

LPL Financial Management & 2011 Operating Budget

Library Board Meeting of
January 13, 2011

Purpose

To assist with the review of the 2011 LPL Operating Budget and City of London appropriation request

Part I

Background on the Library's
Financial Management Framework

Part II

Draft 2011 Operating Budget

Part III

Potential Actions

Part I:

Background on Financial Management Framework

- Sources of Funding
- Resource Allocation and Expenditure

Sources of Funding

City of London	Annual appropriation
Province of Ontario	Annual grant from Ministry of Tourism & Culture
Library Revenues	Fines, fees, rental, leases and other monetary charges
Reserve Fund Contributions	Drawdown from LPL Stabilization Fund (unsustainable)
Grants, Contributions	Funds from other sources that are project specific for non-core services.

The 5 Types of Library Funds

Operating	For the daily operations of the Library to support the Library's <i>core services</i>
Capital	For the building of new facilities; renovations, replacements or repairs to existing facilities; and to support information technology infrastructure
Non-operating	For supporting non-core services and specific projects, which receive specific financial support from other sources
Reserve Funds	Accumulated in advance of a large projected cost to minimize the impact on the operating budget, to comply with a specific law, or to meet potential liability
Trust Funds	Comprised of monies received from the community in the form of bequests and donations

Resource Allocation

Human Resource Costs	Wages and benefits
Human Resource Services/Administrative Costs	Expenditures for staff development, registrations and conferences and travel and mileage
Purchased Services	Equipment leases and repairs, marketing and communications costs, stationery and supplies, telephone, insurance costs etc.
Technology Services	Computer lease costs, hardware, software, connectivity (bandwidth and ISP) costs
Utilities and Facilities	Utility costs as well as building repairs and maintenance, rents for leased properties, and vehicle expenses

Resource Allocation

Collections and Lending Services	Expenditures for books, information databases, CDs, DVDs, audio books, e-books and periodicals and magazines
Program Services	Expenses associated with offering Library programs
General	Miscellaneous costs such as courier expenses
Reserve Fund Contributions	Annual contributions to sick leave, insurance and vehicle reserves.
Furniture and Equipment	Expenditures for furniture repair and replacement and equipment such as book trucks.

Budget Development Process

Operating Guiding Principles

Operating Budget Background & Targets

Draft Operating

Draft Capital

Service Based Planning – New Initiatives
with Budget Implications

Submission of Budgets and Cases to City of
London

Technical Review

Committee of the Whole

Council Approval

Part II
London Public Library
2011
Operating Budget

2011 LPL Operating Budget: Expenditure

Expenditure	2011 Budget (\$000)	% of Total 2011 Budget	2010 Budget (\$000)
Human Resources Costs	\$13,419	69.4%	\$12,811
Human Resources Services/ Administrative Costs	103	0.5%	101
Purchased Services	598	3.1%	574
Technology Services	699	3.6%	744
Utilities	856	4.4%	794
Facilities	1,391	7.2%	1,389
Collections and Lending	2,064	10.7%	2,054
Program Services	71	0.4%	69
General	6	0.0%	6
Reserve Fund Contribution	91	0.5%	73
Furniture and Equipment	44	0.2%	44
Total	\$19,342	100.0%	\$18,659

2011 Operating Budget: Revenue

Sources of Revenue	2011 Budget (\$000)	% of Total Budget	2010 Budget (\$000)
City Appropriation	\$17,814	92.1%	\$17,086
Provincial Grant	599	3.1%	599
Fines, Fees	519	2.7%	509
Operating Revenues	146	0.8%	146
Rental Revenue	185	1.0%	185
Business Revenue	79	0.4%	79
Reserve Fund Contribution	0	0.0%	55
Total	\$19,342	100%	\$18,659

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Increase to City Appropriation

Total 2011 Budget Request (Expenditure less Revenue)	17,813,842	
2010 Approved Budget Request	<u>17,085,842</u>	
Net Increase Requested to City Appropriation	728,000	4.3%

Explanation of Changes within Budget

Four Categories of Changes

1. Base
2. Program Increases
- ~~3. New Initiatives~~
4. Program Reductions

Explanation of changes within the Budget

1. Base

\$491,000

Wages, Grid Progression and associated benefits, OMERS increases

Increase in purchased services

Inflation in utilities costs

Sick Leave Reserve Contribution

Unsustainable 2010 energy reserve drawdown

Increased insurance and bank charges

Inflationary increase in bandwidth and internet connectivity costs

Explanation of changes within the Budget

2. Program Increases:

Stoney Creek Branch Library

\$283,662

City Capital Plan resulting from growth, DC 10 year plan

Costs were included in the Library's 4.3% target approved by Council (BOC report, June 9, 2010)

Opened, as part of the Stoney Creek Community Centre, YMCA and Library in response to population growth and increased demand in the northeast

Northridge Branch closed in 2010 as part of operations plan

Total net annual operating cost: \$483,662 including expenditures for human resources, utilities, technology services, facility services, etc.

Explanation of changes within the Budget

3. Program Reductions

\$46,000

Reduction in marketing budget

Absorption of additional connectivity costs to maintain current service levels by extending computer lease terms

Elimination of 2011 contribution to vehicle reserve

Anticipated increase in fine revenue

Summary of Changes in Budget

Base budget increase	491,000	
Program Increases (Stoney Creek)	283,000	
Program Reductions	<u>(46,000)</u>	
Net increase	728,000	
Total 2011 Budget Request (Expenditure less Revenue)	17,813,842	
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Net Increase in Appropriation Requested	728,000	4.3%

Part III

Potential Actions

Criteria for Analysis of Budget Actions

Service Impact	Community needs
	Service accessibility
	Potential short and long-term impact on service satisfaction and utilization
	Stakeholder response
	Related legislation and policy
	Risk management
2011 Net Revenue & Savings	Ease of implementation, including milestones and timelines
	Cost avoidance
Sustainability	Structure and staffing
	LPL 2010-2013 Strategic Plan
	Flow-through from 2010 budget (e.g. vacancy management)
	Short-term sustainability, i.e. 2012 budget
	Long-term sustainability, i.e. 2013-2015

Potential Reductions to Operating Request

- Utilities Cost Reduction
- Wage Management
- Elimination of Sunday Service
- Reduction of Collections
- Glanworth Branch Location Closure

Utilities Cost Reduction : \$40,000

Background :

Through conservation measures, LPL was able to reduce consumption in 2010. Based on experience, full amount of budgeted increase for utilities will not be necessary. Energy conservation efforts currently underway will be increased.

Service Impact

No service impact

2011 Revenue & Savings

Utilities budget reduction: \$40,000

Sustainability

Risk factors are significant inflation or severe weather impact

LPL Strategic Plan: Plan includes energy strategy including green audit and plan to identify further possible energy reductions/cost savings

Wage Management in 2010

To reach 2010 budget target:

- Collective Agreement settlement, 2010-2012
- Vacancy management
- Reduced service hours on Sundays

Vacancy Management

Potential Budget Reduction \$45,000

Background :

- Vacancy management is accomplished by two strategies: gapping positions or temporarily filling the position with casual staff, reducing wage and benefit costs
- LPL has used vacancy management to meet its 2010 base salary budget

Service Impact

Continuing vacancy management limits outreach in the community as resources are directed to maintaining in house services

Increases transitory nature of staffing which negatively impacts customer relations and service levels, staff morale and increases administrative overhead

Negative impact on internal customer services

Vacancy Management

Potential Budget Reduction \$45,000

2011 Revenue & Savings

\$45,000 annual savings

Sustainability

Sustainability is compromised in future years

Risk: Library has projected service growth in future years based on past public response (attendance and circulation)

The LPL Strategic Plan (2010-2013), under the Strategic Priority: Operational Excellence, identifies service review for key areas in order to ensure effective and efficient services and operations

Eliminate Sunday Service

Potential Budget Reduction \$30,000

Background :

- Service hours were reduced in 2010 from 4 hours to 3 hours per Sunday
- Cut made to wages to realize \$14,000 as part of achieving 0 % 2010 target
- Attendance: 20,829 (2009/10) and 27,629 (2008/09)

Service Impact

Erosion of ability to meet public needs, demands and expectations

Negative audience impact: students, London Room researchers, downtown residents

Negative public response

Reduced library attendance and usage

2011 Revenue & Savings

\$30,000 annual savings , including .5 FTE in casual and page staff hours, if implemented March 6 2011

Sustainability

Sustainable; permanent service cut; at \$40,000 per year for annualized savings

Negative impact of ability to support downtown

Close Glanworth Branch Library

Potential Budget Reduction **\$10,000**

Metrics	Attendance	Attendance	Circulation
	2010	1,603	4,020
	2009	1,519	4,752
	2008	1,325	3,949
	Number of cards =108	67 London residents 40 Elgin residents &1 Middlesex resident	
	Active cards = 50	30 London residents 20 Elgin residents	
Service Impact	Reduction of geographical accessibility		
	Ability to support City of London strategic priorities: Community Vitality and Creative, Innovative and Diverse City		
	Negative impact on ability to meet public needs, demands and expectations		
	Negative public response		
	Reduced library attendance and usage		

Close Glanworth Branch Library

Potential Budget Reduction \$10,000

Background :

- LPL owns the property

2011 Revenue & Savings

\$10,000 annual net savings

Business Liability Issue: Does not meet accessibility and other building standards; Capital costs to bring to standard is \$125,000 in 2009 dollars

Sustainability

Sustainable

Reduce Collections Budget

Potential Budget Reduction \$100,000

Metrics:

Actual 2009 Circulation = 4,032,752

Unaudited 2010 Circulation = 4,038,334

Projected 2011 Circulation = 4,487,100

Background : \$100,000 was added in the 2010 in order to develop e-books, e-audiobooks, e-video services, database subscriptions, teen and children's collection revitalization, adult fiction, and book club in bag services. All new formats have been extremely popular along with maintaining high circulation in traditional formats

Service Impact

Priorities for 2011 will be seriously affected, e.g.:

- long patron wait lists for heavy demand items, resulting in patron dissatisfaction with service
- ongoing revitalization of Central Library collection
- reduced support for resources for newcomers, including current materials in world languages and English language learning materials
- inability to support increasing demand for e-books resulting in fewer titles and longer wait times; no upgrades to support multiple users

Reduce Collections Budget

Potential Budget Reduction \$60,000 - \$100,000

	<ul style="list-style-type: none">•Replacing VHS materials with DVDs system wide
	Serious erosion of collection development collections relevancy, currency and accessibility
2011 Revenue & Savings	\$60,000 - \$100,000
Sustainability	Not sustainable beyond 2015
	Greater budget expenditure required in future years to “catch up” in order to meet service standards
	Reduction of perceived relevancy of LPL resulting in lower usage of all services/facilities

POTENTIAL REDUCTIONS TO OPERATING REQUEST OF \$728,000 (4.3%) (000's)			
Budget Reduction	Scenario #1	Scenario #2	Scenario #3
Salaries		\$ (15)	\$ (15)
Utilities Reduction	\$ (40)	\$ (40)	\$ (40)
Eliminate Sunday Service	\$ (30)	\$ (30)	\$ (40)
Vacancy management		\$ (45)	\$ (45)
Close Glanworth Branch	\$ (10)	\$ (10)	\$ (10)
Reduction in collections budget	\$ (60)	\$ (60)	\$ (100)
TOTALS	\$ (140)	\$ (200)	\$ (250)
2011 Net Budget Request	4.3%	4.3%	4.3%
Less Program Increase (Stoney Creek)	less 1.7%	less 1.7%	less 1.7%
Budget Request less Stoney Creek	= 2.6%	= 2.6%	= 2.6%
% impact on budget of scenario	-0.8%	-1.2%	-1.5%
Remaining budget increase (excluding Stoney Creek)	1.8%	1.5%	1.2%
Total budget increase (including Stoney Creek)	3.5%	3.1%	2.8%
	\$ 588	\$ 528	\$ 478

Next Steps

January 13	LPL 2011 Operating Budget – Library Board Meeting
January 14	Library Board correspondence with City Council and Civic Administration
January 29	Community Feedback at Malls, Members of Council & Administration
February 2	Public Participation, Committee of the Whole
February 8	Wastewater, Water Operating & Capital; Property Tax Supported Capital
February 9	Property Tax Supported Capital
February 16	Operating
February 17	Operating Service Changes Review
February 22	Property Tax Supported Review (If required)
February 28	Capital and Operating Budget Approval, City Council