

Report to / Rapport au:

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

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File Number: OPLB-2015-0004

**SUBJECT: 2015 Draft Operating and Capital Budget Estimates and Three-Year
Capital Forecast**

**OBJET: Prévisions des budgets provisoires de fonctionnement et
d'immobilisation de 2015, y inclus les prévisions d'immobilisation
sur trois ans**

REPORT RECOMMENDATIONS

- 1. That the Ottawa Public Library (OPL) Board receive and table the 2015 Draft Operating and Capital Budget Estimates for consideration at a subsequent meeting of the Board in March 2015;**
- 2. That the 2015 Draft Operating and Capital Budget Estimates be tabled at City Council for Consideration at its meeting of February 4, 2015;**
- 3. That the Ottawa Public Library Board approve the closure of previously approved capital accounts (WIPS) in the amount of \$0.785M to address one-time operating pressures in the following categories: RFID/SPOS training; one-time staffing for InfoService and Materials Handling, additional transit bins, public network/desktops, furniture and equipment for Constance Bay Branch and the extension of the exterior canopy at the Carlingwood branch;**

- 4. That the Ottawa Public Library Board delegate authority to the CEO to exercise approved spending authority for all 2015 capital projects up to the annual approved capital amount;**
- 5. That the Ottawa Public Library 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 2015, et les présentent lors d'une réunion ultérieure du C.A., prévue en mars 2015,**
- 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 4 février 2015.**
- 3. Que le C.A. de la Bibliothèque publique d'Ottawa approuve la clôture des comptes de capital précédemment approuvés (en-cours), d'un montant de 0,785 million de dollars, afin de faire face aux pressions ponctuelles de fonctionnement dans les catégories suivantes : formation en technologie RFID et au PSU, dotation ponctuelle à InfoService et à Manutention du matériel, bacs de transport en commun supplémentaires, réseau public/ordinateurs, mobilier et équipement pour la succursale Constance Bay et construction d'un parc à poussettes à la succursale Carlingwood;**
- 4. Que le C.A. de la Bibliothèque publique d'Ottawa délègue à la directrice générale le pouvoir d'effectuer les dépenses autorisées en ce qui concerne pour tous les projets d'immobilisations 2015 à concurrence du montant de capital approuvée annuel;**
- 5. Que le C.A. de la Bibliothèque publique d'Ottawa prenne connaissance des prévisions capitales triennales, à titre d'information.**

BACKGROUND

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

At its meeting of December 10, 2014, Ottawa City Council approved budget directions to guide City staff, boards and agencies in the development of the 2015 budget. Through this direction, OPL learned that it would receive a 2% increase to its 2014 budget envelope (\$1.028M in additional funding) to be used as required, either in operating or capital accounts.

OPL's 2015 proposed draft budget envelope consists of:

2015 Draft Budget	\$,000
2014 Net Operating Expenditures	\$40,623
2014 Capital Pay As You Go (PAYG)	\$2,835
2014 Total Net Budget	\$43,458
2015 Budget Target	\$1,028
2015 Total Net Budget Envelope	\$44,486
Lifecycle OPL Program – City Allocated	\$685
Total Budge Envelope	\$45,171

DISCUSSION

In developing the 2015 draft budget, staff used a balanced approach, ensuring alignment with Board/Council strategic priorities, focusing on long term stability, while providing day-to-day stewardship of accounts. Further, staff considered:

- The City's Tangible Capital Assets Policy (TCAR), and the need for OPL library to close out previously opened capital accounts which could no longer be expended using current spending guidelines.

- Previously approved Board planning documents (e.g. library's facilities renewal priorities, the Development Charges Report, the refreshed Strategic Plan)
- Completion of strategic priorities already underway (e.g. continued roll-out of RFID or Radio Frequency Identification technology).

Requirements to deal with non-discretionary costs associated with maintaining of existing services.

1. Proposed 2015 Draft Operating Budget

OPL has been allocated \$1.028 million in its draft 2015 budget to address operating and/or capital pressures. This means that OPL must ensure that sufficient funds are available to address all the required contracts, agreements, growth related needs and strategic priorities and services within the prescribed total funding envelope of \$45.171M.

The proposed draft budget:

- Addresses mandatory requirements
- Supports on-going roll-out of RFID in 6 locations
- Responds to TCAR requirements by implementing permanent transfers from capital to operating to deal with expenses of less than \$5,000 for furniture and equipment, including technology purchases
- Closes out older capital accounts (works in progress, also known as WIPS) and reallocates this funding to deal with one-time pressures in the operating budget
- Supports initial planning for the future South Urban branch

If approved, the following requirements will be supported from the \$1.028M increase to the budget envelope:

- **Compensation Adjustment – OPL Employees (\$625K):** This amount is required to meet contractual obligations to support negotiated settlement increases for employees.
- **Parks, Building, Grounds Increase – Compensation and Facilities Adjustment for OPL/City of Ottawa Business Partners (\$85K):** This amount represents the adjustments needed for Public Works provision of essential business services to OPL as well as inflationary costs adjusted for the expanded

Beaverbrook Branch

- **External Hosting of Key Technology Services (\$35K):** OPL plans to move a number of key vendor-based systems currently residing on City of Ottawa servers to servers hosted by the vendors who already support these applications in alignment with the City's Information and Technology Services (ITS) priorities and direction.
- **Net Revenue Pressures (\$90K)**
 - **Increased Revenues from 4th & 5th Lease Renewal (\$60K):** In 2014, OPL renewed its lease at 191 Laurier Avenue with Slate Properties. Part of the renewed lease provides for additional annual revenues.
 - **Decreased Revenues (\$150K):** With the implementation on e-Payment options, and increased circulation of e-Materials, OPL has seen a drop in its revenue stream. As a result, staff recommends that part of the 2015 funding increase be applied to offset this pressure.
- **Licence and Maintenance Fees (\$190K):** Funds allocated to this budget line are used to offset the cost of increased and new maintenance charges required for maintaining and supporting existing and new technology.

Staff are also recommending permanent transfers to the operating budget from the 2015 capital budget as follows:

- **Furniture and Equipment / General Repairs (\$135K):** A permanent transfer from capital to operating is required to fund the procurement of furniture, equipment, maintenance and general repairs materials that do not meet the tangible capital asset thresholds (e.g. minor roof repairs, carpet replacement, painting).
- **Library Equipment and Lifecycle (\$100K):** A permanent transfer from capital to operating is required to fund the replacement of outdated (life-cycled) IT equipment such as public PCs and staff computers that do not meet tangible capital asset thresholds.
- **Capital PAYGO Contribution (-\$232K):** A reduction to the capital PAYGO requirement is necessary to offset the permanent transfer to operating. This will

result in permanent budgets for required furniture, equipment and maintenance of goods that do not meet the capital asset policy.

The 2015 proposed draft operating budget is summarized in Table A.

Table A – 2015 Draft Operating Budget

2015 DRAFT OPERATING			
Description	Category	\$,000	Total
2014 Net Operating Budget			43,458
Expenses			1,025
Compensation Adjustment	625	935	
PBG Increase	85		
External Hosting of Key Technology Services	35		
License and Maintenance Fees	190		
Revenues			
Increased Revenues	-60	90	
Decreased Revenues	150		
Transfers to Operating from Capital			
Furniture & Equipment / General Repairs – Transfer (Permanent)	135	3	
Library Equipment/Lifecycle - Transfer (Permanent)	100		
Reduction of Capital PAYGO for 2015 Capital Plan	-232		
2015 Target			1,028
2015 Net Operating Budget			44,486

2. Proposed 2015 Draft Capital Budget

OPL's 2015 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 2015 projects in two of these categories:

a) Strategic Initiatives:

- **RFID Projects (\$2.102M):** Funding will support capital fit-up and installation of RFID technology in six library locations (Carp, Constance Bay, Elmvale Acres, Fitzroy Harbour, Ruth E. Dickinson, St-Laurent) and design planning for two locations (to be determined) to be converted in 2016.

- **Technology Infrastructure Lifecycle (\$240K):** Funds will be used to replace outdated (life-cycled) IT equipment that meets tangible capital asset thresholds, such as servers and specialized equipment for Makerspace.
- **Main Library Project (\$240K):** Funding will enable the completion of required planning studies to advance planning for the renewal and/or new development of the Main Library facility.
- **Library's Non-Growth Contribution to Open the South Urban Branch Growth Account (\$20K):** In order to use development charges funding of \$100,000 against the South Urban Growth Account, OPL must provide 20% of the amount from its own 2015 budget envelope.

b) Growth Initiatives:

- **South Urban Planning – Development Charges Funding (\$100K):** Staff recommends that OPL exercise its option to open the South Urban Growth Account and undertake the necessary preliminary planning for site identification and program requirements for this future branch.

The 2015 draft capital budget is summarized in Table B.

Table B – 2015 Draft Capital Budget

2015 DRAFT CAPITAL Scenario		
Strategic Initiatives		\$,000
RFID Projects		2105
Carp	115	
Constance Bay	30	
Elmvale Acres	635	
Fitzroy Harbour	25	
Ruth E Dickinson	625	
Saint Laurent	615	
2016 RFID Planning	60	
Technology Infrastructure Lifecycle		240
Main Library Project		240
Library's Non-Growth Contribution to Open the South Urban Branch Growth Account		20
Total Strategic Initiatives		2605
Growth		
South Urban Planning DC Funding		100
Total Growth		100
2015 OPL Total Capital		2705
Lifecycle OPL Program - City Allocated		685
Total Capital Program		3390

3. Draft Three-Year Capital Forecast

It is a best practice to regularly forecast funding requirements on multi-year cycles. The three-year capital forecast being tabled for information will serve as a tool that allows OPL to:

- Properly plan and develop a longer term view for the proposed roll-out of RFID and the single point of service model to remaining branches.
- Estimate timelines to support the Board's facilities renewal priorities and the growth of new facilities

- Allow for funds to be invested in alternative service delivery in direct response to the changing environment in which library services are delivered, as well as meet growth priorities prior to the requirement of full-service facilities.

Table C summarizes proposed key activities to occur over the course of the coming years.

Table C – Draft Three-Year Capital Forecast (2016-2018)

Project Description	2015	2016	2017	2018
Library Computers & IT Equipment	240	150	650	300
Alternate Service Delivery	240	350	0	300
Vehicles replacement	0	45	0	0
Planning and Facility Retrofits	1,000	1,120	600	540
RFID Equipment and Technology	1,102	1,290	500	450
Tax Supported Portion DC Projects	20		232	2,507
Total Projects	2,602	2,955	1,982	4,097
Growth Plan (DC Schedule)				
South Urban Library	81			9,720
DC Collections (City Wide)	0		1,368	1,454
Total Growth Plan	81	0	1,368	11,174

A fuller breakdown of projects will be provided with the tabling of the Long Range Financial Plan as part of the 2016 Budget Process.

4. Accounts Realignment

Staff is recommending a series of one-time transfers from previously approved capital accounts (WIPS) to the operating budget to fund the following one-time operating pressures:

- **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 customer service model. The training empowers employees with the right tools and skill and is a requirement in the introduction of this technology in new locations. This has been a recurring requirement, adjusted annually to properly implement RFID in tandem with OPL's customer service model.

- **Temporary Positions for InfoService and Paging Services in Materials Handling (\$240K):** A one-time transfer from WIPS is required to fund 3.5 temporary full-time equivalents (FTEs).
 - 2 FTEs are required in InfoService, a new department responsible for managing customers' virtual experience as well as OPL's call centre.
 - 1.5 FTEs are required in Materials Handling to test and streamline new workflow processes to facilitate the movement of more than 50,000 tons of materials to support borrowing of materials in all branches.
- **Additional Transit Bins (RFID Ancillary Costs) (\$235K):** In order to maximize the use of the automated materials handling machine (AMH), a one-time transfer from WIPS is required to fund transit bins. Used in the delivery of materials from one location to another, these bins move more materials in an ergonomically correct manner thereby limiting lost time and employee injuries. In addition, facilitate the movement of requested materials, a service valued by customers.
- **Public Computing (network/desktops) (\$100K):** Funding will serve to develop a strategy to address the best way in which to provide public desktop computing.
- **Constance Bay Furniture and Equipment (\$35K):** Through a community initiative, the Constance Bay branch is currently undergoing an expansion. A one-time transfer from WIPS is required to replace aging furniture and equipment for the new space.
- **Carlingwood Canopy Extension (\$70K):** Expanded exterior entranceway with canopy cover to address safety (falling ice) as well as people and stroller congestion issues.

It is proposed that these one-time transfers to operating come from the WIPS closures listed in Table D.2. These consist primarily of older accounts against which no spending can occur given the requirements of the City's Tangible Capital Assets policy.

Table D.1 summarizes one-time operating pressures to be addressed through the closure of previously approved capital projects. It should be noted that in closing these accounts, there are no negative impacts on existing services.

Table D.1 – Projects Funded from Closed WIPS

2015 Projects Funded from Closed WIPS		
Amount	Onetime to Operating	Rationale for identified Expenditure
\$ 105,000	One-Time Operating	RFID/SPOS Training costs
\$ 140,000	One-Time Operating	One-Time Info Service Staffing
\$ 235,000	One-Time Operating	Additional Transit Bins
\$ 100,000	One-Time Operating	One-Time AMH Staffing
\$ 100,000	One-Time Operating	Public Network / Desktops
\$ 70,000	One-Time Operating	Carlingwood Canopy Extension
\$ 35,000	One-Time Operating	Constance Bay - Furniture and equipment for expanded branch
\$ 785,000	Total	

Table D.2 summarizes the accounts to be closed to fund one-time operating and capital pressures.

Table D.2 – Closures and Balance Transfers from Works in Progress

Works In Progress - Closures and Balance Transfers		
Order#	Action	Available
903577 Replacement of Main Library	Close	\$ 20,937
904359 Library Retrofits 2009	Close	\$ 4,597
905623 Library Retrofits 2010	Close	\$ 19,861
905627 IT E-Payment 2010	Close	\$ 124,600
905628 IT Library Kiosk Project 2010	Close	\$ 117,099
903626 Bookmobile Replacement 2011	Close	\$ 7,276
904856 IT E-payment	Close	\$ 70,263
905055 Innovation & Strateg Initiative 2011	Close	\$ 11,344
905766 General Repairs & maint 2011	Close	\$ 5,321
905771 Library Retrofits 2011	Close	\$ 66,195
906359 General Repairs & Maint 2012	Close	\$ 9,161
906390 Furniture & Equipment 2012	Close	\$ 2,912
906391 IT Library Comp/Equip 2012	Close	\$ (2,308)
906392 IT/ILS Desktop Maint 2012	Close	\$ 123,663
906393 IT Web Based Lib Serv Maint 2012	Close	\$ 30,902
906398 Library Retrofits 2012	Close	\$ 192,631
906399 Smart Bins 2012	Close	\$ (406)
906400 IT RFID 2012	Close	\$ (7,443)
	Total	\$ 786,605

5. Summary

The proposed 2015 draft operating and capital budgets:

- Are within the funding envelopes allocated to OPL
- Align and support the Board's key strategic and facilities' priorities
- Fulfill OPL's mandatory requirements
- Maintain OPL's current operations and services
- Advance the implementation of RFID
- Begin to address growth needs

The timetable for the Library Board's key budget dates is as follows:

Date	Event
February 4, 2015	Table the 2015 Draft Operating and Capital Budget Estimates with Ottawa City Council (to be presented by the Chair and the CEO)
February 4 – March 6, 2015	OPL Draft Budget and contact information posted on BiblioOttawaLibrary.ca
February 4 – March 1, 2015	City-wide Budget Consultation Meetings
March TBD, 2015	OPL Board considers and recommends for approval to Council, OPL's 2015 Draft Operating and Capital Budgets
March 11, 2015	Ottawa City Council and approval of OPL's 2015 Operating and Capital Budgets

6. Recommendations:

- I. That the Ottawa Public Library (OPL) Board receive and table the 2015 Draft Operating and Capital Budget Estimates for consideration at a subsequent meeting of the Board to be in March 2015;
- II. That the 2015 Draft Operating and Capital Budget Estimates be tabled at City Council for Consideration at its meeting of February 4, 2015;

- III. That the Board approve the closure of previously approved capital accounts (WIPS) in the amount of \$0.785M to address one-time operating pressures in the following categories: RFID/SPOS training; one-time staffing for InfoService and Materials Handling, additional transit bins, public network/desktops, furniture and equipment for Constance Bay Branch and the extension of the exterior canopy at the Carlingwood branch;
- IV. That the Board delegate authority to the CEO to exercise approved spending authority for all 2015 capital projects up to the annual approved capital amount;
- V. That the Board receive the Three-Year Capital Forecast for information.

RURAL IMPLICATIONS

There are no specific rural implications associated with this report.

CONSULTATION

The public consultation on the City's draft operating and capital estimates, a process in which the Ottawa Public Library participates each year, will be conducted through multi-ward bilingual budget consultation meetings taking place February 4 to March 1. Additional consultation will be available via the regularly scheduled monthly Ottawa Public Library Board meeting on March 2, 2015 as well as through OPL's regular print and electronic feedback channels.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

FINANCIAL IMPLICATIONS

The Ottawa Public Library has met the target provided by the City of Ottawa for the draft 2015 budget increase of \$1,028,000. There is an additional funding requirement of \$785,000 which will come from the closure of capital Works in Progress.

ACCESSIBILITY IMPACTS

There are no accessibility implications 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

Document 1 Transmittal Report to Ottawa City Council

Document 2 OPL Budget Book

DISPOSITION

The 2015 Draft Operating and Capital Budget estimates for the Ottawa Public Library Board will be forwarded to Ottawa City Council for consideration at its meeting of February 4, 2015.