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Report to / Rapport au:

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

February 5, 2019 / 5 février 2019

Submitted by / Soumis par:

Danielle McDonald, Chief Executive Officer / Directrice générale

Contact Person / Personne ressource:

*Monique Désormeaux, Deputy CEO / Directrice générale adjointe
(613) 580-2424 x32181, Monique.Desormeaux@BiblioOttawaLibrary.ca*

File Number: OPLB-2019-0205

**SUBJECT: 2019 Draft Operating and Capital Budget Estimates and Three-Year
Capital Forecast**

**OBJET: Prévisions des budgets provisoires de fonctionnement et
d'immobilisation de 2019, y inclus les prévisions d'immobilisations
sur trois ans**

REPORT RECOMMENDATIONS

That, at its meeting of February 5, 2019, the Board:

- 1) Receive and table the 2019 Draft Budget for the Ottawa Public Library and three-year capital forecast; and,**
- 2) Direct staff to forward the 2019 Draft Budget for the Ottawa Public Library to Ottawa City Council on February 6, 2019 as part of City Council's tabling of the City of Ottawa 2019 Draft Operating and Capital budget; and,**

That, at its meeting of March 4, 2019, the Board:

- 3) Approve the 2019 Draft Budget for the Ottawa Public Library; and,
- 4) Upon the Ottawa Public Library Board's approval of the 2019 Draft Budget for the Ottawa Public Library, direct staff to forward the report to Ottawa City Council, for consideration on March 6, 2019 as part of the City Council's approval of the City of Ottawa 2019 Draft Operating and Capital budget.

RECOMMANDATIONS DU RAPPORT

Que le Conseil d'administration (C.A.) de la Bibliothèque publique d'Ottawa (BPO) :

Que, lors de sa réunion du 5 février, le C.A. :

1. Examine et dépose le budget provisoire 2019 de la Bibliothèque publique d'Ottawa et une prévision budgétaire triennale d'immobilisations;
2. Charge le personnel de transmettre le budget provisoire 2019 de la Bibliothèque publique d'Ottawa au Conseil municipal d'Ottawa à sa réunion du 6 février 2019, au moment du dépôt du budget provisoire de fonctionnement et d'immobilisations 2019 de la Ville d'Ottawa;

Que, lors de sa réunion du 4 mars, le C.A. :

3. Approuve le budget provisoire 2019 de la Bibliothèque publique d'Ottawa;
4. Après approbation par le C.A. du budget provisoire 2019 de la Bibliothèque publique d'Ottawa, charge le personnel de transmettre le rapport au Conseil municipal d'Ottawa, aux fins d'examen le 6 mars 2019, au moment de l'approbation par le Conseil municipal du budget provisoire de fonctionnement et d'immobilisations 2019 de la Ville d'Ottawa.

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 December 12, 2018, Ottawa City Council approved budget directions and timelines to guide City staff, boards, and agencies in the development of the 2019 budget. In 2019, the Ottawa Public Library (OPL) will receive its pro-rated share of no more than a three percent increase of tax supported levies. This represents an increase of \$2.170M to OPL's funding envelope.

The Ottawa Public Library 2019 draft operating and capital budget is responsive to Board approved policies, frameworks, and direction.

DISCUSSION

The development of the 2019 draft budget started in Q3 2018 and is the result of a collaborative process through which financial requirements and corporate initiatives are considered in a cohesive corporate planning process. Staff used a balanced approach ensuring alignment with strategic priorities, long-term stability, and 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;
- OPL Board and Council's 2015-2018 Strategic Priorities;
- The approved recommendations emanating from the Facilities Framework and Growth Planning Study;
- The approved Alternative Services Priorities, Technology Framework, and Collections Management Framework;
- The City's Tangible Capital Assets (TCA) Policy; and,
- Specific OPL Board directions including;
 - Rosemount Revitalization;
 - Fundraising Feasibility Study;
 - Advancement of operational and developmental priorities for the OPL – Library and Archives Canada (LAC) Joint Facility;
 - Extended Friday hours at the Greely branch.

Table 1 – 2019 Draft Budget Overview

Table 1 provides a 2019 Draft Budget Overview.

2019 Draft Budget	\$,000
2018 Net Operating Expenditures	45,369
2018 Capital Pay As you Go (PAYG)	3,060
2018 Recoveries	-230
2018 Total Net Budget	48,199
2019 Budget Target	2,170
2019 Total Net OPL Budget Envelope	50,369
Lifecycle OPL Program – City Allocated	810
Accessibility - Facilities - City Allocated	140
Total 2019 Budget Envelope with City Allocation	51,319

Proposed 2019 Draft Operating Budget

OPL has been allocated an increase of \$2.170 M in its draft 2019 budget to respond to both operating and capital pressures. The first priority in annual budget development is to ensure sufficient funds are available to address all legislated and mandatory contractual agreements and Board direction, and then to best address growth-related needs and strategic priorities and services within the prescribed total net funding envelope of \$51.319M.

The proposed draft operating budget:

- Addresses mandatory requirements;
- Increases funding for operational supplies required to circulate Library Materials;

- Requests 4.25 Full Time Equivalents (FTE) for human resources imperative to project needs and responsive to customer feedback;
- Complies with TCA Policy requirements; and,
- Supports recommendations from the Facilities Framework and Growth Planning Study.

If approved, the following budget requests would be supported within the \$2.170M increase.

- **Net One-Time Reversals from 2018 budget, (-\$415K):** Each year the first financial transactions required for budgetary purposes are to reverse the one-time funding initiatives approved by the OPL Board in the previous budget cycle. The reversals required are:
 - Sunnyside Shelving, (-\$125K);
 - 2018 Pay As You Go (PAYG) Capital Projects, (-460K);
 - Library Reserve for One-Time Operating, (\$325K); and,
 - Capital PAYG for 2019 capital plan, (-\$155K).
- **Compensation Adjustments - OPL Employees, (\$1.360M):**
 - Adjustments to compensation are required to meet contractual obligations arising from the current collective agreement (\$900K).
 - Based on 2017 Hours of Operation Survey results and regular customer feedback, an Ad-Hoc working group was struck to consider Hours of Operation Optimization. The finding of the working group proposes to extend Sunday hours in June until the end of the school year as an effective way to respond to customer feedback. This extension of approximately three weekends includes only locations that currently offer Sunday hours of business and will increase compensation costs by \$40K.
 - Also, in 2018, one new job class was created and one multi-incumbent job class was re-classified upward. These job class changes result in a budget pressure of \$420K on the overall compensation budget.

- **Facilities and Operations Services (FOS), (\$100K):** FOS is a City department that provides daily maintenance and upkeep for all OPL facilities. This funding will provide for OPLs share of compensation adjustments for FOS staff as well as updated utilities costs related to the operation of OPL facilities.
- **Revenue Adjustments, (\$155K):** Revenues related to lease agreements and reduced federal grant programs are required for the 2019 budget process.
 - Parking garage revenue no longer exists as a result of the sale of the Main Library located at 120 Metcalfe St. in July 2018. This real property transaction results in a net \$85K operating pressure.
 - An additional reduction in revenue of \$70K is required to account for the April 2017 cessation of the multi-year Immigrant Settlement and Adaptation Program (ISAP) grant provided by Immigration, Refugees and Citizenship Canada (formerly Citizenship and Immigration Canada). The grant, received since 2013, was used to provide one FTE and expenses related to newcomer programming. The costs of several newcomer programs have been absorbed within the OPL's base operating budget. Ongoing programs are also partially funded through the OPL Legacy Fund which is managed through the Ottawa Community Foundation.
- **Library Consumable Supplies, (\$90K):** Additional funding of \$90K is requested for consumable supplies required to maintain physical library collections and to provide increased supplies which support a variety of library programs.
- **Human Resources – 4.25 Full Time Equivalents - (\$745K):**
 - Fundraising is a new program for OPL. At its meeting of December 11, 2018, the Board approved the OPL Fundraising Feasibility Study. In the study it was identified that there is currently no existing staff capacity to support dedicated fundraising requirements and efforts for success. The fourth recommendation of the report specifically directed the inclusion of two FTEs equaling \$235K. Resources from the

funding are required to develop a fundraising strategy, necessary communications, and related marketing activities to carry out the campaign. These new positions will be engaged no later than June 2019.

- A further two FTEs, or \$270K, is requested to ensure that the OPL - LAC Joint Facility project has the resources required to deliver a world class facility with all necessary operational agreements and service delivery standards in place. These new positions will report to the current and sole manager of the project. Key deliverables for these additional resources will be to support the manager in the design and construction phase of the project through meeting attendance, issues resolution, development of sub-agreements and other protocols as mandated by the Governance agreement, and planning and development work required for service delivery and operational components with respect to the new facility.
- In 2017 OPL transferred \$230K in staff salaries to the OPL - LAC Joint Facility project. An operational recovery from capital was implemented to facilitate paying project member compensation costs through OPL capital order #905105. This capital order was funded to support the planning phase of the project. Upon completion of the planning phase, the remaining balance in capital order #905105 will support operational readiness and service delivery activities. In 2019, compensation for these positions is being transferred back to the OPL base operating budget requiring the removal of the \$230K recovery item.
- At its May 8, 2018 meeting, the OPL Board directed three open hours of service in Ward 20 – Osgoode on Fridays, and include the financial pressure in the 2019 operating budget. The additional cost of \$10K per year and 0.25 FTEs will be added to the base operating budget of the branch.
- **Main Branch Security Services, (\$85K):** Security services at the Main branch have been contracted to a third party since amalgamation. In 2019, a

new contract is required. This additional funding will support a new empathy-driven, community focused, enhanced security service requiring an elevated level of training and a more diverse skill set for guard services. Relationship-building, de-escalation tactics, mental health training and the ability to administer Naloxone are among the primary changes in the new approach to security at the Main branch.

- One-Time Funding – Innovation Model, (\$50K):** This funding is for expenditures that do not meet Tangible Capital Asset (TCA) thresholds and must be purchased through operating funds. This request is to support a creation model focused on small scale, operationally based initiatives and will facilitate an agile and collaborative innovation program in which new ideas and pilot projects may provide proof-of-concept for larger programs. Findings from these small scale activities may evolve into tangible capital projects or assets that could be realized through the Creation and Innovation Fund described later in the capital budget section of this report and will serve to engage employees and provide for innovative service development and offerings at all OPL locations including the new OPL – LAC Joint Facility.

Table 2 – 2019 Draft Operating Budget

Table 2 summarizes the operational pressures for the draft 2019 OPL budget.

Table 2 – 2019 Draft Operating Budget	\$,000	Full Time Equiv.
2018 Net Operating Budget	48,199	461.55
Description		
Net One-Time Reversals from 2018 budget	-415	
Compensation Adjustment - OPL Employees	1360	
Facility Operations Services	100	
Revenue Adjustments	155	
Library Consumable Supplies	90	
Human Resources	745	4.25
Main Branch Security Services	85	

One-Time from Library Reserve - Innovation Model	50	
Total 2019 Pressures	2,170	4.25
Total 2019 Net Operating Base	50,369	465.80

Proposed 2019 Draft Capital Budget

OPL's 2019 Capital requirements fall into one of four categories: renewal of City assets, strategic initiatives, growth, and lifecycle programs (managed by the City on OPL's behalf). Staff have identified expenditures in three of these categories for 2019:

Renewal of City Assets - funded through the OPL capital envelope to repair, replace, or upgrade existing capital assets.

- **Rosemount Branch Revitalization, (\$400K):** At its meeting of December 11, 2018, the OPL Board approved the Rosemount Revitalization Project Update report OPLB-2018-1203. Specifically, recommendation two directed staff to include an additional \$400K in the 2019 capital budget. Public consultation for the revitalization identified the community's priority for an improved customer experience within the branch. The approved budget of \$2M was sufficient to address building code, accessibility and functional building upgrades but only basic customer experience upgrades. The additional \$400K allows increased public floor space, added natural light, improved seating options, upgraded finishes, enhanced historical character, and added sustainability features.
- **Centennial Branch Planning, (\$75K):** OPL's Centennial branch was identified in 2016 as the OPL Board's second ranked renewal priority. The facility was last modified in 1989 and is in need of base building, accessibility, and functional upgrades. Requirements include RFID materials processing renovations, shelving reduction, and improved sightlines. Finishes and furnishings are also in need of refreshing. Planning funds will look at revitalization options and refine the scope of work and budget requirements for this upcoming project.

- **Facilities and Branch Improvements 2019, (\$425K):** In 2012, OPL implemented an ongoing program to reduce the height of book shelving in library branches. The lowered shelving and subsequent related renewals support increased accessibility, a more orderly display of library collections, and improves the security and ambiance of branches. Shelving projects were prioritized based on the current condition of shelving throughout all OPL branches. This funding will allow OPL to complete three branches in 2019: Blackburn Hamlet, North Gloucester, and Rosemount. Branches which have received significant renovation since 2012 have had shelving updated as a component of the project. Of all 33 branches, 15 are wholly or partially outstanding.
- **Technology Replacements 2019, (\$110K):** RFID technology was first deployed at OPL in 2012 and was completed in 2017. In 2019, equipment originally installed at the beginning of the technology changeover will reach its lifecycle replacement threshold. This funding is required to replace four RFID self-checkout units which will have upgraded software, designed to enhance the customer experience. Funding is also required to replace one laser cutter unit which has reached end-of-life.
- **Lifecycle Vehicle Purchase 2019, (\$110K):** For operational continuity and contingency management, Materials Delivery requires the lifecycle replacement of one delivery truck. The new 1-1/2 ton, high cube vehicle will support daily operations delivering and collecting books and other materials across all 33 branches. The use of this new vehicle will help enable a more seamless service delivery while decreasing maintenance costs.

Strategic Initiatives – underpinned by OPL Board or Council initiatives and are funded through the OPL PAYG envelope.

- **Creation and Innovation Fund 2019, (\$500K):** Budget availability for the Creation and Innovation Fund is required for integration of the vision, customer service strategies, service delivery concepts, and innovative programming across OPL and to further inform services at the OPL – LAC Joint Facility. The piloting of new programs, services, spaces, and

technologies that may require the purchase of capital equipment or assets from this fund will serve to create an innovative and cohesive customer experience at all branches including the Central Library. This request is for capital funding which allows for the purchase of items that meet the City's TCA policy.

Response to Growth – funded through the City Development Charges (DC) By-Law, projects and initiatives paid for through DC reserves must be supported by corresponding historical levels of service, background studies, and be listed in the latest updated DC project listing. Access to DC reserve funding requires a portion of the funding request to be paid for through OPL non-DC budgets. Budgetary impacts for the 2019 draft budget are in parenthesis and represent the portion of overall account funding requested.

- **Riverside South Branch Design - DC \$400,000, (\$80K):** The 2016 Library Facilities Investment and Growth Planning Study identified a 15,000 square foot branch in the Riverside South area. This branch is to be co-located with a community center on City-owned land in the Riverside South community core as defined by the Riverside South Community Design Plan. The architectural design will commence in 2019 in preparation for an anticipated start to construction in 2021.
- **East Urban Branch Planning - DC \$400,000, (\$80K):** The 2016 Library Facilities Investment and Growth Planning Study identified the need for a 7,500 square foot branch in the east urban area of the city. 2019 funds will be utilized to develop project scope options and refinement of the timing and approach to deliver this new branch.
- **Library Materials - DC - 2019 \$1,750,000, (\$245K):** This funding will be used to purchase materials in multiple formats and subject areas experiencing high demand. In addition, this funding may also be used to purchase library materials for the new Riverside South Branch.

Lifecycle Programs – 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 2, pg. 20 - 23), source funding does not come from an OPL envelope.

- **OPL Lifecycle Program (\$810K):** 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 for this work, \$810K is included in budget documentation to represent a total OPL Capital requirement.
- **Accessibility – Library (\$140K):** The Accessibility program provides for barrier removals to existing buildings based on ongoing condition assessments. The detailed scope of work for specific projects may extend 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.

Table 3 – 2019 Draft Capital Budget

Table 3 categorizes and summarizes the capital requests in the OPL draft 2019 budget.

2019 Draft Capital Budget	\$,000
Renewal of City Assets	
Rosemount Revitalization	400
Centennial Planning	75
Facilities and Branch Improvements 2019	425
Technology Replacements	110
Lifecycle Vehicle Purchase	110
Total Renewal of City Assets	1,120

Strategic Initiatives	
Creation and Innovation Fund 2019	500
Total Strategic Initiatives	500
Growth	
Riverside South Design - DC \$400,000	80
East Urban Planning - DC \$400,000	80
Library Materials - DC - 2019 \$1,750,000	245
Total Growth	405
2019 Total Capital Including Growth - OPL	2,025
Other Funding Sources	
Lifecycle OPL Program - City Allocated	810
Accessibility - City Allocated	140
Total Capital Program	2,975

Proposed Fee Adjustments

A revised fee schedule was implemented in January 2018 as a result of OPL Board direction from December 2015 (MOTION OPL 20151201/3), changes to Point of Sale (PoS) equipment, and a revised Cash Handling policy enacted by the City. In addition to these changes, staff have further identified fee changes for 2019 including:

- The addition of two circulating Telescopes available for customers to borrow for a period of ten days. Fees for late return are \$10 per day with a maximum of fine of \$50. The replacement fee for a lost telescope is assessed according to the value of the item.

- The addition of iPod Shuffle devices available for customers to borrow for a period of seven days. Fees for the late return of these items are \$2 per day with a maximum fee and replacement fee of \$35.
- The current visitor fee for Library services is \$5 per month for a three-month period. This fee, if extrapolated to a one-year period equates to fees of \$60 per year. The Library is proposing to increase the visitor fee to \$7 per month to better align with the amount paid by residents of Ottawa for library services through the annual household property tax.

Draft Three-Year Capital Forecast

It is best practice to regularly forecast funding requirements on multi-year cycles. This budget contains a reviewed and revised capital budget. 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 OPL 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 capital budget is subject to annual review and approval by the OPL Board and City Council.

Table 4 – Draft Three-Year Capital Forecast

Table 4 summarizes the anticipated capital expenditures from 2020 to 2022.

Draft Three-Year Capital Forecast (2020-2022)			\$,000	
Capital Initiatives	2020	2021	2022	Total
Maintenance of City Assets				
Technology Infrastructure Lifecycle	0	0	1190	1190
Technology Replacements	0	0	265	265

Facilities and Branch Improvements	0	425	250	675
Total Maintenance of City Assets	0	425	1,705	2,130
Renewal of City Assets				
Centennial Renovations	0	200	1800	2000
Orleans Renovations	0	0	100	100
Vehicle Replacement	0	250	550	800
RFID Equipment Lifecycle	180	270	240	690
Total Renewal of City Assets	180	720	2,690	3,590
Strategic Initiatives				
Accessibility Technology	125	0	85	210
Creation Strategy - renovation/technology/equipment	500	500	500	1500
Total Strategic Initiatives	625	500	585	1,710
Growth				
Collections 2019 - City Wide DC	0	0	2044	2044
Riverside South - New Branch Construction - Area Specific DC	0	9962	0	9962
Ottawa Central Library - Area Specific DC	0	0	0	0
Total Growth	0	9962	2044	12,006
Net Requirement	805	11607	7024	19436

Status and Impact on Library Reserve

Each fiscal year the OPL Board is updated on the status of the Library Reserve account during the annual budget process and at the end of the second quarter. At the writing of this report, the balance and estimated impact of the 2019 budget cycle on the Library reserve account are summarized in Table 5.

Table 5 – Library Reserve Status and Impact

Table 5 indicates the current status of and the impact on the Library reserve.

Library Reserve Fund	\$,000
Reserve Balance (December 1, 2018)	2721
Forecasted 2018 Operating (Deficit)/Surplus	0
Draft 2019 Operating and Capital Budget Impact	610
Approximated Reserve Balance – Jan 2019	3331

Summary

Staff will forward the 2019 Draft Operating and Capital Budget estimates to Council for tabling and public consultation.

The proposed 2019 Draft Operating and Capital Budget:

- Is within the funding envelope allocated to OPL by Ottawa City Council;
- Fulfills OPL's mandatory requirements;
- Maintains OPL's current operations and services;
- Responds to customer consultations for the Rosemount Revitalization;
- Supports funding and two FTEs for operational readiness and service innovation for OPL – LAC Joint Facility;
- Supports funding and two FTEs for fundraising;
- Augments consumable supplies budgets to maintain collection and programming services;
- Supports the Facilities Framework; and,
- Builds the Library reserve in anticipation of future growth and for unforeseen expenditures.

CONSULTATION

Public consultation will be available via the regularly scheduled monthly OPL Board meeting on March 4, 2019, 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

Risk management implications are detailed in the body of this report.

FINANCIAL IMPLICATIONS

There are no financial implications to implementing the recommendations in the report.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

BOARD PRIORITIES

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

SUPPORTING DOCUMENTATION

1. Appendix 1 – Transmittal Report to Ottawa City Council
2. Appendix 2 – OPL 2019 Draft Operating and Capital Budget Book

DISPOSITION

Staff will forward the Draft 2019 Operating and Capital Budget, to Ottawa City Council for tabling at its meeting of February 6, 2019 and for consideration in March. Upon OPL Board approval on March 4, 2019, budget estimates for the Ottawa Public Library will be forwarded to Ottawa City Council for consideration and final approval by Committee of the Whole on March 6, 2019.