

Report to / Rapport au:

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

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File Number: OPLB-2021-0202

SUBJECT: 2020 Fourth Quarter Financial Status Report

OBJET: Rapport financier du 4^e trimestre 2020

REPORT RECOMMENDATIONS

That the Ottawa Public Library (OPL) Board:

- 1. Receive this report for information;**
- 2. Approve the 2020 operating surplus in Library Services of \$6,277,755 be transferred as follows:**
 - \$1,277,755 to the Library Reserve; and,**
 - \$5,000,000 to the OPL/City portion of the OPL – Library and Archives Canada Joint Facility project; 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 Finance Services to include the recommendations as part of the Disposition of 2020**

Tax and Rate Supported Operating Surplus / Deficit report through the City's Finance and Economic Development Committee.

RECOMMANDATIONS DU RAPPORT

Que le Conseil d'administration de la Bibliothèque publique d'Ottawa (BP0):

- 1. Prenne connaissance du présent rapport à titre d'information;**
- 2. Approuve le transfert du surplus des opérations de 6 277 755 \$ du budget des Services de bibliothèque pour 2020, comme suit :**
 - 1 277 755 \$ au fonds de réserve de la bibliothèque; et,**
 - 5 000 000 \$ à la portion du budget de la Bibliothèque et de la Ville d'Ottawa dans le cadre du projet de l'installation partagée BPO-BAC.**
- 3. Une fois que le Conseil d'administration de la Bibliothèque publique d'Ottawa aura approuvé le transfert du surplus des opérations des Services de la bibliothèque, le personnel devrait travailler avec les Services financiers de la ville pour inclure les recommandations dans le rapport du Règlement de l'Excédent/Du déficit de 2020 des opérations financées par les recettes fiscales et les redevances par l'intermédiaire du Comité des finances et du développement économique de la Ville.**

BACKGROUND

In keeping with Ottawa Public Library (OPL) Board Policy 010 OPLB CEO Reporting and Board Monitoring, and the Board's utilization of a policy or strategy model of governance, the Board requires the CEO to report on a variety of subjects so that the Board may effectively perform its monitoring role. With respect to financial report, annual, semi-annual, or quarterly status reports are provided to the Board, with varying content depending on the time of year.

In February 2021, the Board received and approved the Ottawa Public Library (OPL) Financial Framework. The Framework acts as a bridge between the organization's strategic plans (long-term planning) and annual financial related decisions (short-term planning). As a result of the adoption of the Financial Framework, staff are implementing several changes, including updates to the quarterly status reports. In the

Framework, a new guiding principle was introduced to advise the Board on the balance of various reserve accounts (the overall Library Reserve as well as the Development Charges Reserve). Table 1 identifies all financial status reports produced for the Board, along with which quarter each report will be presented in election and non-election years. The chart has been updated to include reporting timelines for the Library Reserve and the Library Development Charges Reserve accounts.

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, Q4	Q2, Q4
Capital Financial Report	Q1, Q2, Q4	Q1, Q2, Q3, Q4
Capital Works in Progress Report	Q1	Q1
Library Reserve and Development Charges Reserve Balances	Q4	Q4

The purpose of this report is to present fourth quarter financial results for the 2020 fiscal year, and to seek board approval for the allocation of the 2020 operating surplus.

DISCUSSION

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

1. Appendix A – 2020 Q4 Operating Financial Report

- a. At year end, total revenues achieved 63.6 percent of the planned budget.
 This represents a shortfall in revenues of \$1,013,086 for the fiscal year,

- based on Board-approved decisions to waive fees as well as legislated closures due to the pandemic. Meeting room rentals achieved less than planned revenues by \$58,849, unplanned donation revenues contributed \$1,426, and other miscellaneous revenues generated \$6,261 less than the anticipated amount. The combined fines and fees are less than planned revenue by \$949,730. When comparing with Q4 2019, all self-generated revenues are down significantly due to the impact of the COVID-19 pandemic.
- b. The Provincial operating grant of \$1,380,328 was received in August 2020. The amount received was in-line with the planned amount of \$1,380,000.
 - c. Total expenditures were under budget by 13.8 percent or \$7,290,841. As in Appendix A, there were multiple underspent categories that contributed to the total under-expenditure. Specifically, salaries and wages were under-spent primarily due to branch closures and the placement of some employees on Declared Emergency Leave (DEL) due to COVID-19 pandemic.
 - d. At year end, OPL had a surplus of 12.6 percent or \$6,277,755. The 2020 surplus result is a combination of less spending throughout the year as the result of branch closures since March 16, 2020, as well as operational changes due to the COVID-19 pandemic.

2. Appendix B – 2020 Q4 External Funds Report

Total revenue received from external sources in 2020 was \$92,617. The breakdown is as follows. \$34,085 from the Friends of the Ottawa Public Library Association (FOPLA) was used to purchase programming materials and supplies supporting Truth and Reconciliation calls to action, physical and electronic materials, and donations that directly supported facility improvements. \$30,940 from general donations, and \$27,592 from the Ottawa Community Foundation (OCF) were used to further expand the library collection and fund programs for children, older adults, and newcomers to Canada.

3. Appendix C – 2020 Q4 Contract Expenditures Report

In accordance with the Acquisition of Goods and Services Procedure, Appendix C contains a list of contracts valued at more than \$15,000 and less

than \$500,000 awarded for the period of July 1, 2020 to December 31, 2020. Contracts awarded based on capital authority delegated to the Chief Executive Officer (CEO) are also included. The Board approves all contracts greater than \$500,000, as part of the annual budget process. Capital expenditures in Appendix C include purchases required for various departmental initiatives.

4. Appendix D – 2020 Q4 Library Board Operating Report

At year end, the Board's operating budget was 43.7 percent spent. The under-expenditure is primarily the result of under spending in Professional Services, and Conferences and Conventions categories. Taken in the context of total available budget, this is a consistent result when compared to 2019. Other expense categories such as parking, miscellaneous supplies, business expense, and freight and courier services were all less than 25 percent spent.

5. Appendix E – 2020 Q4 Capital Status Report

Attached in Appendix E is the report on capital account status as at December 31, 2020. Remaining capital balances are at \$12,004,865 with more than 75 percent of that amount residing in capital growth accounts for facilities and library materials. Two capital accounts are currently in a deficit balance. Specifically, the Rosemount branch revitalization project is 0.07 percent overspent. The project is not yet complete with financial transactions remaining once existing work orders and commitments are completed.

6. Appendix F – 2020 Q4 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 seven funds also earn interest and are the result of fundraising, with the account balances entirely available to spend. In total, OPL trust funds managed by the City generated \$36,649 in interest and revenue in 2020. OPL has a balance of \$680,766 available to spend from trust funds in 2021.
- b. The Ottawa Community Foundation (OCF) manages 10 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. In 2020, interest revenue from OCF available for library expenditure is \$73,044.28.

7. Reserve Accounts

The Library has two reserve accounts; Library Reserve (“Reserve”), and the Library Development Charges Reserve (“DC Reserve”).

- a. The balance of the Reserve as at December 31, 2020 is \$3,632,195.

At the closing of the 2020 fiscal year financials, OPL has a surplus of \$6,277,755, representing an expenditure of 87.4 percent of the planned operating budget. In keeping with the Financial Framework target of 10% for the Library Reserve (\$5.43M), staff recommend that \$1,277,755 be allocated to the Library Reserve, and that the remaining \$5M of the 2020 Library operating surplus be allocated to the Board-approved facility priority, the Ottawa Public Library – Library and Archives Canada (OPL-LAC) Joint Facility. This will result in a Library Reserve balance of \$4,909,950, or 8.9% of the Library’s 2021 budget.

- b. The DC Reserve consists of monies collected by the City pursuant to the *Development Charges Act, 1997, SO 1997, c. 27 – Ontario (The 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 Act*. As of December 31, 2020, the available DC Reserve balance was \$16,453,608.

CONSULTATION

The report was prepared with input from the City of Ottawa’s Finance Services.

LEGAL IMPLICATIONS

There are no legal implications associated with this report.

RISK MANAGEMENT IMPLICATIONS

The risks that would be realized if the recommendations of this report are not adopted are related to the Library Reserve balance and the organization's ability to absorb unforeseen financial pressures and/or to fund or leverage development charges to support growth. The current reserve balance is \$3,632,195. This balance would increase to \$9,909,950, representing more than 18% of the library's budget. Additionally, there would be a lost opportunity to reduce debt servicing payments associated with to the Board-approved facility priority, the Ottawa Public Library – Library and Archives Canada (OPL-LAC) Joint Facility.

FINANCIAL IMPLICATIONS

The financial implications of this report are associated with the intended use of the 2020 operating surplus and the Library Reserve balance as it relates to the Financial Framework. Approval of the recommendations of this report will result in apportioning \$5M toward to the Board-approved facility priority, the Ottawa Public Library – Library and Archives Canada (OPL-LAC) Joint Facility to reduce debt. Adopting the recommendations of this report will also achieve the Library Reserve balance goal of between 7.5% to 10% of the budget. Upon approval, the Library Reserve will be equivalent to 8.9% of the Library's 2021 budget.

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 Integrity, and aligns with the principles identified in the Financial Framework.

SUPPORTING DOCUMENTATION

Appendix A – 2020 Q4 Operating Financial Report

Appendix B – 2020 Q4 External Funds Report

Appendix C – 2020 Q4 Contract Expenditures Report

Appendix D – 2020 Q4 Library Board Operating Report

Appendix E – 2020 Q4 Capital Status Report

Appendix F – 2020 Q4 Trust Funds Report

DISPOSITION

Upon the Board's approval of the transfer of the Library operating surplus, staff will work with the City's Finance Services to include the recommendations as part of the Disposition of 2020 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 2021 for information purposes. The report will encompass the financial results from January through March 2021.