

To: Council in Committee of the Whole

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CNCL-23-08

Date of Report: January 9, 2023

Date of Meeting: January 13, 2023

Subject: Oshawa Public Library - Capital Infrastructure Funding

Ward: All Wards

File: 03-05

1.0 Purpose

The purpose of this report is to recommend an approach to addressing capital infrastructure projects at the McLaughlin and Northview Library Branches of the Oshawa Public Library.

2.0 Recommendations

It is recommended to City Council:

1. That Council reconsider its decision of October 25, 2021 concerning FIN-21-96 related to Library Capital Projects at the Northview and McLaughlin Branches; and
2. That the creation of a new capital reserve in the City's general ledger be approved for the purpose of establishing a dedicated funding source for the Library's capital projects at the McLaughlin and Northview Library Branches; and
3. That the uncommitted balance from the existing capital reserve of the Library be transferred to the City's reserve for the development of a consolidated long-term capital funding strategy for the Library; and
4. That the draft 2023 Oshawa Public Library budget submission for capital reserve contributions in the amount of \$212,395 be transferred into the newly created reserve for the Library; and
5. That the responsibility for the planning, management and execution of capital projects at the McLaughlin and Northview Library Branches of the Oshawa Public Library be transferred to the City's Facilities Management Services staff in consultation with Library staff; and

6. That a copy of this report and Council direction be forwarded to the CEO of the Oshawa Public Library and the Oshawa Public Libraries Board of Directors.

3.0 Executive Summary

Not applicable

4.0 Input From Other Sources

Chief Administrative Officer

City Solicitor

Director, Facilities Management Services

5.0 Analysis

5.1 Background

The Oshawa Public Library ("Library") has a long cultural presence in the City dating back to 1864. Through the generous donation from R.S. McLaughlin, the McLaughlin branch of the Library opened in 1954 and was gifted to the City of Oshawa. Over the decades that followed, Library operations have expanded to three (3) other locations, including the City-owned facilities known as Northview and Delpark Homes Centre, and the fourth location known as the Jess Hann branch, which is not a City-owned facility and is located at the Lake Vista Plaza.

Currently, the Oshawa Public Library is responsible for undertaking all capital improvements for the McLaughlin and Northview Library Branches with limited resources even though they are both City-owned buildings.

This approach is inconsistent with the management of other City owned buildings. For example, the Robert McLaughlin Art Gallery is also located in a City-owned building but in that case, the City is wholly responsible for capital improvements including the project management and providing the associated funding.

Adopting a new process for delivering capital projects at the McLaughlin and Northview Library Branches of the Oshawa Public Library and providing a capital funding source for required projects is an obligation that the City must assume as a responsible building owner.

5.2 External Agency Funding

The City provides operating grants to external agencies as part of the budget process. The City provides grant funding to five external agencies, including the Library, totaling approximately \$13 million annually.

The Library receives an annual operating grant from the City of approximately \$9 million.

Of the five external agencies, both the McLaughlin Library Branch and Robert McLaughlin Gallery (“RMG”) reside in City-owned facilities located at the City Hall complex.

The RMG is a Corporation without Share Capital incorporated under the laws of the Province of Ontario and operating as a public art gallery. The City does not have a controlling interest in the RMG. A comprehensive lease agreement is in place between the City and RMG which outlines the management terms and conditions under which they occupy space at the City-owned facility. The annual grant provided to the RMG does not include provisions related to capital funding for projects related to the building.

The lease agreement with the RMG contains a provision that the City is responsible for capital projects and funding. Capital projects related to the building occupied by the RMG are included in the City’s capital budget and managed through the City’s Facilities Management Services staff.

While the Oshawa Public Library Board is a separate legal-entity governed under the authority and regulated by the *Public Libraries Act*, R.S.O. 1990. c. P.44, the City has a controlling interest in the Library, hence the reason they are a consolidated entity to the City’s financial statements.

The operating budget submission from the Library each year, includes approximately \$200,000 earmarked to provide a contribution to a reserve from which to allocate funds for the delivery of capital projects.

Currently, aside from the annual operating budget, the City does not have a provision to allocate capital funding for the McLaughlin or Northview Branches of the Library. Capital projects undertaken by the Library at these branches are planned and managed by Library staff. Historically, the City’s involvement in capital projects is reactionary as matters arise.

5.3 Previous Direction

At the October 18, 2021 Finance Committee meeting, Item FIN-21-96 concerning Library capital projects within City owned buildings at the Northview and McLaughlin Branches was received for information.

In order to advance the recommendations of this report, Committee direction concerning FIN-21-96 will need to be reconsidered.

5.4 Proposed Framework for Capital

The net book value for the capital assets that the City owns and maintains is approximately \$600 million, which are comprised of several asset classes including one specific to buildings. Included in this assets class are the buildings for the McLaughlin and Northview Branches.

In order to address the capital requirements of the City-owned facilities at the McLaughlin and Northview Branches of the Library it is critical to clearly delineate the roles and responsibilities of both the City and Library. Therefore, adopting a new process for

delivering capital projects at the McLaughlin and Northview Library Branches is appropriate.

The City's Facilities Management Services branch is comprised of 25 fulltime staff with varying technical and engineering skill sets. This branch is responsible for capital planning, project delivery, implementation of facility maintenance plans, and providing city-wide skilled trade support, including inspection and repairs.

It is proposed that the responsibility for the planning, management and execution of capital projects at the McLaughlin and Northview Library Branches of the Oshawa Public Library be transferred to the City's Facilities Management Services staff. Facilities Management Services will work in collaboration with Library staff.

A team approach will bring a qualified team to address and manage the Library's capital requirements versus the current model, and bring consistency to the capital delivery of these City-owned facilities.

In order to fund the capital work at the Library it is proposed that:

1. A new capital reserve in the City's general ledger be established for the purpose of providing a dedicated funding source for the Library's capital projects at the McLaughlin and Northview Library Branches; and,
2. That the uncommitted balance of the existing capital reserve of the Library be transferred to the City's reserve for the development of a long-term capital strategy for the Library; and
3. The draft 2023 Oshawa Public Library budget submission for capital reserve contributions in the amount of \$212,395 be transferred into the newly created reserve.

There are several advantages to adopting a new framework including:

- a) The establishment of a new capital reserve in the City's general ledger for the purpose of providing a dedicated funding source for the Library's capital projects which would ensure stable and consistent funding for these City buildings;
- b) With a dedicated reserve and funding source the annual capital projects for the Library would not have to compete with other City capital projects in order of priority during the capital budget process;
- c) The current model for capital funding of Library branches in City facilities is not consistent with the model for other tenants occupying other City facilities, such as the Robert McLaughlin Gallery. This framework would provide consistency with the capital programs for other City owned facilities;
- d) This approach would support the City's Asset Management Plan;
- e) Leveraging the City's purchasing power as well as providing access to procurement discounts as available.

6.0 Financial Implications

To appropriately maintain City-owned assets it is critical that adequate funding be allocated toward their repair, renewal and replacement. The development of a funding strategy for capital projects at the Library is appropriate, will provide a foundation for long-term capital requirements and provide budget certainty.

Establishing a dedicated capital reserve for the Library buildings owned by the City will help to ensure capital infrastructure projects are adequately funded to protect and maintain the City's buildings as these assets are captured in the City's Asset Management Plan.

The initial source of funding for a newly created reserve in 2023 is proposed to come from the unallocated balance of the existing capital reserve and the capital budget contribution requested in 2023 in the amount of \$212,395. Having a consolidated account will assist with capital forecasting needs in a more fulsome approach as well as better inform the update to the Financial Strategy.

7.0 Relationship to the Oshawa Strategic Plan

This report meets the Oshawa Strategic Plan goals of Economic Prosperity and Financial Stewardship to the extent that it is consistent with sound financial management and provides for safe and reliable infrastructure.

A handwritten signature in black ink, appearing to read 'S. Sinnott', with a long horizontal line extending to the left.

Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department