



REPORT TO THE LIBRARY BOARD

MEETING DATE: AUGUST 11, 2011

Session:	Public Session
Subject:	LPL 2012 Business Plan & Cases (City of London Business Planning Process Submission) & 2012 Operating Budget Part II: LPL 2012 Operating Budget
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Purpose of Report:	For Approval <input checked="" type="checkbox"/>

RECOMMENDATION:

It is recommended that the Library Board:

- **Receive the attached London Public Library Business Plan and Cases submitted to the City of London as part of the City's 2012 Business Planning and Budgeting Process and**
- **Approve the LPL 2012 Operating Budget recommendations.**

Note: At the time of the mailout / posting of the Board Reports on the LPL website, work was still underway on drafting the *LPL 2012 Operating Budget* recommendations. This report is an addendum to the report issued previously.

PART II: LPL 2012 OPERATING BUDGET BACKGROUND AND RECOMMENDATIONS

ISSUE/OPPORTUNITY

The budget targets established at the Municipal Council's session on May 31, 2011 are in principle and are not approved. The "working" 2012 operating budget target for the Library Board is 1.5%. The Library forms part of the Culture Service Grouping, which has been given an overall 1.5% working target.

BACKGROUND & REVIEW

The *2012 LPL Operating Budget* builds upon the *2011 LPL Operating Budget* expenditure and projections for the year-end position, and forecasts for 2012. It also focuses on the continued integration of the Business Plans with the budgets and forecasts.

The Library's budget has been developed assuming a 1.5% increase, recognizing that the target was established in principle and could change during budget deliberations. The budget is developed following the Library Board *Guiding Principles* in order to flat line, reduce costs and seek efficiencies wherever possible in order to meet the budget target (May 19, 2011, Motion L11/40.2).

Revenue Opportunities

One of the Guiding Principles for the development of the *2012 LPL Operating Budget* states that the Library will continue to seek revenue opportunities.

Over the last number of years, London Public Library has developed varying sources of revenue and continues to search for and develop ideas for revenue generation. LPL operating revenues, aside from the City of London allocation, total \$1,519,397 (2011 budget).

The Library receives an "Operating Grant" annually from the Ministry of Tourism and Culture, Province of Ontario. Library operating grants are statutory under the *Public Libraries Act*. The operating grant for 2011 is \$598,829. Despite the advocacy efforts of the Federation of Ontario Public Libraries, of which LPL is a member, there will be no increase to the operating grant for 2012 and so this source of funding will be flat-lined in the *2012 LPL Operating Budget*.

The Library's financial statements reflect several other categories of revenue: fines and fees; operating revenues; rental revenues; and business revenues. The total 2011 budget for the other categories is \$923,468. Any increase to revenue would be through these streams.

The Library Board, at its meeting of May, 2011, requested that this budget report include a brief snapshot of LPL sources of operating revenue.

See Appendix A: London Public Library Operating Revenues

Budget Pressures

Issues that could impact the 2012 budget include:

- *Ontario Municipal Employees Retirement System (OMERS)*: 2012 will be the second year of an OMERS increase.
- *AODA*: Work has begun to address customer service, built environment and communication standards across the organization.
- *High levels of usage*: Ongoing high levels of library use, continued increases in use and meeting public demands are placing a strain on the sustainability of resources.
- *Demand for services to newcomers*: LPL has a long tradition of providing services to newcomers to Canada who seek out library collections, e.g. materials in world languages and English learning language materials, and programs such as language learning circles. Collections had heavy use in 2010 and 2011. Future increases in immigration could place additional demands on the Library's budget.
- *The potential elimination of LPL Employment Resource Centre funding by the Ministry of Training, Colleges and Universities (MTCU)*: In 2008, the MTCU announced a plan to transform Employment Ontario. The goal of the ***Employment Ontario Transformation 2009*** strategy is to move towards one-stop shopping for clients. While not a certainty at this time, the ERCs could be phased out as a result of this approach, which would have service and financial implications for the Library. A Business Impact Statement presented to CAPS on March 2, 2009 was referred, with recommendations, to Board of Control, which approved the recommendations at its March 4, 2009 meeting. The Library has outlined this issue in previous reports. It is anticipated that the funding will end in March 2012 but this has not been confirmed by MTCU.

RECOMMENDATIONS

City of London Budget Format

The City budget format, which was introduced for the 2011 budget, separates budget changes into four categories:

- Base;
- Program Increases;

- New Initiatives, and
- Program Reductions.

Recommended Changes

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.

It is recommended that a total of \$266,910, which represents a 1.5% increase over 2011, be added to the base budget for:

Human Resources: \$309,510

This includes previously negotiated wage and benefit cost increases related to the collective agreement (which expires at the end of 2012) and benefit rate increases including an anticipated OMERS rate increase. Savings through gapping and vacancy management have been included.

Purchased Services: (\$15,100)

This reduction represents various line adjustments based on the prior year's experience. Included is an adjustment to insurance. The 2010 budget was based on the City's projection; however, the actual expense was lower than anticipated. Adjustments to the audit, bank charges, memberships and telephone lines have also been made in order to reflect experience.

Facilities Services: \$11,700

An adjustment has been made to the rent line to reflect increases in C.A.M. (Common Area Maintenance) charges for the leased properties (Cherryhill, Pond Mills and Sherwood branches).

Reserve Fund Contributions: \$5,800

A contribution to the vehicle reserve fund held by the City which was eliminated in order to meet the 2011 budget target has been restored. The contribution to the City held self-insurance reserve fund has been increased, based on the City's projection for 2012.

2. Program Increases and 3. New Initiatives:

There are no recommended program increases or new initiatives for 2012. The Stoney Creek Library was funded through budget increases in 2010 and 2011 as a new initiative and now forms part of the base budget.

4. Program Reductions

Purchased Services: (\$45,000)

An additional savings of \$45,000 under purchased services 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. It should be noted that the ERC contribution is not sustainable due to the uncertainty of the long term viability of the ERCs. Savings through gapping and vacancy management have already been included in the Human Resources budget line under 1. Base Budget Changes.

NEXT STEPS

The budget guidelines were released on June 8, 2011. The Capital Budget submission is due to the City of London on August 5 and the Operating Budget submission is due on September 1. The technical review process by Financial Planning and Policy Staff will take place during September and October, with the Corporate Management Team review scheduled for November.

The general property tax supported budget will be tabled on December 6, 2011 and will be approved on February 16, 2012 (tentative).

APPENDIX A: LONDON PUBLIC LIBRARY OPERATING REVENUES

Library revenue generation is governed by legislation and Library Board policy. Under the Ontario *Public Libraries Act* (RSO 1990, Chapter P.44, Sections 23.3 and 23.4), a library may not charge for admission or for the use of library materials. It also addresses in broad terms the Board's ability to charge for fines, meeting rooms and some services. The Library's *Monetary Charges Policy* (F-R-01) governs all monetary charges established and charged by LPL for core and non-core services, goods, products and/or consumables. See Board 'Monetary Charges Policy': <http://www.londonpubliclibrary.ca/sites/default/files/Monetary%20Charges.pdf>

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The Library receives an "Operating Grant" annually from the Ministry of Tourism and Culture, Province of Ontario. Library operating grants are statutory under the *Public Libraries Act*. The operating grant for 2011 is \$598,829. The annual operating grant was cut significantly over a decade ago and has not increased since that time. In 2010/2011, a one-time contribution of \$80,200 was made to LPL as part of a fourth quarter investment of \$15 million, by the ministry, to help "support public libraries to bridge the digital divide and to provide all Ontarians with equitable access to digital information, community collections and services". LPL's allocation was used for the purchase of collections. Despite the advocacy efforts of the Federation of Ontario Public Libraries, of which LPL is a member, there will be no ongoing increase to the operating grant for 2012. Thus, LPL will budget for no increase to this grant for the 2012 Operating Budget.

The Library's financial statements reflect several other categories of revenue: fines and fees; operating revenues; rental revenues; and business revenues. The total 2011 budget for the other categories is \$923,468.

Fines and Fees

The Library charges fines on overdue materials, replacement fees for lost materials, non-resident fees, etc. The 2011 budget for fines and fees is \$534,000.

Operating Revenues

This category includes charges for the use of photocopiers and copy cards, and printing. Over the past ten years, consumable items have been introduced and the library charges for library plastic and hemp bags, head phones, USB flash drives etc. There is a charge for some library programs. A recent addition to operating revenues has been exam proctoring. Investment income, as well as revenue from vending machines, is also included in this category. The 2011 budget for operating revenues is \$137,000.

Rental Revenue

The Library charges for rental of meeting room space, equipment and, as required, the use of media and security services for events. Thirteen of the sixteen locations offer meeting room space. The 2011 budget for rental revenue is \$202,441.

Business Revenue

Space is leased to various organizations. The Central Library currently leases space to the Red Roaster Café, London Arts Council, and Pillar Nonprofit Network. Space at the Sherwood, East London and Beacock branches has also been leased to other organizations. This category also includes fees for research services. The 2011 budget for business revenue is \$50,027.