

The Corporation of the Town of Orangeville

Report to Library Board



To: Chair and Members of the Board
From: Darla Fraser, Chief Executive Officer
Date: September 27, 2023
Report #: 23-18
Subject: 2024 Operating and Capital Budget Estimates

Recommendation:

That report 23-18 2024 Operating and Capital Budget Estimates be received;

And that the Board approve the five-year Operating and the ten-year Capital Budget estimates for 2024 to be forwarded to Council for final approval.

Purpose:

As the governing body, the Board provides input to the budget in the form of strategic direction and service priorities. The role of the CEO is to present to the Board, for consideration, operating and capital budgets that meet the priorities of the Board. Staff have been working on the budget over the past few months to bring these first draft budgets (operating and capital) to the Board within the timelines set by the Town. Once approved by the Board, the budget will be presented to Town Council to either endorse or propose modifications.

The proposed budgets have been created in support of the goals and objectives set out in the Board's strategic and implementation plan.

Background:

At the June 28, 2023 meeting of the Board a number of assumptions and decision points were discussed. It is based on the direction received from that discussion which has informed the presentation of these 2024 Operating and Capital Budget Estimates.

The development of the budget estimates is an exercise in confirming the long-term vision adopted as the 5-year operating and 10-year capital plans approved by the Board and Council last year. However, even with the adoption of multi-year budget process, each year, a new multi-year budget outlook is provided with only the first year being

approved by a by-law (i.e., Council will continue to have full discretion on a year-to-year basis).

This process requires the addition of 2028 estimates (for operating) and provides an opportunity to adjust the ‘approved in principle’ base budget for 2024. In Orangeville, according to the Finance Division those revisions must be submitted separately as Service Level Change requests.

Three different Service Level Change requests have been submitted along with one request to re-allocate funds.

Changes to base budget based on Board Direction (June 28) results in an overall increase to the operating budget of 8.8%.

The following key areas have been estimated for 2024 based on the direction received from the Board at the June 28, 2023, meeting:

| Discussion Points | Direction received from Board – High-level Summary financial impact discussed in report | See Report Section # |
|-------------------------------|---|--|
| Self-Generating Revenue | Fine Free 2024; Two options for consideration. | (1) Self-Generating Revenue |
| Non-Resident Membership Fees | Increase annual fee to \$ 195.00 and estimate 2024 based on 600 new or renewed households. | |
| Full-time Staffing complement | Service Level Changes submitted: (A) Makerspace Specialist (1 FTE full year) and (B) Community Engagement Specialist (1 FTE beginning in June 2024) | (2) Compensation – Staff Salary and benefits |
| Part-time Staffing | Service Level Change to increase part-time public service assistant hours by 1,000 | |
| Capital | Increase capital estimates by \$11 Million in 2028 for expansion to meet future growth. The additional staffing costs including benefits and training is anticipated to range from \$ 300,000 to \$400,000. The estimated increase to incremental operating cost associated with the expansion is \$60,000 - \$ 80,000. | (3) Expansion – Future Growth |

Further background is available through the following links to the Library Board’s Pre-budget Discussion Report [23-13 2024 Budget Process and Discussion](#) at the June 28, 2023 Board Meeting. Report to Council at the August 14, 2023 meeting [Treasury Report CPS-2023-050](#).

High-level Summary Total Operating 2024 Budget Estimates

Finance division has adjusted the 2024 base budgets according to the direction received from Council at the August 14, 2023 meeting. Other adjustments include the re-allocation of nonlibrary support for staff and internal division to division charges. The overall result of these adjustments is a reduction of -1.7% over 2023 approved budget.

Figure 1: 2024 base budget estimates with no service level change.

| 2024 - As adjusted by finance, no Service Level Changes | | | | | |
|---|--------------|------------|----------------------------|--------------|------------|
| Revenue | Estimates | % of Total | Expenses | Estimates | % of Total |
| Tax Levy | \$ 2,077,209 | 92% | Compensation | \$ 1,726,091 | 77% |
| Non-Resident fees | \$ 117,000 | 5% | Collection Development | \$ 213,082 | 9% |
| Government Grants | \$ 33,950 | 2% | Building Reserve | \$ 35,000 | 2% |
| User fees & cost recovery | \$ 22,082 | 1% | Operations /Administration | \$ 167,706 | 7% |
| | | 100% | Facilities | \$ 108,362 | 5% |
| % change over prior year | | -1.7% | | \$ 2,250,241 | 100% |

Changes to base budget based on Board Direction (June 28) results in an overall increase to the operating budget of 8.8%.

Figure 2: 2024 budget estimates with three service level change requests.

| 2024 - With all three Service Level Changes | | | | | |
|---|--------------|------------|----------------------------|--------------|------------|
| Revenue | Estimates | % of Total | Expenses | Estimates | % of Total |
| Tax Levy | \$ 2,299,177 | 93% | Compensation | \$ 1,948,059 | 79% |
| Non-Resident fees | \$ 117,000 | 5% | Collection Development | \$ 213,082 | 9% |
| Government Grants | \$ 33,950 | 2% | Building Reserve | \$ 35,000 | 1% |
| User fees & cost recovery | \$ 22,082 | 1% | Operations /Administration | \$ 167,706 | 7% |
| | | 100% | Facilities | \$ 108,362 | 4% |
| % change over prior year | | 8.8% | | \$ 2,472,209 | 100% |

The library is a public service funded through the municipal tax levy.

Operating Revenues

The budget estimates propose no change to **Total Revenues** however there was some re-allocation among the non-resident fees account and the User fees.

1) Self-Generating Revenue

- Elimination of Overdue Fines – estimated re-allocation of \$ 5,789 from user fees into non-resident fees
- Estimate for 2024 User Fees based on 600 households (memberships) at \$ 195.00 per household = \$ 117,000

Operating Expenditures

2) Compensation – Staff Salary and benefits

Compensation includes all salary, wages, and benefit costs for all eight full time and 21 part time employees. It accounts for approximately 77% of the operating expenditures. Our part time wages account for over 41% of the compensation amounts and have a direct link to hours of operation.

Figure 3: Compensation figures.

| Employment Status | FTE Allocation | Hours | Compensation | Benefits | Total | % of Total |
|---|----------------|---------------|------------------|----------------|------------------|-------------|
| Full-Time Base | 8 | 14,560 | \$ 753,767 | \$ 237,383 | \$ 991,150 | 57% |
| Part-time Base | 9.2 | 16,658 | \$ 586,764 | \$ 124,792 | \$ 711,556 | 41% |
| Other * | n/a | n/a | \$ 18,124 | \$ 5,261 | \$ 23,385 | 1% |
| Total | 17.2 | 31,218 | 1,358,655 | 367,437 | 1,726,091 | 100% |
| * Allowance for Overtime and Nonlibrary Salary Supports | | | | | | |

Based on the current organizational structure and the revised model for service delivery, there is limited opportunity to enhance services without an impact to the bottom line.

The Town has re-allocated the portions of the General Manager and Executive Assistant compensation added to the library in 2020; this change has resulted in a reduction (\$50,246.33) in total compensation, decreasing the operating budget. This combined with the direction from Council that budget estimates are to include a cost-of-living adjustment (COLA) for non-union employees of 2.5% results in an overall increase of just \$ 2,692 to the base compensation budget prior to any Service Level Changes (SLC).

Figure 4: 2023 approved base budget compensation, 2024 base variance.

| Description | Amount | Variance | % change over Prior Year |
|-------------------------------------|--------------|----------|--------------------------|
| 2023 Approved Budget (Compensation) | \$ 1,723,399 | n/a | |
| 2024 Base with changes noted above | \$ 1,726,091 | \$ 2,692 | 0.05% |

Based on the direction received in June, library staff have submitted the following three SLCs:

Figure 5: Service level change requests submitted for 2024 budget.

| Service Level Change Requests - as per Board discussion June 2023 | | Estimated 2024 Expenditures - incl Salary & Benefits | Total Compensation Envelope |
|---|-----------------------------------|--|-----------------------------|
| A | 1000 Part-time hours | \$42,206 | \$1,768,297 |
| B | Makerspace (Grade 9) | \$118,006 | \$1,844,097 |
| C | Outreach - beginning June 1, 2024 | \$61,756 | \$1,787,848 |

Figure 6: 2024 budget variance with three service level change requests.

| Library Operational Budget Estimates | | Compensation Envelope (salary & benefits) | Variance to Compensation Envelope | % Increase over Prior Year Compensation Envelope Only | Full Budget | Net Variance | % Increase to full 2024 Budget |
|---|-----------------------------------|---|-----------------------------------|---|--------------|--------------|--------------------------------|
| Prior Year Approved Estimates (2023) | | \$ 1,723,399 | | | \$ 2,112,257 | | |
| 2024 Base with changes noted above | | \$ 1,726,091 | \$ 2,692 | 0.05% | \$ 2,077,209 | \$ (35,048) | -1.7% |
| Service Level Change Requests - as per Board discussion June 2023 | | | | | | | |
| A | 1000 Part-time hours | \$ 1,768,297 | \$ 42,206 | 2.4% | | | |
| B | Makerspace (Grade 9) | \$ 1,844,097 | \$ 118,006 | 6.8% | | | |
| C | Outreach - beginning June 1, 2024 | \$ 1,787,848 | \$ 61,756 | 3.6% | | | |
| Including all SLCs | | \$ 1,948,059 | \$ 221,968 | 12.5% | \$ 2,299,177 | \$ 186,920 | 8.8% |

As noted above, compensation accounts for approximately 77-79% of library expenditures, when compensation is placed into the budget the overall increase to the budget is 8.8% not 12.5% (which represented the increase over the 2023 compensation envelope only).

These requests are considered necessary to build and grow a more resilient and stronger staffing structure to support the goals of the strategic plan. If the three positions are not approved service levels will be modified risking a decrease in the quantity and quality-of-service levels.

To further support the need for additional human resources the Town is conducting an Organizational Review that will identify gaps within the Corporation and make recommendations to address those gaps. The outcome of this review will no doubt influence Council's decision to maintain and potentially enhance service delivery.

Blackline Consulting was retained to perform this review. They have interviewed the library board as part of their review. Both the library CEO and the Public Services Librarian were interviewed, the Program and Research Librarian participated in a group session and all library staff were encouraged to complete the Organizational Review Survey.

Blackline will make recommendations on the Town's corporate structure, service delivery, and staff resourcing with these priorities in mind:

- Efficiency and effectiveness in municipal service provision
- Customer service excellence
- Value for money for Town services
- Fiscal responsibility
- Accountability and transparency

They will be working with Town staff and management to deliver on an actionable set of recommendations. Blackline's final deliverable will include:

- Recommended Key Performance Indicators (KPIs) the Town should adopt
- Alternative delivery options the Town could explore
- A 5-Year staffing plan and review method
- Prioritized set of recommendations to improve efficiencies

Changes to other operational expenses have been limited to inflationary estimates.

Capital 2024 Budget Estimates

The Capital Budget is important in fostering and maintaining public accountability and transparency, and provides detailed information about each Capital Project, including cost categories, funding sources, and outcomes.

Staff are recommending no changes to 2024 estimates for capital expenditures, however, the Board's direction to plan for growth, results in significant changes within the 10-year capital forecast, see section 3 below.

Figure 7: 2024 Capital budget estimates.

| Library Reserves and Capital Budget Submission | | | | | | | | | | | |
|--|---|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|-------------------|-------------------|-------------------|-------------------|
| # | Project Description | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| 1 | Library Collections | \$ 206,875 | \$ 213,082 | \$ 219,474 | \$ 226,059 | \$ 229,466 | \$ 235,203 | \$ 241,083 | \$ 254,000 | \$ 260,000 | \$ 265,000 |
| 2 | Building Reserve | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ 35,000 |
| 3 | Furniture & Equipment (with carryforward) | \$ 63,828 | \$ 30,000 | \$ 10,000 | \$ 30,000 | \$ 10,000 | \$ 30,000 | \$ 10,500 | \$ 30,000 | \$ 10,500 | \$ 30,000 |
| 4 | Modernize Space (Alder) | \$ 20,000 | | \$ 20,000 | | \$ 20,000 | | \$ 20,500 | | \$ 20,500 | |
| 5 | MakerSpace Updates | | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 |
| 6 | Library Portion Feasibility Study (Alder) | \$ 75,000 | | | | | | | | | |
| 7 | Computer Hardware (revise sc | \$ 57,241 | | \$ 4,326 | | \$ 52,339 | | | | | |
| 8 | Network Infrastructure | | | | \$ 26,000 | | | | | | |
| 9 | Security Inventory System | \$ 10,000 | \$ 30,000 | \$ 25,000 | | | \$ 25,000 | | | \$ 30,000 | |
| 10 | Lockers/Kiosk | | | | \$ 25,000 | \$ 25,000 | | | | | |
| 11 | Expansion for anticipated growth | | | | | | \$ 11,000,000 | | | | |
| | Total | \$ 467,944 | \$ 313,082 | \$ 318,800 | \$ 347,059 | \$ 376,805 | \$ 11,330,203 | \$ 312,083 | \$ 324,000 | \$ 361,000 | \$ 335,000 |
| NOTE: 2023 figures include amounts carried forward from previous years | | | | | | | | | | | |

The highest most consistent ask of the capital budget is for Library collections. Collection Development is the process of building the library materials to meet the information and recreational needs of the members in a timely and economical manner. Successful collection development requires providing users with the materials they want when they want them from the vast universe of possible purchases. Effective budgeting and cost-effective selection are also necessary to build the strongest collection possible with available resources.

The cost of materials has been rising higher than the cost of living for the past several years and along with the increasing and ever-changing model of ownership for the electronic books.

Figure 8: Collection development budget estimates for 2024 to 2028.

| Collection Development | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Physical Material | \$ 137,516 | \$ 134,612 | \$ 133,612 | \$ 130,671 | \$ 134,591 |
| eResources / SoftwareLicences | \$ 75,566 | \$ 84,862 | \$ 92,447 | \$ 98,795 | \$ 101,759 |
| Total | \$ 213,082 | \$ 219,474 | \$ 226,058 | \$ 229,466 | \$ 238,378 |

Staff are recommending steady increases to the collection development fund, as outlined in figure 8 (above), in order to maintain the current level of service for the community.

3) Expansion – Future Growth

Staff have initiated the Board direction to add \$ 11M capital to the budget year 2028. [The Orangeville Public Library Long-term Business and Branding Strategy](#) outlined the rationale and justification for expanding the library. As part of the new Strategic Plan, the Board is requesting that the additional square footage (approximately 16,000 sq ft) be built as an addition to the existing Alder Recreation Centre.

Estimates at this time, include additional staffing costs including benefits and training would range from \$ 300,000 to \$400,000. The estimated increase to incremental operating cost associated with the expansion \$60,000 - \$ 80,000.

Financial Impact:

The impact as shown – subject to final approval by Council.

Strategic Alignment:

Strategic Direction: Soar

Goal: Remain fiscally responsible with public resources

Prepared and respectfully submitted by,

Darla Fraser,
Chief Executive Officer