review

DISPOSITION

City Council will receive the Library WIP capital recommendations as part of the consolidated list of capital closures and the consolidated list of capital account date changes in June 2021. The recommendations of the Board are subject to further review at Finance and Economic Development Committee prior to the Council meeting date. Any changes will be reported to the Board via memo.

The next quarterly financial status report will be brought forward to the Board in September 2021 for information purposes. The report will encompass the financial results from April through June 2021 and will provide an update on the status of the library reserve.