



REPORT TO THE LIBRARY BOARD

MEETING DATE: June 25, 2009

Session:	Public Session
Subject:	2010 LPL Operating Budget
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Purpose of Report:	For Approval <input checked="" type="checkbox"/>

Recommendation:

It is recommended that:

- The revised **Guiding Principles** for the **2010 LPL Operating Budget** development be approved;
- The Library Board provide direction to Administration in the drafting of the **2010 LPL Operating Budget** based on background information previously provided to the Board and on the target set by the City of London; and
- Administration report back to the Library Board on the strategies/scenarios required to manage cost increases and high service utilization levels.

Issue/Opportunity

The London Public Library (LPL) budget serves as the annual financial plan for the Library and for achieving its *Vision, Mission, Service Excellence Model* and *Strategic Plan*.

In April and May, 2009 the Library Board received/approved a series of staff reports related to the **LPL 2010 Capital and Operating Budgets**. The purpose of this report is to:

- Provide additional information to the Library Board regarding the LPL operating budget needs and the City of London targets and
- Seek Library Board direction for the preparation of the draft **LPL 2010 Operating Budget**.

Background and Review

LPL Operating Budget Target

As part of the three year forecast which was developed during the 2008 budget process, the Library projected that a 3.6% increase would be required in 2010. At its April 28, 2008 meeting, Board of Control approved this budget target in principle. However, this target setting and approval process pre-dates the global economic downturn.

On June 3, 2009, Board of Control approved the Operating Budget Targets for 2010. Most City departments, Boards and Commissions had targets set at 0% increase over 2009. **The Library's 2010 target is 0%.** The projected targets for the four years following are: 2% in 2011 and 2.5% in 2012, 2013 and 2014.

The stated expectation is that any costs, such as inflationary costs, costs based on volume and costs based on existing contracts, will be absorbed by the Library.

Guiding Principles

The Library Board approved the *LPL 2010 Capital and Operating Budget: Guiding Principles* on April 23, 2009 (L09/25). The Library Board asked that the list be condensed and aligned as necessary to the City of London operating budget targets once these were issued.

Senior Team has now reviewed the list and recommends that the following **Guiding Principles** be established for the next steps in the preparation of the draft **2010 LPL Operating Budget**.

During the budget development process, the Library will make every effort to:

- Allocate resources consistent with the objectives of the Library's **Vision, Mission** and **Service Excellence Model** and the priorities of the **LPL Strategic Plan**;
- Flat line, reduce costs and seek efficiencies wherever possible;
- Redeploy resources to cover areas of highest need (such as increases to fixed costs);
- Seek revenue opportunities, giving consideration to affordability and competitiveness;
- Endeavour to preserve existing staffing levels and redeploy staff resources as necessary, providing staff with training opportunities to equip them to meet community expectations and increased demand for services;
- Maintain quality service to the public as LPL's top priority, although current service may have to be adjusted to align with the target; and
- Preserve existing staff resources, in order to maintain quality service to meet community expectations and increased demand for services.

Operating Needs and Impact of Budget Target

The original projected need for 3.6% was based on increases to wages, benefits, technology and utilities.

Inflationary needs would have required an estimated expenditure increase of \$150,000 - \$170,000, or an approximate increase of 1% in 2010. The development of a preliminary 2010 budget has identified that salary grid progression, anticipated ongoing increases in benefits costs, insurance premium increase, increase in realty taxes and common area maintenance for leased branches, and declining interest revenue are among the needs requiring funding.

This does not include other cost of living increases affecting:

- Wages, i.e. increase to the statutory minimum wage (\$30,000);
- Collections (\$100,000 per business case presented to the Board May 2009); and
- Utilities (unknown at this time).

The LPL Collective Agreement between the London Public Library Board and the Library Employees' Union, Local 217 of the Canadian Union of Public Employees, is due to expire on December 31, 2009.

Nota bene: As reported previously to the Library Board and City of London, the Library is also concerned about the service and business impact of the Ministry of Training, Colleges and Universities "Transformation Ontario" process which could have an impact on funding for the LPL Employment Resource Centres. Currently the contract is for \$612,000 annualized and has been extended to the end of March 2010. LPL could not absorb costs to continue ERC service if the funding ceases, along with sustaining the impact of a 0% budget target.

It is important to note that concurrently with the above there is an increased demand for and utilization of library services as reported in the LPL balanced scorecard reports. Higher utilization levels, in conjunction with the Library's budget target of 0% will put pressure on the services it currently provides.

Next Steps

While Administration had expected the 2010 targets to be lower than originally projected, the current level of 0% requires that more work be done on reviewing the cost-benefit of different possible actions/scenarios. This work would take place in July and August, 2009.

Budget milestones/timelines are:

August 24	Draft Operating budget due to City of London
September 10 to October 16	Technical reviews with City staff*

*LPL has requested that the technical review be scheduled after the Library Board meeting of September 22.

December 9	Budget tabled at Board of Control.
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Given the work to be done and the City timelines, the Library Board has options related to the timing of its approval of the budget and could:

- Direct the CEO to draft the budget on the basis on the guiding principles and 0% target; submit the budget to the City of London as a draft subject to Library Board approval; and approve the draft at its meeting of September 22, 2009; or,
- Hold a special meeting in mid-August to review and approve the submission prior to the budget being submitted to the City of London.

Financial Planning and Policy, City of London, will be holding a budget orientation session for staff on June 25, so we will be able to provide a verbal update at the Board meeting.