

**Report to / Rapport au:**

**Ottawa Public Library Board  
Conseil d'administration de la bibliothèque publique d'Ottawa**

**November 10, 2015 / 10 novembre 2015**

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**File Number: OPLB-2015-0093**

**SUBJECT: 2016 Draft Operating and Capital Budget Estimates and Three-Year  
Capital Forecast**

**OBJET: Prévisions des budgets provisoires de fonctionnement et  
d'immobilisation de 2016, y inclus les prévisions d'immobilisations  
sur trois ans**

**REPORT RECOMMENDATIONS**

- 1. That the Ottawa Public Library (OPL) Board receive and table the 2016 Draft Operating and Capital Budget Estimates;**
- 2. That the 2016 Draft Operating and Capital Budget Estimates be tabled at City Council for consideration at its meeting of November 12, 2015;**
- 3. That the Board receive the draft funding request for \$3.9M to further the work required for the Central Library Development Project; that in addition to OPL funds of \$1M for the project, the OPL request that Ottawa City Council fund the balance of \$2.9M from city reserves; and,**
- 4. That the Board receive the three-year capital forecast for information.**

## **RECOMMANDATIONS DU RAPPORT**

- 1. Que le Conseil d'administration de la Bibliothèque publique d'Ottawa (C.A.) prenne connaissance des estimations des budgets provisoires de fonctionnement et d'immobilisation de 2016;**
- 2. Que les estimations des budgets provisoires de fonctionnement et d'immobilisation de la Bibliothèque publique d'Ottawa soient soumises au Conseil municipal, aux fins d'examen à sa réunion du 12 novembre 2015;**
- 3. Que le Conseil d'administration prenne connaissance d'une demande de fonds de 3,9 millions de dollars afin de poursuivre les travaux nécessaires dans le cadre du projet d'aménagement de la Bibliothèque centrale et que, outre les fonds d'un million de dollars consacrés par la BPO à ce projet, la BPO demande au Conseil municipal d'Ottawa de financer le solde, soit 2,9 millions de dollars, à partir des réserves de la ville;**
- 4. Que le C.A. de la Bibliothèque publique d'Ottawa prenne connaissance des prévisions en immobilisation, à titre d'information.**

## **BACKGROUND**

As per the *Public Libraries Act*, the Ottawa Public Library (OPL) is required to submit annually, on or before the date and in the form specified by Ottawa City Council (Council), operating and capital budget estimates. Final budget approval is granted by Council.

At its meeting of October 14, 2015, Council approved budget directions to guide City of Ottawa (City) staff, boards, and agencies in the development of the 2016 budget. Through this direction, OPL learned that it would receive a 1.75% increase to its 2015 budget envelope (\$1.041M in additional funding) to be used as required, either in operating or capital accounts.

OPL's 2016 proposed draft budget envelope consists of:

<b>2016 Draft Budget</b>	<b>\$,000</b>
2015 Net Operating Expenditures	41,719
2015 Capital Pay As you Go (PAYG)	2,602
2015 Total Net Budget	44,321
2016 Budget Target	1,041
2016 Total Net OPL Budget Envelope	45,362
Lifecycle OPL Program – City Allocated	935
Total 2016 Budget Envelope with City Allocation	46,297

## DISCUSSION

In developing the 2016 draft budget, staff used a balanced approach, ensuring alignment with approved Board 2015-2018 strategic priorities, focusing on long-term stability, while providing day-to-day stewardship of accounts. Staff also considered the following when developing the draft budget:

- Requirements to deal with non-discretionary costs associated with maintaining existing services;
- Completion of strategic priorities already underway (e.g. completion of branch conversions to radio frequency identification technology (RFID));
- Previously approved Board planning documents (e.g. library's facilities renewal priorities, the Development Charges Strategic Framework);
- The City's Tangible Capital Assets (TCA) Policy;
- How best to fund ongoing planning needs for the Central Library Project; and,
- Council's 2015-2018 strategic priorities.

## 1. Proposed 2016 Draft Operating Budget

OPL has been allocated \$1.041M in its draft 2016 budget to manage operating and capital pressures. As such, OPL must ensure that sufficient funds are available to address all the required contractual agreements, growth-related needs, and strategic priorities and services within the prescribed total funding envelope of \$45.362M.

The proposed draft budget:

- Addresses mandatory requirements;
- Supports completing the roll out of RFID technology at the 10 remaining locations;
- Complies with TCA Policy requirements;
- Addresses lifecycle issues related to technology and facilities;
- Implements Phase II of the revenue shortfall strategy;
- Supports a refreshed Facilities/Growth Study;
- Provides for ongoing planning for the Central Library Development Project; and,
- Contains no new Full-Time Equivalents (FTEs).

If approved, the following requirements will be supported from the \$1.041M increase to the budget envelope.

- **Compensation Adjustment – OPL Employees (\$730K):** This amount is required to meet anticipated contractual obligations rising from upcoming collective bargaining.
- **Parks, Building and Grounds (PBG) Increase – Compensation and Facilities Adjustments for OPL/City Business Partners (\$85K):** This amount represents required adjustments needed for PBG provision of essential services to OPL, as well as inflationary costs related to operating OPL facilities.
- **Phase II – Revenue Mitigation Plan (\$70K):** With the implementation of e-mail notifications and increased circulation of e-Materials, OPL has seen a drop in its revenue stream over the past years. In 2015, Phase I of the Revenue Mitigation Strategy allocated \$150K from the budget envelope to help off-set the shortfall. Given that this trend is continuing at a slower rate, staff recommend that \$70K be allocated from the 2016 envelope to further mitigate this situation.

In addition, staff recommend meeting room rental practices be harmonized across the library system. Currently, some branches rent meeting rooms on an hourly basis, while others rent meeting rooms in four-hour increments. These discrepancies are the result of legacy practices that have been in place since amalgamation. Staff recommend normalizing all meeting room bookings to hourly increments, with no changes in 2016 rental rates (Appendix A). This change would align OPL's practices with other City facilities, and maximize rental opportunities. This change is reflected in the updated User Fee Section of the City Budget Book (Document 2).

- **Maintenance – Materials Handling (\$15K):** Funding is required to cover inflationary increases to existing mandatory maintenance contracts for RFID-related equipment and software (e.g. transit bins, self-check units, gates, sorters).
- **Ottawa Central Library Compensation Recovery from Capital (-\$130K):** Current financial practices allow for cost-recoveries of salaries to be charged against major capital projects. With this approach, \$130K will be available in the operating budget through offsetting costs of the Project Manager and the Administrative Support positions in the capital budget request for the Central Library Development Project.
- **One-time Reduction to the Materials Budget (-\$500K):** A one-time transfer from OPL's materials budget would provide 50% of OPL's share of required funds for ongoing Central Library Development planning purposes.
- **One-time Transfer from Library Reserves (-\$227K):** This is required to assist with funding the Central Library Development project. It is anticipated that funds will continue to exist in OPL's reserve accounts, after the 2015 year-end deficit is addressed.
- **Increase in Pay As You Go (PAYG) for 2016 Capital plan (\$703K):** An increase to the capital PAYG requirement is required to provide \$1M in OPL funding for the Central Library Development project. This contribution is made up of the \$500K one-time reduction to the materials operating budget, a \$227K

transfer from Library reserves, and a one-time \$273K allocation from the budget envelope.

In addition, staff recommend a series of one-time transfers from capital to deal with the following operating pressures:

- **Material Transit Bins (\$125K):** In order to maximize the use of the automated materials handling (AMH) equipment, a one-time transfer from capital to operating is required to fund transit bins. Transit bins are standardized equipment required for moving materials around the system in an ergonomic and efficient manner.
- **Alternative Services Lifecycle (\$65K):** Kiosks at the Hunt Club-Riverside Park Community Centre are nearing end-of-life and require updating of internal and external components to ensure uninterrupted service.
- **RFID/Customer Service Training (\$105K):** A one-time transfer from capital to operating is required to increase the training budget for RFID implementation and the new service delivery model. The training empowers employees with the right tools and skill sets in an RFID-enabled environment and is a requirement in the introduction of this technology in new locations in 2016. It is likely that OPL will bring forward a similar but proportional request to complete RFID implementation training requirements in 2017.

The 2016 proposed draft operating budget is summarized in Table A.

<b>Table A - 2016 Draft Operating Budget</b>	<b>\$,000</b>
<b>2015 Net Operating Budget</b>	<b>41,719</b>
<b>Description</b>	
2016 COLA	730
2016 PBG	85
Phase II Reduced Revenue Mitigation Plan	70
Maintenance - Materials Handling	15
Central Library Development Project - Compensation Recovery-Capital	-130
Reduction to Materials Budget for Central Library project (One-Time)	-500
Transfer from Library Reserves (One-Time)	-227
Increase to PAYG for 2016 Capital Plan	703
Material Transit Bins (One-Time)	125
Alternative Services Lifecycle (One-Time)	65
RFID / Customer Service Training (One-Time)	105
<b>Total 2016 Pressures</b>	<b>1,041</b>
<b>Total 2016 Net Operating Base</b>	<b>42,760</b>

## 2. Proposed 2016 Capital Budget

OPL's 2016 capital requirements fall into one of four categories: renewal of City assets, strategic initiatives, lifecycle programs (managed by the City on OPL's behalf), and growth. Staff have identified expenditures in three of these categories as follows:

### a) Strategic Initiatives

- **RFID Projects (\$2.055M):** By the end of 2015, 70% of all library branches will be converted to RFID technology and the new service delivery model. The proposed approach in 2016 is to secure \$2.055M as the final installment for capital funding requirements. Fit-up, security, and technology purchases are required for the conversion of the remaining 10 branches to complete this OPL self-funded, long-standing Board priority.

- **Technology Lifecycle (\$150K):** Funds are required to support the replacement of key library automated systems that have reached end-of-service-life status as well as replace public Wifi controllers and other network infrastructure.
- **Accessibility Technology (\$85K):** Funds will be used for the first year of a three-year plan to replace accessible public workstations in each library location.

b) Growth Initiatives

- **OPL Facilities/Growth Study (\$100K):** The last Library Facilities Investment and Growth Planning Study was completed in 2010. This planning study requires regular review and updating, including application of the current 2014 Development Charge By-law. This full review will identify future OPL facility requirements needed to meet growth projections. To leverage Development Charge funding for appropriate projects, OPL is required to pay a percentage of the overall funding request. This study requires an OPL contribution of 15% or \$15K of the \$100K total. The remaining \$85K would be funded from Development Charge accounts.
- **OPL Lifecycle Program (\$935K):** City funding is provided on an annual basis for the replacement and repair of key components of OPL facility infrastructure. In 2016, planned projects include elevator modernization and the replacement of heating and cooling equipment at various library branches. Although the City provides the funding required for this work, the \$935K is included in budget documentation to represent a total OPL capital requirement. (See Document 2, City Budget Book).



The 2016 proposed draft capital budget is summarized in Table B.

<b>Table B - 2016 Draft Capital Budget</b>	<b>\$,000</b>
<b>Strategic Initiatives</b>	
RFID Projects (Construction and Equipment), at the following branches	2,055
Blackburn Hamlet	155
Centennial	220
Manotick	170
North Gloucester	270
Rideau	175
Rosemount	100
St. Laurent	290
Stittsville	230
Sunnyside	375
Vanier	70
Technology Lifecycle	150
Accessibility Technology	85
2016 OPL Facilities/Growth Study - Library Reserve Portion	15
<b>Total Strategic Initiatives</b>	<b>2,305</b>
<b>Growth</b>	
2016 OPL Facilities/Growth Study	85
<b>Total Growth</b>	<b>85</b>
<b>2016 Total Capital Including Growth</b>	<b>2,390</b>
Lifecycle OPL Program - City Allocated	935
<b>Total Capital Program</b>	<b>3,325</b>

### 3. Central Library Development Project Planning

To further the planning for the Central Library Development Project, capital funding of \$3.9M is required in 2016.

On June 9, 2015, the OPL Board approved moving forward with the Central Library development. On July 8, 2015, Central Library Development was approved as a strategic initiative in the 2015-2018 Term of Council Priorities (Report No: ACS2015-CMR-OCM-0016). With this designation, Central Library became an official project and the project planning phase commenced.

Central Library Development is a complex, non-traditional project. As outlined in Board motion 20150609/3, the following information is known about the project: new build, size, geographic area, and the requirement to have easy access to a Light Rail Transit station on the Confederation Line. Critical planning information not yet known includes: site, budget, funding sources, and the project delivery method. This information must be obtained through the planning process to provide the Board and City Council with required data and analysis to support future decisions and approvals.

Capital funding of \$3.9 M is required to complete the following planning activities:

Area	Key Activities
Project Management	Resources, legal services
Stakeholder Engagement	Communications, public engagement, development of an Advocacy Framework
Procurement Process	Fairness Commissioner, Request for Qualifications process, Request for Proposal process
Design	Functional Building Program, indicative design (Advocate Architect)
Exemplar Site Analysis	Studies related to zoning and Official Plan applications, completion of the Phase II Environmental Site Assessment; required for development of the Public Sector Comparator
Financial Analysis	Analysis of project delivery methods, Value for Money analysis, investigation of potential funding sources, development of a Fund-raising Framework

OPL cannot fund this requirement through existing budgets and reserve funds. Although funding to advance the Central Library Development Project to this point

has been managed internally, the 2016 requirement exceeds OPL's capacity to self-fund.

OPL has been working with the City's Finance Department to develop a funding solution. Staff recommend that OPL self-fund \$1M of the 2016 requirement with the balance of \$2.9M funded by the City through the use of City reserves. The following funding sources are proposed:

OPL Funding Sources:

- **One-time Transfer from Operating to Capital (\$500K):** A one-time transfer from the library's materials budget would provide half of OPL's share of the 2016 planning requirement.
- **One-time Draw on OPL's Reserve Fund (\$227K):** The current balance in the OPL reserve fund is \$2.2M. Taking into account the 2015 projected deficit due to the Pay Equity Tribunal Decision, it is anticipated that this will drop to \$600K at year-end, when the deficit is expunged from the books. It is recommended that \$227K be withdrawn from the Library's reserve fund to complete the OPL portion of the Central Library Development Planning.
- **One-time Central Library Development PAYG (\$273K):** Funds from the capital budget will be used to advance planning for the Central Library Development Project and will support project planning through completion of Stage 3 of the approved implementation process in order to determine the project delivery method, procurement process, site location, project budget, and funding required for a new Ottawa Central Library.

City Funding Source:

- **Request to Ottawa City Council (\$2.9M):** Staff recommend that the Board request that the balance of funds required to sustain ongoing planning for the Central Library Development Project be funded through City Reserves.

Table C outlines the proposed Central Library Development Project funding.

<b>Table C 2016 Draft Central Library Development Project</b>	<b>\$,000</b>
Transfer from Base Operating – OPL Library Materials (One-Time)	500
Transfer from OPL Reserve for Central Library Development Project	227
Central Library Development – PAYG (One-Time)	273
<b>Total OPL Funding</b>	<b>1,000</b>
City of Ottawa – City Reserves	2,900
<b>Total Funding</b>	<b>3,900</b>

#### 4. Draft Three-Year Capital Forecast

It is best practice to regularly forecast funding requirements on multi-year cycles.

The three-year capital forecast being tabled for information will serve as a means to:

- Properly plan and develop a longer-term view for the facility, technology, and alternative service delivery requirements;
- Estimate timelines to support the Board's facilities renewal priorities and growth of new facilities; and,
- Allow for funds to be invested in various lines of business based on the changing environment in which library services are delivered.

Table D summarizes the key activities anticipated to occur over the course of the coming years.

Table D –Draft Three-Year Capital Forecast (2017-2019)			\$,000	
Orders	2017	2018	2019	Total
908212 Vehicle Replacement	0	50	50	100
908253 Technology Lifecycle	160	240	200	600
<b>Maintenance of City Assets</b>	<b>\$160</b>	<b>\$290</b>	<b>\$250</b>	<b>\$700</b>
907351 Rosemount Branch Planning/Retrofit	1,000	0	0	1,000
907376 Alternative Services	600	315	415	1,330
908211 Centennial Branch Refurbishment	425	0	0	425
908265 Accessibility Technology	85	85	0	170
908266 Orléans Branch Refurbishment	300	0	0	300
<b>Strategic Initiatives</b>	<b>\$2,410</b>	<b>\$400</b>	<b>\$415</b>	<b>\$3,225</b>
903608 East Urban Branch	0	150	7,500	7,650
904629 South Urban Branch	500	7,500	0	8,000
907052 2018 Collections (DC)	0	1,600	0	1,600
908254 OPL Facilities/Growth Study	0	0	0	0
<b>Growth</b>	<b>\$500</b>	<b>\$9,250</b>	<b>\$7,500</b>	<b>\$17,250</b>
<b>Net Requirement</b>	<b>\$3,070</b>	<b>\$9,940</b>	<b>\$8,165</b>	<b>\$21,175</b>

## 5. Summary

The proposed 2016 draft operating and capital budget:

- Is within the funding envelope allocated to OPL by Ottawa City Council;
- Aligns and supports the Board's key strategic and facilities priorities;
- Fulfills OPL's mandatory requirements;
- Maintains OPL's current operations and services;
- Completes capital and technological requirements for implementing RFID in the remaining 10 branches;
- Provides for a plan to deal with facility renewal and on-going growth;
- Provides for ongoing planning for the Central Library Development Project; and,
- Contains no provisions for new FTEs.

Key budget dates are as follows:

Date	Activity
November 10, 2015	Tabling of OPL Draft 2016 Budget and 3-year Capital Forecast at Board
November 12, 2015	Tabling of OPL Draft 2016 Budget and 3-year Capital Forecast at Council
December 1, 2015	Board review and approval of the 2016 Operating and Capital Budget estimates for Council consideration
December 9, 2015	Review and adoption of OPL 2016 Budget at Council

## CONSULTATION

Public consultation sessions were led by the Mayor and Ottawa City Councillors throughout the summer and into the fall. Additional consultation will be available via the regularly scheduled monthly Ottawa Public Library Board meeting on December 1, 2015 as well as through OPL's regular print and electronic feedback channels.

## LEGAL IMPLICATIONS

There are no legal implications to implementing the recommendations in this report.

## RISK MANAGEMENT IMPLICATIONS

There are no risk management implications to implementing the recommendations in this report.

## FINANCIAL IMPLICATIONS

There is an additional funding requirement of \$2.9M which is being requested from Ottawa City Council to fund ongoing planning requirements for the Central Library Development Project from City Reserves.

## ACCESSIBILITY IMPACTS

There are no accessibility impacts in implementing the recommendations in this report.

## **TECHNOLOGY IMPLICATIONS**

There are no technology implications in implementing the recommendations in this report.

## **BOARD PRIORITIES**

The Board is fulfilling its fiduciary responsibilities as defined in the Public Libraries Act of Ontario.

## **SUPPORTING DOCUMENTATION**

1. Appendix 1 - Transmittal Report to Ottawa City Council
2. Appendix 2 - OPL Budget Book

## **DISPOSITION**

Staff will forward the Draft 2016 Operating and Capital Budget and 3-Year Capital Forecast to Ottawa City Council for tabling and consideration, including the funding request in support of the Central Library Development Project.

**MEETING ROOM RENTAL FEES**  
(excluding taxes)

**Appendix A**

Branch	2015 Rate	Proposed 2016 Rate
<b>Main Library Auditorium</b>		
Commercial	\$57.52/hour or less	No change
Non-Profit	\$30.97/hour or less	No change
<b>Nepean CentrepoinTE</b>		
Commercial	\$66.28/4 hours or less	\$16.57/hour or less
Non-Profit	\$53.03/4 hours or less	\$13.25/hour or less
<b>Beaverbrook</b>		
Small Meeting Room		
Commercial	\$45.22/hour or less	No change
Private	\$28.76/hour or less	No change
Non-Profit	\$9.87/hour or less	No change
Medium Meeting Room		
Commercial	\$56.46/hour or less	No change
Private	\$35.93/hour or less	No change
Non-Profit	\$12.35/hour or less	No Change
<b>Other Library Branches</b>		
Commercial	\$66.38/4 hours	\$16.60/hour
Non-Profit	\$22.12/4 hours	\$5.53/hour or less