

Report to / Rapport au:

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

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SUBJECT: Second Quarter 2021 Financial Status Report

OBJET: Rapport financier du 2e trimestre 2021

REPORT RECOMMENDATION

That the Ottawa Public Library Board receive the 2021 second quarter financial reports.

RECOMMANDATION DU RAPPORT

Que le Conseil d'administration de la Bibliothèque publique d'Ottawa prenne connaissance des rapports financiers du 2e trimestre de 2021.

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 and so on culminating with the fourth quarter target of 100 percent.

The purpose of this report is to present second quarter results for the 2021 fiscal year.

DISCUSSION

At the end of the second quarter, June 30, 2021, or 50 percent of the year, OPL total expenditures are at 44.4 percent; 5.6 percent less than the calendarized budget. Total revenues are at 6 percent, 44 percent less than budget. Overall, the net operating budget as at June 30, 2021 is at 45.6 percent or 4.4 percent under the second quarter calendarized target.

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

1. Appendix A – 2021 Q2 Operating Financial Report

- a. At the end of the second quarter, the Library's total gross expenditures are under budget at 44.4 percent or 5.6 percent less than the anticipated calendarized target of 50 percent. For the same period in 2020, gross expenditures were at 40.7 percent. The primary reason for the Q2 2021 result is underspending in the salaries and benefits expenditures due to the impact of provincial orders related to the pandemic.
- b. Total net expenditures are under budget at 45.6 percent, 3.1 percent less underspent compared to Q2 2020. Expenditures have increased in all compared to the same quarter in 2020 indicating a slow rise in available library services which, as of the end of the second quarter, have not yet returned to pre-pandemic levels. Salaries and benefits are again the largest single contributor to the result.
- c. Total gross revenues are under budget by 94 percent or \$718,842 compared to the calendarized 50 percent target for Q2. When comparing with Q2 2020, meeting room rentals, and other miscellaneous revenues 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 significant positive impact on the percentage of revenues collected by year-end.

2. Appendix B – 2021 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 2020 unspent funds is \$514,907. Expenditures were \$15,693 leaving an available balance of \$499,214. The breakdown of external revenue sources is as follows: \$348,922 from the Friends of the Ottawa Public Library Association (FOPLA); \$16,113 from general donations; and \$149,872 from the Ottawa Community Foundation of Ottawa (OCF).

3. Appendix C – 2021 Q2 Forecast Report

The forecast report as of the end of the second quarter 2021 projects a potential surplus of \$4.5M.

- a. Based on results through the second quarter, total gross expenditures are forecasted to be underspent by 8.5 percent or \$4,669,075. The majority of the surplus is created by underspending of salaries and benefits with significantly smaller surplus contributions from all other categories except library materials. As in 2020, expenditures for circulating library materials are expected to be at least one hundred percent expended by the end of 2021.
- b. After the second quarter, revenues are forecasted to be under budget by 7.3 percent. OPL will face revenue shortfalls attributed to the impact of COVID 19 pandemic. Overall, a \$128,130 shortfall in total revenues is projected for fiscal year-end 2021.
- c. Total Net Expenditures are forecasted at year-end to be in a surplus by 8.6 percent or \$4,540,945 after applying the anticipated revenue shortfall and expense savings due to the impact of the COVID-19 pandemic.

4. Appendix D – 2021 Q2 Contract Expenditures Report (NOT INCLUDED)

In accordance with the Acquisitions of Goods and Services Procedure, Appendix D normally 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 normally

included in Appendix D. The Board approves all contracts greater than \$500,000, as part of the annual budget process.

As a result of delays pertaining to the City's response to the COVID-19 pandemic and the implementation of SAP Ariba, the Contract Expenditures Report will be provided at a subsequent meeting.

5. Appendix E – 2021 Q2 Library Board Operating Report

At the end of Q2, the Board's operating budget is 6.3 percent spent which is 13.3 percent less than the same period in 2020. The under-expenditure is largely the result of virtual Conferences and Conventions and the resulting elimination of costs related to hotel and travel accommodations and transportation. Also, the allowance of virtual board meetings conducted in an on-line environment by Section 238 of the Municipal Act, 2001 as amended by Bill 197, the COVID-19 Economic Recovery Act, 2020, further reduced parking and local transportation expenses.

6. Appendix F – 2021 Q2 Capital Report

Attached in Appendix F is the report on the status of capital accounts as of the end of Q2 2021. The remaining capital balances are at \$12,432,007.

7. Appendix G – Capital Project Closure and Date Changes

At its meeting on May 11, 2021, The Board approved the recommendation "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.

On June 9, 2021, City Council approved the recommendations of the Board with no changes. In total, one capital account was closed with a deficit of \$17,645, and eight capital accounts had their anticipated completion dates changed. Those accounts represent available capital funding of \$491,019 in previously authorized spending.

The overall impact of the single closure was a reduction of the Library Reserve (Reserve) of \$17,645. The eight capital accounts which had their completion dates adjusted had no impact on the reserve.

8. Library Reserve Accounts

Ottawa Public Library has two financial reserve accounts which serve to backstop all financial deficits, surpluses, and funding transactions as well as growth initiatives; Library Reserve (“Reserve”), and the Library Development Charges Reserve (“DC Reserve”).

- a. The balance of the Reserve as at June 30, 2021 is \$9,944,283. Of that amount, \$5M will be allocated to the Ottawa Public Library – Library and Archives Canada (OPL-LAC) Joint Facility project. The allocation was approved by the Board at its meeting March 9, 2021. The financial transaction to allocate the \$5M as per direction to staff will occur in the fourth quarter of 2021. The funding available from the Library Reserve after the transaction will be \$4,944,283 representing 9.3% 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 June 30, 2021, the available DC Reserve balance was \$24,101,746 as shown in Table 1.

Table 1 – Development Charges Reserve Balance as at June 30, 2021:

Development Charges Reserve	2021	2021 DC Commitments	Total Available 2021
Total	32,067,836	7,966,090	24,101,746

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

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 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.

RISK MANAGEMENT IMPLICATIONS

The absence of Appendix D (Section 4) of this report may present some year-end financial risk if the information normally detailed in the appendix is not provided before the end of Q4 2021.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

SUPPORTING DOCUMENTATION

Appendix A – 2021 Q2 Operating Financial Report

Appendix B – 2021 Q2 External Funds Report

Appendix C – 2021 Q2 Forecast Report

Appendix E – 2021 Q2 Library Board Operating Report

Appendix F – 2021 Q2 Capital Status Report

Appendix G – 2021 Q2 Capital Projects with Approved Date Changes

DISPOSITION

The next quarterly financial status report will be brought to the Board in March 2022.