

Report to / Rapport au:

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

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Submitted by / Soumis par:

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File Number: OPLB-2016-0204

SUBJECT: 2017 Draft Operating and Capital Budget Estimates and Three-Year Capital Forecast

OBJET: Prévisions des budgets provisoires de fonctionnement et d'immobilisation de 2017, y inclus les prévisions d'immobilisations sur trois ans

REPORT RECOMMENDATIONS

- 1. That the Ottawa Public Library (OPL) Board receive and table the 2017 Draft Operating and Capital Budget Estimates and receive the three-year Capital forecast for information;**
- 2. That the 2017 Draft Operating and Capital Budget Estimates be tabled at City Council's meeting of November 9, 2016.**

RECOMMANDATIONS DU RAPPORT

- 1. Que le C.A. de la Bibliothèque publique d'Ottawa (BPO) reçoive et dépose les estimations des budgets de fonctionnement et d'immobilisation provisoires**

2017, et prenne connaissance des prévisions triennales en matière d'immobilisations;

- 2. Que les estimations des budgets de fonctionnement et d'immobilisation provisoires de 2017 soient présentées lors de la réunion du Conseil municipal du 9 novembre 2016**

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 12, 2016, Council approved budget directions to guide City of Ottawa (City) staff, boards, and agencies in the development of the 2017 budget. Through this direction, OPL's prorated share of a 2% tax increase would result in a 2.97% increase to its 2016 budget envelope (\$1.349M in additional funding) to be used as required, either in Operating or Capital accounts.

Through the adoption of the 2016 budget at its meeting on December 1, 2015, the Board directed staff to harmonize meeting room rental rates and practices across the library system. At this same meeting, staff were directed to perform a review of all fees and fines. The recommended outcomes from the review form part of this budget report.

As part of budget development, staff intended to submit a recommendation that included the renewal of the Rosemount branch. At its meeting of September 6, 2016, the Board provided the following directive to staff: "That staff include an option to develop a business case for a new build Rosemount branch for consideration as part of the 2017 budget process."

The business case approach to the Rosemount branch would determine what made the most business sense – reinvesting in a 100 year old Carnegie Library versus seeking out options, including a relocation of the current branch to a new address, with potentially greater, flexible space in which to deliver modern day library services. In addition, the business case approach supports the community's desire to delay a renewal project.

An alternate version of the Draft 2017 Budget supporting the renewal of the Rosemount branch in 2017 has been outlined in Appendix 1 for comparison purposes.

DISCUSSION

In developing the 2017 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 options:

- Requirements to address non-discretionary costs associated with maintaining existing services;
- Completion of strategic priorities already underway (e.g. completion of training for the remaining branch conversions to radio frequency identification technology - RFID);
- The approved recommendations emanating from the Facilities Framework;
- The City's Tangible Capital Assets (TCA) Policy;
- How best to fund ongoing planning needs for the Central Library Development project; and,
- Council's 2015-2018 strategic priorities.

OPL's 2017 proposed draft budget envelope consists of:

2017 Draft Budget	\$,000
2016 Net Operating Expenditures	42,281
2016 Capital Pay As you Go (PAYG)	3,305
2016 Recoveries	-230
2016 Total Net Budget	45,356
2017 Budget Target	1,349
2017 Total Net OPL Budget Envelope	46,705

Lifecycle OPL Program – City Allocated	530
Total 2017 Budget Envelope with City Allocation	47,235

A. Proposed 2017 Draft Operating Budget

OPL has been allocated an increase of \$1.349M in its draft 2017 budget to manage operating and capital pressures. The OPL must ensure that sufficient funds are available to address all of the required contractual agreements, growth-related needs, and strategic priorities and services within the prescribed total funding envelope of \$46.705M.

The proposed draft budget:

- Addresses mandatory requirements;
- Supports completion of staff training for all remaining RFID implementations;
- Complies with (TCA) Policy requirements;
- Addresses lifecycle issues related to technology, alternative services, and facilities;
- Implements Phase III of the revenue shortfall strategy;
- Supports the recommendations from the Facilities Framework;
- Provides for ongoing planning for the Central Library Development Project;
- Contains no new requests for Full-Time Equivalents (FTEs); and,
- Addresses the Rosemount priority by providing for a business case analysis to further define the scope, options, and related costs of renewing or relocating the Rosemount branch.

If approved, the following budget elements would be supported from the \$1.349M increase.

- **Compensation Adjustment – OPL Employees (\$644K):** This amount is required to meet anticipated contractual obligations rising from current collective bargaining.
- **Licensing and Maintenance – (\$225K):** Funding is required to cover inflationary increases and mandatory maintenance contracts for RFID-related

equipment and software (e.g. transit bins, self-check units, gates, sorters). Increased demand for digital content requires an improvement in availability and the expansion of the digital collection. In addition, the inclusion of a subscription to Library EDGE will enhance the digital experience for Library customers through technology planning and benchmarking capabilities.

- **Facilities Equipment and Furniture (\$130K):** Funding for furniture and equipment is required to maintain a safe and functional environment for customers and staff of the OPL.
- **Security Services and Technology (\$100K):** Aging security technologies installed over the past decade require lifecycle upgrade or replacement. Funding is required to support continued implementation of security services and systems to provide a safe workplace for OPL staff and a safe library environment for OPL customers.
- **Facility Operations Services (FOS) Increase – Compensation and Facilities Adjustments for OPL/City Business Partners (\$211K):** This amount represents required adjustments needed for FOS provision of essential services to OPL, as well as inflationary costs related to operating OPL facilities.
- **Phase III – Revenue Mitigation Plan (\$50K):** Since 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 2016, Phase II of the Revenue Mitigation Strategy allocated \$70K from the budget envelope to help off-set a consistent shortfall in fees revenue. The revenue trend is continuing at a slower rate than in years past, therefore, staff are recommending that \$50K be allocated from the 2017 envelope to further mitigate this situation.
- **One-Time Customer Relationship Management (CRM) Software (\$75K):** The implementation of a contact centre system is crucial to meet modern customer service standards and expectations. This funding would improve operations and customer service, and is required to obtain the OPL share of licensing through the City's approved initiative.

- **One-Time RFID/Customer Service Training (\$50K):** This one-time funding is requested for the final round of training required as part of the RFID project. 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 the final branches to be converted in 2017.
- **One-Time Public PC Booking and Printing Systems Replacement (\$100K):** Current PC booking software is end-of-life and support for the software has been significantly impacted. At the same time, a new public printing system will be implemented to maximize investment, ensure proper compatibility, and provide the best value to the OPL.
- **One-Time Special Programs - Canada 150 (\$115K):** Dedicated funding will be used for marquee events, programs, and services planned by OPL for the celebration of Canada's 150th birthday.
- **Net One-Time Reversals from 2016 Budget (-\$271K):** Each year the first financial transactions required for budgetary purposes are to reverse the one-time funding initiatives approved by the Board in the previous budget cycle. The reversals required for one-time charges approved through the 2016 budget cycle are:
 - Reduction to Materials Budget for Central Library Development project (\$500K);
 - Increase to PAYG for 2016 Capital Plan (-\$703K)
 - Material Transit Bins (-\$125K)
 - Alternative Services Lifecycle (-\$65K)
 - RFID / Customer Service Training (-\$105K)
 - One-Time Transfer from Reserve for 2016 Capital Projects (\$227)
- **One-Time Reduction to OPL Pay-As-You-Go (PAYG) for 2017 Capital Plan (-\$252K):** The current OPL PAYG Capital envelope is \$2.602M after a one-time reversal from 2016. The total amount of PAYG Capital projects to be funded in 2017 is \$2.350M, as detailed in Table B. This decrease to PAYG captures the difference between \$2.350M and \$2.602M and makes funding available for one-time initiatives.

- **One-Time Transfer from the Library Reserve (-\$328K):** This transfer from the Library Reserve account is necessary to support the one-time initiatives in operating which cannot be funded through capital due to TCA requirements. These include: Branch Improvements (\$500K), Public PC Booking and Printing Systems Replacement (\$100K); Customer Relationship Management (CRM) Software (\$75K); RFID/Customer Service Training (\$50K); South Urban Architectural Design (\$95K); Collections Enhancement (\$70K); and, Special Programs – Canada 150 (\$115K) .
- **One-Time General Repairs and Maintenance – Branch Improvements (\$500K):** In light of the adoption of the Facilities Framework in September 2016, opportunities for investments in OPL facilities outside of growth and capital projects should be undertaken whenever possible. For the introduction of this new ongoing initiative, funding is sought to improve functionality, customer experience, and sightlines at a number of library branches by replacing shelving or service hubs, or both, in the following candidate branches: Blackburn Hamlet; Carlingwood; Nepean CentrepoinTE; North Gower; Metcalfe; and, Ruth E. Dickinson.

The 2017 Draft Operating Budget is summarized in Table A.

Table A – 2017 Draft Operating Budget	\$(,000)
2016 Net Operating Budget	45,356
Description	
2017 Cost of Living Adjustment (COLA)	644
Licensing and Maintenance	225
Facilities – Equipment and Furniture	130
Security Services and Technology	100
2017 Facility Operations Services (FOS)	211

Phase III Reduced Revenue Mitigation Plan	50
Customer Relationship Management Software (One-Time)	75
RFID / Customer Service Training (One-Time)	50
Public PC Booking and Printing System Replacement (One-Time)	100
Special Programs - Canada 150 (One-Time)	115
Net One-Time Reversals from 2016	(271)
One-Time Decrease to PAYG for Capital	(252)
One-Time Transfer From Reserve	(328)
One-Time General Repairs and Maintenance - Branch Improvements	500
Total 2017 Pressures	1,349
Total 2017 Net Operating Base	46,705

B. Proposed 2017 Capital Budget

OPL's 2017 Capital requirements fall into one of four categories: strategic initiatives, growth, renewal of City assets, and lifecycle programs (managed by the City on OPL's behalf). Staff have identified expenditures in three of these categories.

Strategic Initiatives – under-pinned by Board or Council initiatives and are funded through the OPL Pay AsYou Go (PAYG) envelope.

- **Central Library Development Project – Planning Phase (\$2.0M):** The Central Library Development Project is an approved strategic initiative for both the OPL Board and Ottawa City Council. This is a transformational project and City-building initiative. Funding will support the completion of an approved concurrent planning process for both an OPL stand-alone Central Library facility and a joint facility with Library and Archives Canada (LAC) as a result of an expression of interest in a potential partnership with OPL. Completion of the planning phase will provide the OPL Board and City

Council with information required to support critical project decisions and approvals.

- **Accessibility Technology (\$85K):** Funds will be used for the second of a three-year plan to replace accessible public workstations in each library branch.

Growth Initiatives – funded through Development Charges (DC), which are collected as a direct result of actual population increases and the resulting need for expanded infrastructure. DC monies may only be leveraged by the OPL through a shared funding model as outlined in each project below.

- **DC South Urban Architectural Design (\$405K):** The updated version of the Library Facilities Investment and Growth Planning Study was received by the Board in September 2016. Along with the receipt of the study, the Board approved a Facilities Framework which summarizes the approach for new, retrofit, or renewed facilities. These foundational documents inform staff when updating the Development Charges Project List which is reviewed every five year period. Both the 2010 version and the recently updated Growth Planning Study received by the Board identify growth and support the requirement for a new branch in the Riverside South area of the City. The OPL will use \$405K (81% of the \$500K project cost) from development charge accounts to fund the development of architectural designs for this new library branch.
- **OPL South Urban Architectural Design (\$95K):** This funding is required to pay for the remaining 19% of the \$500K project cost required for the development of an architectural design for a new branch in the Riverside South Ward.
- **DC Collections Enhancement (\$415K):** Additional funding will be leveraged from DC funding to further expand physical and digital holdings to better respond to customer demand. In 2014, Canadian Urban Library Council (CULC) statistics point to the OPL as being tenth among Canadian libraries in e-material expense per capita while serving the fourth largest population among respondent municipalities. The OPL will use \$415K (86% of the

\$485K project cost) from development charge accounts to fund the enhancement of the library's collection improving the OPL's comparative standing in e-material expense per capita to a ranking more in line with the population served.

- **OPL Collections Enhancement (\$70K):** This funding is required to pay for the remaining 14% of the \$485K project for the enhancement of library materials content.

Lifecycle Programs – are funded through City budgets. Lifecycle projects are included in the OPL budget book to provide more detail on the projects that are scheduled for completion in the coming year. Although the planned monetary allocations for projects in this category are included in the OPL total capital program (Appendix 3), source funding does not come from an OPL envelope.

- **OPL Lifecycle Program (\$450K):** City funding is provided on an annual basis for the replacement and repair of key components of OPL facility infrastructure. Although the City provides the funding required for this work, the \$450K is included in budget documentation to represent a total OPL requirement.
- **Accessibility – Library (\$80K):** The Accessibility program provides for barrier removals to existing buildings based on ongoing condition assessments. The detailed scope of work for specific projects extends to a wide assortment of planned and/or emergency works, such as: installation of ramps, elevators, power door operators, signage, handrails, removal of barriers in exterior and interior paths of travels, and remedial work in washrooms, change rooms, and kitchens.
- **Rosemount Business Case (\$100K):** This project will support the further investigation and the analysis of options for the renewal or new build of the Rosemount branch, a Carnegie Library opened in the early 1900's. Given this is a 100 year-old facility, it is prudent to pause and conduct a comprehensive business case to fully investigate the advantages and disadvantages of investing in the current facility versus the feasibility of

relocating to a new site. A business case analysis would be undertaken in 2017 with recommendations forming part of the 2018 budget process.

The 2017 Draft Capital Budget is summarized in Table B.

Table B – 2017 Draft Capital Budget	\$(,000)
Strategic Initiatives	
Accessibility Technology - Phase II	85
South Urban Architectural Design - OPL Portion	95
Collections Enhancement - OPL Portion	70
Central Library Development Project - Planning Phase	2000
Rosemount Business Case	100
Total Strategic Initiatives	2350
Growth	
Collections Enhancement - DC Portion	415
South Urban Architectural Design - DC Portion	405
Total Growth	820
2017 Total Capital Including Growth	3170
Lifecycle OPL Program - City Allocated	450
Accessibility - City Allocated	80
Total Capital Program	3700

C. Proposed Fees and Fines Adjustments

As a result of Board direction in December 2015, staff undertook a review of the OPL fees and fines. The outcome of the review strikes a balance between fees re-alignment and the customer experience, such that the changes to the fees and fines structure will not adversely affect the customer experience or risk a reduction in card-holder membership. The provisions of the proposed revised Fee Structure are:

- Adding a new form of revenue generation to help further reduce the current gap;
- Maintaining a positive OPL customer experience by eliminating the term “fine”;
- Contributing to the development of an expanded card-holder base, and;
- Aligning OPL fees with other Canadian, municipal library systems.

The proposed Fee structure focuses less on penalizing customers, and more on providing services. As a result, the proposed fee structure must be reviewed as a holistic package such that new or revised fees are balanced by service enhancements. For example, while restocking fees provide revenue to the organization, they also encourage customers to pick up or cancel their holds, which in turn, should reduce wait times for requested items.

If the 2017 Draft Operating and Capital Budget Estimates are approved, the entirety of the recommendations summarized below would be implemented.

Summary Recommendations

- Add \$1 re-stocking fee for expired holds or interlibrary loans not picked up;
- Offer one-time full amnesty in 2017 on fines for returned materials;
- Reduce fees for overdue materials and lower maximum fees threshold;
- Remove processing fees from lost materials replacement process: and,
- Increase non-resident fees to \$80 for individuals \$160 for families to align with Ottawa property taxpayer contribution to OPL services. Non-resident fees will be indexed annually on a go-forward basis.

Implementation of the revised fee structure will be accompanied by an awareness campaign, providing additional opportunities to promote the Library’s services with the goal to increasing library cardholder membership through renewal of expired accounts as well as new registrations.

The recommended initiatives have been incorporated in the updated User Fee section of the 2017 Draft Operating and Capital Budget Book, Appendix 3. It should be noted that the financial outcomes of these adjustments depend greatly on customer behavior and reaction to each individual change. For this reason, there are no estimated financial impacts identified in the 2017 Draft Operating Budget. Once implemented in July of 2017, revenues will be closely monitored for a period of 12 to 18 months to understand the resulting revenue implications.

D. 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 facilities, 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.

The major Capital initiatives projected over the next three years are responsive to the Facilities Framework approved by the Board at its meeting in September 2016 and include: Bookmobile replacement, Collections investment, Rosemount renewal, and a new South Urban branch in 2018. In 2019, key projects include the renovation of the Centennial branch and additional Collections investment. In 2020, additional planned projects include new branches in North Gower and the East Urban area of the city. In total, the OPL is forecasting \$1.600M for the maintenance of city assets, \$5.635M in strategic initiative investments, and \$23.100M in growth projects from 2018 to 2020. Projects related to growth are subject to available development charges funding and may be delayed or re-scheduled.

Table C summarizes the key activities anticipated in the next three years.

Table C - Draft Three-Year Capital Forecast (2018-2020)			(\$,000)	
Capital Initiatives	2018	2019	2020	Total
Bookmobile replacement	750			750
Fleet lifecycle Homebound van	50			50
Innovation spaces - technology/equipment	150	150	150	450
Public network monitoring - lifecycle	40	75		115
RFID self-checkouts - lifecycle		40	180	220
Vendcard kiosks - lifecycle			15	15
Maintenance of City Assets	\$990	\$265	\$345	\$1,600
Kiosk lockers			200	200
New depots		350		350
Fleet (2nd sprinter)			250	250
Centennial Planning	350			350
Centennial Renovation		2,000		2,000
Rosemount Renewal	2,000			2,000
New Materials Delivery Vehicle(s)	100		300	400
Accessibility Technology	85			85
Strategic Initiatives	\$2,535	\$2,350	\$750	\$5,635
North Gower Planning		150		150
North Gower New Build			2,000	2,000
New kiosks - City Wide DC	250			250
Collections - City Wide DC	1,250	1,600	1,700	4,550
South Urban - New Branch Construction	10,000			10,000
East Urban Planning		150		150
East Urban - New Branch Construction			6,000	6,000
Growth	\$11,500	\$1,900	\$9,700	\$23,100
Net Requirement	\$15,025	\$4,515	\$10,795	\$30,335

E. Summary

Staff will forward the 2017 Draft Operating and Capital Budget estimates to Council for tabling and public consultation.

The proposed 2017 Draft Operating and Capital Budget:

- Is within the funding envelope allocated to OPL by Ottawa City Council;
- Aligns and supports the OPL Board's key strategic and facilities priorities;
- Fulfills OPL's mandatory requirements;
- Maintains OPL's current operations and services;
- Completes training requirements for implementing RFID in all remaining branches;
- Supports the Facilities Framework;
- Provides for ongoing planning for the Central Library Development Project;
- Contains no new requests for FTEs.
- Provides for the development of a business case to inform a Rosemount branch solution.

CONSULTATION

- 1) Public consultation sessions are being led by the Mayor and Ottawa City Councillors from September 15 through November 9.
- 2) Members of the public are invited to watch a Budget 101 video and/or use an interactive tool to plan the City budget. Both the video and the planning tool are available at the Ottawa.ca website.
- 3) Additional consultation will be available via the regularly scheduled monthly Ottawa Public Library Board meeting on December 6, 2016, 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 are no financial implications to implementing the recommendations in the report.

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 – Rosemount Renewal Consideration
2. Appendix 2 – Transmittal Report to Ottawa City Council
3. Appendix 3 – OPL 2017 Draft Operating and Capital Budget Book
4. Appendix 4 – Fees and Fines Review

DISPOSITION

Staff will forward the Draft 2017 Operating and Capital Budget, to Ottawa City Council for tabling at its meeting of November 9, 2016 and consideration in December.