



**REPORT TO THE LIBRARY BOARD**  
**MEETING DATE: TUESDAY, AUGUST 11, 2009**

Session:	Public Session
Subject:	LPL 2010 Operating Budget
Prepared By:	Susanna Hubbard Krimmer, Barbara Jessop
Presented By:	Susanna Hubbard Krimmer, Barbara Jessop
Purpose of Report:	For Decision: Approval <input checked="" type="checkbox"/>

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**Recommendation:**

It is recommended that the Library Board provide direction for the next steps in the preparation of the ***LPL 2010 Operating Budget*** based on the scenarios and actions provided in this report, previous budget reports, and other reports regarding the financial sustainability of LPL's services, operations and infrastructure.

**ISSUE / OPPORTUNITY**

As part of the multi-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. This target was also approved in principle during the 2009 budget process. However, the targets have now been re-set by the London City Council to align with the current and projected economic climate.

On June 15, 2009, City Council established the 2010 budget targets for all civic departments, boards and commissions, including London Public Library. With only a few exceptions, the 2010 budget targets were set at a 0% increase over 2009. LPL's target increase was 0%; that is, LPL's target is to bring forward a budget request for 2010 that contains no increase over its 2009 budget. No increase to the operating budget means that:

- LPL would not receive additional funding in 2010 to cover additional and/or new needs; and

- All costs, including inflationary costs, costs based on volume and costs based on existing contracts, must be absorbed by the Library.

The projected LPL operating targets set by City Council for the four years following are: 2% in 2011 and 2.5% in 2012, 2013 and 2014. These, like the previous targets, are subject to change based on the state of the economy.

## **BACKGROUND & REVIEW**

At its meeting of June 25<sup>th</sup> 2009, the Library Board established the following **Budget Guiding Principles** to shape budget development in the current context.

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);
- Preserve existing staff levels and redeploy staff resources, in order to maintain quality service to meet community expectations and increased demand for services;
- Provide staff with training opportunities to equip them to meet community expectations and increased demand for services;
- Seek revenue opportunities, giving consideration to cost-benefit and sustainability, and using fundraising for value-added services; and
- Maintain quality service to the public as LPL's top priority, although current service may have to be adjusted to align with the target.

At this meeting, the Library Board also asked Administration to report back on potential strategies for managing cost increases and high service utilization levels along with achieving a 0% target. The Library Board requested that Administration present scenarios required to achieve other target levels, e.g. 1%, 1.5%, 2%, etc. as done in the **2008 LPL Sustainability Business Case & Budget Implications (Sustainability Case)**.

## **PART 1: MANDATORY AND INFLATIONARY COST INCREASES**

Working within the 2009 budget allocation, operating lines were adjusted to reflect actual experience. Once that was complete, areas requiring resourcing were identified and costs over the 2009 budget calculated/projected. The majority of the increases are items over which the Library has no control. The total projected need for 2010 is \$412,700 or 2.5% over the 2009 budget, as itemized below:

### **Human Resources/Human Resource Services: \$269,000**

This includes wage and benefit costs such as grid progression, benefit rate increases, anticipated OMERS rate increase and a legislated increase in the minimum wage.

### **Purchased Services: \$19,500 and Reserve Fund Contributions: \$3,700**

The Library's insurance policy falls under the City's comprehensive insurance policy. The City has estimated a 20% increase in insurance costs for 2010.

### **Facility Services: \$10,500**

Costs increases associated with realty taxes and common area charges for the Library's leased properties (Cherryhill, Pond Mills and Sherwood) are anticipated.

### **Collections: \$100,000**

If the collections budget had kept pace with inflation, it would have been larger in 2009 by \$72,694. This does not account for the purchase of any new formats which brings the need to approximately \$100,000.

Please see: ***2010 Operating Budget - Collections Sustainability Business Case***, presented at the May 26, 2009 Library Board meeting.

### **Revenues: \$10,000**

Due to continuing low interest rates, the interest revenue line has been reduced.

## **PART 2: ACTIONS FOR ATTAINING 0% TARGET**

### **A. Development of Alternatives and Decision Criteria**

The stated expectation of the City of London (Board of Control report of June 3, 2009) is that any costs, such as inflationary costs, costs based on volume and costs based on existing contracts will be absorbed by all departments, boards and commissions, including the Library. In order to achieve the 0% budget target set for the Library by the City, a scenario has been developed with all costs identified above being covered from within the 2009 base budget.

#### **Process**

To achieve the 0% target from within the 2009 base budget, Library Administration undertook the following steps in the context of the ***Budget Guiding Principles***:

- Reviewed all services and operations and their contribution towards and alignment with the ***LPL Vision, Mission, Value Promise, and Strategic Plan***; Reviewed all expenditures and revenues for services, operations and infrastructure;
- Conducted selected best practices reviews to “dip stick” the external environment;
- Analyzed potential options using an assessment template with a series of decision criteria;
- Developed a list of recommended actions for attaining a 0% target along with managing cost increases and high service utilization levels; and
- Developed a series of scenarios based on combinations of actions recommended to achieve various percentage increases to the budget.

The information and analysis presented in the ***Sustainability Case*** and the ***2009 LPL Service-Based Business Plan*** (part of the City of London service-based planning and budgeting process) were foundational to the process.

#### **Decision Criteria**

Alternatives were analyzed on the basis of ***Budget Guiding Principles*** and using the following impact assessment criteria:

- Community needs;
- Service accessibility;
- Potential short and long-term service satisfaction and utilization metrics;
- Stakeholder response;
- Related legislation and policy;
- Risk management;
- Net revenue/savings;
- Ease of implementation, including milestones and timelines;
- Structure and staffing;

- Other strategic and operational priorities;
- Planning for and implementation of new LPL Strategic Plan; and
- Sustainability, including 2011 budget.

### **Priority Setting to Develop Suite of Potential Actions**

Whereas LPL is already very effective and efficient, the first step in identifying a suite of potential actions was to employ further opportunities to meet the target through internal efficiencies and leveraging all resources by:

- Containing and reducing costs;
- Streamlining and re-engineering operational processes; and
- Growing revenue.

The second step was to review the “LPL Service Excellence Model” service delivery model of core services and service delivery streams considering when (e.g. hours of service, Sunday Service, etc.), where (e.g. branch locations, service points, etc.) and how (e.g. in-person, by phone, virtually, and via community outreach) services are delivered. Only those options that would result in limited service reductions and/or short term impact were considered.

### **B. Recommended Actions**

The following list and chart provide a summary of the actions recommended to fund the total projected need of \$412,700 from within the existing budget, in order to meet a 0% city budget target for the 2010 LPL Operating Budget:

#### **Human Resources/Human Resources Services: \$129,000**

- Sunday Service hours shortened from 4 hours to 3 hours per open Sunday;
- Vacancy management and redeployment of staff resources;
- Decreased attendance at conferences;
- 2010 Staff Conference shortened to a half day from a full day with planned staff development sessions becoming part of two week “Practicalities” staff training series.

#### **Purchased Services: \$65,000**

- Recovering the Library’s direct and overhead costs for the Employment Resource Centres as permitted under the terms of the current MTCU service agreement;
- Reduction of lease and utility costs resulting from the closure of Northridge Branch;
- Reduction of advertising budget by re-setting advertising priorities and using media opportunities;

- Reduction of supplies costs by moving to corporate brands and standardized supplies ordering;
- Reduction of library merchandise inventory, focus on selling in-demand items aligning with core services, e.g. canvas “book” bags.

**Collections: \$131,500**

- Elimination of \$100,000 increased requirement identified in business case;
- Reduction of print periodicals budget reducing redundancy with electronic periodical coverage;
- Cancellation of e-book and e-audio subscriptions now covered in another “one stop shopping” subscription thereby reducing redundancy; and
- Cancellation of subscription-based electronic survey tool.

Note: The net impact on the collections operating budget is a reduction of \$31,500 from 2009. In the past, savings found in one budget line within the collections operating budget have been reallocated to other line(s) within the budget given the ongoing inflation in the cost of materials and emergence of new formats.

**Technology: \$4,000**

- Cancellation of subscription-based e-learning tool.

**Furniture & Equipment: \$16,700**

- Purchase of fewer items such as chairs, tables, book trucks, etc.

**General: \$4,000**

- Reduction/elimination of food/beverages for meetings with the exception of pre-determined circumstances.

**Revenues: \$62,500**

- Contribution to the operating budget from the LPL Stabilization Reserve;
- Increase charges for the proctoring of exams bringing fees more in line with those of other institutions;
- Charging fees for public rental of art exhibits and display spaces to create a new revenue source.

**LONDON PUBLIC LIBRARY  
2010 Draft Budget Summary**

	<b>2009 Budget</b>	<b>Budget Needs 2.50%</b>	<b>Cuts to meet 0% target</b>	<b>2010 Budget</b>
<b>OBJECTS OF EXPENDITURE</b>				
Human Resources Costs	12,791,654	269,000	(119,000)	12,941,654
Human Resources Services	111,002		(10,000)	101,002
Purchased Services	599,989	19,500	(65,000)	554,489
Technology Services	710,000		(4,000)	706,000
Utilities	802,400			802,400
Facilities Services	1,400,285	10,500		1,410,785
Collections and Lending Services	2,076,925	100,000	(131,500)	2,045,425
Program Services	72,025			72,025
General	10,000		(4,000)	6,000
Reserve Fund Contributions	73,175	3,700		76,875
Furniture and Equipment	58,155		(16,700)	41,455
<b>TOTAL EXPENDITURES</b>	<b>18,705,610</b>	<b>402,700</b>	<b>(350,200)</b>	<b>18,758,110</b>
<b>SOURCES OF REVENUE</b>				
Provincial Grants	599,000			599,000
Fines, Fees, Etc	509,000			509,000
Operating Revenues	144,300			144,300
Rental Revenue	176,000			176,000
Business Revenue	79,268	(10,000)	7,500	76,768
Contribution from Stabilization	-		55,000	55,000
<b>SUBTOTAL</b>	<b>1,507,568</b>	<b>(10,000)</b>	<b>62,500</b>	<b>1,560,068</b>
<b>City Appropriation</b>	<b>17,198,042</b>	<b>412,700</b>	<b>(412,700)</b>	<b>17,198,042</b>
<b>TOTAL REVENUE</b>	<b>18,705,610</b>	<b>402,700</b>	<b>(350,200)</b>	<b>18,758,110</b>

## PART 3: IMPACT ON 2011 BUDGET

The budget decisions relating to 2010 will have an impact upon subsequent years. The following actions outlined in Part 2 above are one time contributions to the operating budget and are not sustainable:

- Recovering the Library's direct and overhead costs for the Employment Resource Centres as permitted under the terms of the current MTCU service agreement = \$30,000;
- Contribution from the LPL Stabilization Reserve = \$55,000; and
- Funding of collections needs through alternative sources of funding = \$31,500.

The ERC costs are not sustainable because of the uncertainty of the long term viability of the ERCs.

This means that \$116,500 will need to be accounted for, along with mandatory and inflationary costs (including wages and benefits and increased costs of collections materials), when budgeting for 2011.

The relationship with the LPL 2009 Capital Budget, 2010 Capital Budget and ten year capital needs projection was also considered. In particular, this was considered in the context of the flow through impact of decisions upon the 2011 budget when LPL would, at the same time, be requesting full year operating funding for the new Northeast Branch Library as part of its service "growth" request.

<http://www.londonpubliclibrary.ca/files/u3/aboutmylibrary/board2009/June/2010CapitalBudgetFacilitiesRenewal.pdf>

The impact of 2010 budget decision upon the 2011 budget will become part of LPL's report to Board of Control regarding the impact of a 0% target on service, operations and infrastructure.

## PART 4: PERCENTAGE SCENARIOS

At the request of the Library Board, a series of alternative scenarios was developed. See attached **Table 1: 2010 Budget – Proposed Actions for 0% Target and Percentage Scenarios**.

The Library Board has requested this in consideration of the question of sustainability also raised in the LPL *Sustainability Plan*: How do we continue to exist, meet expectations and needs, be relevant and thrive, now and in the future, within the scope of our financial resources? The 0% target will not sustain all service and operating requirements based on the needs and expectations of the people and communities we serve. At the same time, the City of London has been clear in its mandate regarding the budget targets.

Note: As always, when undertaking this type of review, opportunities present themselves. Some of the actions related to purchased services identified in the course of the budget work are options LPL would want to pursue regardless of a target because they make sense to do so:

- Recovering direct and overhead costs for Employment Resources Centre services as permitted under the terms of the current MTCU service agreement;
- Reduction of advertising budget by re-setting advertising priorities and using media opportunities;
- Reduction of supplies costs by moving to corporate brands and standardized supplies ordering;
- Reduction of library merchandise inventory, focus on selling in-demand items aligning with core services, e.g. canvas “book” bags;
- Increasing charges for the proctoring of exams bringing fees more in line with those of other institutions; and
- Charging fees for public rental of art exhibits and display spaces to create a new revenue source.

## **NEXT STEPS**

Library Administration will draft the budget in accordance with the Library Board direction. The budget will be submitted to the City of London as a draft pending final Board approval. The Library Board will give final approval at its meeting of September 22, 2009.

TABLE 1

**2010 BUDGET**  
**Proposed Actions for 0% Target and Percentage Scenarios**

2009 Base Appropriation  
 Required 2010 Budget Needs

16,785,342

412,700

2.5% increase over 2009

Proposed Action	Risks	Advantages/Mitigating factors	Amount	% Decr.	Increase over 2009					
					0%	0.50%	1.00%	1.50%	2.00%	2.50%
						70,700	154,200	252,700	325,700	412,700

**REDUCTION IN EXPENDITURES:****Human Resources Costs:***Note: Colours represent a change from the previous scenario.*

Reduce Sunday Service from 4 hours to 3 hours	Service reduction; potential negative feedback from public who have used service in past	Service is still offered to the community, but at a reduced cost (staffing, utilities etc.)	(14,000)	-0.1%	(14,000)	(14,000)	-	-	-
Vacancy management, reorganization/redeployment related to strategic plan	Gapping is a short term measure; some service impact; complex to implement	Reorganization/redeployment will support Strategic Plan priorities	(105,000)	-0.6%	(85,000)	(60,000)	6,000	53,000	101,000

**Human Resources Services:**

Decrease attendance at registrations & conferences	Reduces opportunity for staff to network outside of library and expand knowledge	LPL will still send a large number of staff to OLA and other key conferences	(5,000)	0.0%	-	-	-	-	-
Change format of 2010 Staff Development Day	Reduces opportunity for staff to network and information exchange in person	Development opportunities now provided in "Practicalities" two week staff training conference	(5,000)	0.0%	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)

**Purchased Services:**

ERC contribution to direct and overhead operating costs	2010 only		(30,000)	-0.2%	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Northridge lease, utility costs etc.	Potential negative feedback from the community.	Service will continue to be offered to the community; partial 2010.	(16,000)	-0.1%	(16,000)	(16,000)	(16,000)	(16,000)	(16,000)
Reduce advertising budget	Not maximizing public awareness of LPL services	Priorities to be reset given new media opportunities; align with Strategic Plan priorities	(10,000)	-0.1%	(10,000)	(7,500)	(3,000)	-	-
Supplies spending review with vendor will yield savings		Realize savings by moving to corporate brands and standardizing supplies ordering	(7,000)	0.0%	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Reduce merchandise for sale		Focus only on items which align with core services, e.g. book bags	(2,000)	0.0%	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)

**Technology Services:**

Elimination of e-learning Learning database subscription		Search for appropriate alternative	(4,000)	0.0%	-	-	-	-	-
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**Collections:**

Line reductions	Any further reductions will affect service; see Collections Business Case.		(23,000)	-0.1%	(23,000)	(23,000)	(23,000)	(23,000)	(23,000)
Reduce collections budget	See Collections Business Case.	Opportunity to use alternate sources of funding to cover one time need; "catch up" needed in subsequent years	(100,000)	-0.6%	(65,000)	(14,000)	-	23,000	52,000
Eliminate electronic survey	Will need to find another way to seek ongoing public feedback electronically	Not an effective tool; investigating other options	(8,500)	-0.1%	(8,500)	(8,500)	(8,500)	(8,500)	(8,500)

**2010 BUDGET**  
**Proposed Actions for 0% Target and Percentage Scenarios**

2009 Base Appropriation  
 Required 2010 Budget Needs

16,785,342  
 412,700      2.5% increase over 2009

Proposed Action	Risks	Advantages/Mitigating factors	Amount	% Decr.	Increase over 2009					
					0%	0.50%	1.00%	1.50%	2.00%	2.50%
<b>General:</b>										
Eliminate food/coffee for meetings, meals			(4,000)	0.0%	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
<b>Furniture &amp; Equipment:</b>										
Line reduction	Short term; F&E will require future replacement due to aging & high utilization of items purchased in capital campaign	Timing of system-wide capital campaign, 2000-2006, means that locations do not have pressing need for 2010	(16,700)	-0.1%	(10,000)	(5,000)	(5,000)	(5,000)	(5,000)	5,000
<b>INCREASE IN REVENUES:</b>										
Contribution from Stabilization reserve	One time		(55,000)	-0.3%	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
New revenue source - charge fees for art exhibits/displays	Potential negative feedback from people using existing service	Review of best practices and some consultation has taken place	(2,500)	0.0%	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Increase exam proctoring fees	Potential negative feedback from people using service curently	Review of local practices and some consultation has taken place	(5,000)	0.0%	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
			<b>(412,700)</b>	<b>-2.5%</b>	<b>(342,000)</b>	<b>(258,500)</b>	<b>(160,000)</b>	<b>(87,000)</b>	<b>-</b>	

*Notes:*  
 Amounts in parentheses are reductions to expenditures or increases in revenues.  
 Nil amounts indicate that there is no longer a reduction to that budget line.  
 Amounts without parentheses are additions back to expenditure lines in order to meet identified needs.