



REPORT TO THE LIBRARY BOARD
MEETING DATE: TUESDAY, AUGUST 10, 2010

Session:	Public Session
Subject:	LPL 2011 Operating Budget
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Presented By:	Susanna Hubbard Krimmer
Purpose of Report:	For Decision: Approval <input checked="" type="checkbox"/>

Recommendation:

It is recommended that the Library Board approve the following 2011 budget recommendations.

ISSUE / OPPORTUNITY

On June 9, 2010, Board of Control approved the 2011 - 2015 Operating Budget Targets. The 2011 budget target for the Library is 4.3%. Projected targets for the four years following are 3.3% each year in 2012, 2013, 2014 and 2015.

The 4.3% target recognizes that, in addition to inflationary increases and contractual labour costs, additional funds are required due to operating costs associated with the opening of the new Northeast Branch Library.

BACKGROUND & REVIEW

During the budget development process, Library Administration reviewed all budget lines following the budget guiding principles (see Board report, May 22, 2010), in order to flat line, reduce costs and seek efficiencies wherever possible in order to meet the budget target.

Impact of 2010 Budget

In order to reach a 0% target in 2010, budget decisions were made that would have an impact upon subsequent years (Board motion L09/45.2 *LPL 2010 Operating Budget*,

August 11, 2009). Contributions to the operating budget were made from reserve funds and alternative funding sources and are not sustainable for the 2011 budget. This meant that \$116,500 needed to be accounted for, along with mandatory and inflationary costs, when budgeting for 2011.

New City of London Budget Format

The revised and condensed City budget format, which is being introduced this year, separates budget changes into four categories:

- Base;
- Program Increases;
- New Initiatives; and
- Program Reductions.

This format also offers an opportunity to provide additional information and commentary for each category.

The majority of the 2011 budget increases identified by the Library are items over which the Library has no control. The total projected need for 2011 is \$728,000 or 4.3% over the 2010 budget. The major changes in the 2011 budget are detailed below, using the new format.

1. BASE BUDGET CHANGES

The intent of this category is to capture impacts on the base budget that result from the flow through of prior decisions, inflation impacts and increases resulting from contracts.

A total of **\$603,100** has been added to the base budget for:

Human Resources/Human Resource Services: \$455,000

This includes wage and benefit cost increases related to the collective agreement, grid progression, and benefit rate increases including an anticipated OMERS rate increase. Also included is \$105,000 in unsustainable cuts which were made during the 2010 budget process in order to reach the 0% target set by City Council.

Purchased Services: \$33,100

This includes an increase in insurance, as well as small increases to bank charges (as a result of installation of debit/credit machines), the security budget and the estimated impact of the HST.

Utilities: \$40,000

This is an estimated increase, due to rising utility costs.

Reserve fund contributions: \$20,000

A one time increase in the sick leave reserve contribution will ensure that this liability is fully funded, with the last contribution projected for 2016. The liability at the end of 2009 is \$525,000 and the current balance in the City held reserve is \$233,000.

Revenues: \$55,000

A draw down on the energy (stabilization) reserve during the 2010 budget process, in order to reach the 0% target set by City Council, is unsustainable.

2. PROGRAM INCREASES

The intent of this category is to reflect program increases resulting from a growing Library, increased demand for a particular service, or service expansion resulting from legislative requirements.

\$75,000 in increases were identified:

Technology Services: \$75,000

Costs for providing internet connectivity and bandwidth are estimated to increase by \$75,000.

3. NEW INITIATIVES

This category includes planned new initiatives within the budget target supported by the business plan, old services which are being discontinued, new services offered, or increased/reduced service levels.

A total of **\$161,000** is required:

The City made an adequate allowance for 2010 expenses associated with the new Northeast Branch Library. An additional \$206,000 is budgeted for 2011 operating costs associated with the new branch. These costs include salaries and utility and facility costs.

Savings associated with the June 2010 closure of the Northridge branch (rent, utility and facility costs etc.) are \$45,000.

4. PROGRAM REDUCTIONS

This category includes program reductions as a result of reduced volumes or reductions brought forward to comply with budget target cost reductions.

In order to meet the 2011 budget target, the following actions totaling **\$110,100** in savings/additional revenue have been identified:

Additional fine revenue: \$10,000

The fines budget has been increased to reflect sustained revenues with the installation of debit/credit machines and the upcoming e-commerce option.

Purchased services: \$72,600 and Reserve Fund contributions \$2,500

This represents recovering the Library's direct and overhead costs for the Employment Resource Centres as permitted under the terms of the current MTCU service agreement (\$60,000), a reduction in the Marketing budget (\$8,600) and the absorption of the estimated HST impact into individual budget lines (\$4,000). It should be noted that the ERC contribution is not sustainable because of the uncertainty of the long term viability of the ERCs.

The annual contribution to the vehicle reserve fund will be eliminated (\$2,500).

Technology services: \$25,000

Changes will be made to the technology budget in order to absorb the increased costs associated with internet connectivity.

Summary of 2011 Budget Changes

2010 Budget	17,085,842	
Base budget	603,100	
Program increases	75,000	
New Initiatives	160,000	
Program reductions	<u>(110,100)</u>	
Total increase	728,000	4.3%
2011 Draft Budget	17,813,842	

NEXT STEPS

Any reduction to the budget target during the City of London budget process may require potential service reductions. Unsustainable reductions made during the budget process will have a negative impact on subsequent budget years.

Upon Board approval, Library Administration will draft the budget. The draft, in City format, will be submitted to City staff by September 10. The Financial Planning and Policy Technical Review of the Library's draft budget will take place between October

12 and November 5. Library Administration will then bring the final budget draft, in City format, to the November Board meeting.

The general property tax supported, water and wastewater budgets will be tabled on December 20, 2010 and approval of the general property tax supported budget will take place during the week of February 28, 2011 (tentative).