

October 31, 2017

Her Worship Mayor Lisa Helps and Council

**City of Victoria**

1 Centennial Square

Victoria, BC V8W 1P6

Dear Mayor Helps and Council:

**Re: 2018 Budget and Five Year Financial Plan**

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The Greater Victoria Public Library respectfully submits its 2018 Operating Budget and Five Year Financial Plan for 2018-2022 for approval by Council resolution by May 1, 2018.

The overall municipal contribution increase requested for 2018 is 2.90%, after factoring in budgeted reserve transfers and revenue changes.

The City of Victoria's share of the 2018 requisition, based on converted assessment values and population, and including rental adjustment is \$4,886,764.

Budget drivers include salaries and benefits, building occupancy costs and other factors which are described in the 2018 budget notes.

Now more than ever, public libraries are needed to bridge the digital divide and to support community inclusion. As modern technologies give rise to unprecedented change, the library ensures that no one is left behind. With exemplary staff, space, collections and technology, the Greater Victoria Public Library is a place where doors, books, and minds are always open.

We support our community at eleven library branches (soon to be 12 with the new branch in James Bay) and online at [gvpl.ca](http://gvpl.ca), serving 321,016 residents in our 10 member municipalities. GVPL continues to hold the highest per capita circulation rate of urban library systems in Canada, and through more than 100 active community partnerships, we make significant contributions to the well-being of local residents.

Thank you for your vision and ongoing support of the role public libraries play in building strong and vibrant communities.

Sincerely,



Rob Martin

Chair, Greater Victoria Public Library Board

Enclosures

Copies: Jocelyn Jenkyns, Acting City Manager, City of  
Susanne Thompson, Director of Finance, City of Victoria  
Victoria Maureen Sawa, CEO, Greater Victoria Public Library  
Paul McKinnon, Director of Finance and Facilities, Greater Victoria Public Library



**GREATER VICTORIA  
PUBLIC LIBRARY**

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# **2018 Final Budget and 2018-2022 Five Year Financial Plan**

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**Approval Dates:**

**Finance Committee – September 12, 2017**

**Finance Committee – October 10, 2017**

**Library Board – October 24, 2017**

**Municipal Councils – October 31, 2017**



## 2018 Budget and Five-Year Financial Plan

	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>Change%</u>	<u>Notes</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Revenues</b>									
Municipal contributions - operating	\$ 16,538,399	17,017,338	\$ 478,939	2.9%	1	\$ 17,552,855	\$ 17,899,008	\$ 18,200,911	\$ 18,517,623
Municipal contributions - start-up	698,000	460,600	\$ (237,400)	-34.0%	2	-	-	-	-
Provincial grants	642,339	642,339	\$ -	0.0%		642,339	642,339	642,339	642,339
Federal grants	5,534	7,379	\$ 1,845	33.3%		7,379	7,379	7,379	7,379
Fines, fees and printing	503,800	502,191	\$ (1,609)	-0.3%	3	483,681	466,306	449,995	434,700
Contracts for service	28,111	28,450	\$ 339	1.2%		28,450	28,450	28,450	28,450
Investment income	74,000	74,000	\$ -	0.0%	4	74,000	74,000	74,000	74,000
Donations and other grants	72,943	49,300	\$ (23,643)	-32.4%	5	42,000	42,000	42,000	42,000
	18,563,126	18,781,597	\$ 218,471	1.2%		18,830,704	19,159,482	19,445,074	19,746,491
<b>Expenses</b>									
Salaries and benefits	13,127,210	13,491,583	364,373	2.8%	6	13,978,534	14,259,107	14,542,433	14,830,355
Library materials	865,492	903,000	37,508	4.3%	7	903,000	903,000	903,000	903,000
Amortization	1,764,700	1,688,300	(76,400)	-4.3%	8	1,561,500	1,446,400	1,357,000	1,275,580
Supplies and services	1,076,382	1,077,525	1,143	0.1%	9	1,082,001	1,095,323	1,083,161	1,083,215
Building occupancy	783,144	762,838	(20,306)	-2.6%	9	761,846	773,074	784,365	794,654
Other expenses	360,341	361,831	1,490	0.4%	9	352,436	356,531	359,268	362,020
	17,977,269	18,285,077	\$ 307,808	1.7%		18,639,317	18,833,435	19,029,227	19,248,824
Annual Surplus/(Deficit)	585,857	496,520	(89,337)	-15.2%		191,387	326,047	415,847	497,667
Add back: Unfunded Amortization	1,764,700	1,688,300	(76,400)	-4.3%		1,561,500	1,446,400	1,357,000	1,275,580
	2,350,557	2,184,820	(165,737)	-7.1%		1,752,887	1,772,447	1,772,847	1,773,247
<b>Municipal contributions-operating increase</b>	<b>2.9%</b>	<b>2.90%</b>				<b>3.1%</b>	<b>2.0%</b>	<b>1.7%</b>	<b>1.7%</b>



	<u>2017</u>	<u>2018</u>	<u>Change</u>	<u>Change%</u>	<u>Notes</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Balance forward from Page 1</b>	2,350,557	2,184,820	(165,737)	-7%		1,752,887	1,772,447	1,772,847	1,773,247
<b>Capital Expenses</b>									
Library collection - operating	1,458,895	1,459,887	992	0%	7/10	1,459,887	1,459,887	1,459,887	1,459,887
Hardware - operating	96,000	93,000	(3,000)	-3%	10	93,000	93,000	93,000	93,000
Furniture and equipment - operating	60,000	60,000	-	0%		60,000	60,000	60,000	60,000
Building Improvement - operating	80,000	120,000	40,000	50%	10	120,000	120,000	120,000	120,000
Vehicles - operating (financed)	-	-	-	0%		-	60,000	-	-
<b>Branch Start-ups:</b>									
Library collection - James Bay Branch	220,250	74,250	(146,000)	100%	2	-	-	-	-
Library collection - Esquimalt Branch	-	10,000	10,000	0%	2	-	-	-	-
Hardware James Bay Branch	64,914	-	(64,914)	100%	2	-	-	-	-
Hardware Esquimalt Branch Relocation	-	66,000	66,000	0%	2	-	-	-	-
Furniture & equipment James Bay Branch	360,928	-	(360,928)	100%	2	-	-	-	-
Furniture & equipment Esquimalt Branch Relocation	-	284,500	284,500	0%	2	-	-	-	-
Building Improvement James Bay Branch	9,790	-	(9,790)	100%	2	-	-	-	-
	2,350,777	2,167,637	(183,140)	-8%		1,732,887	1,792,887	1,732,887	1,732,887
<b>Transfers</b>									
Unrest. donations: Marketing Research	(4,000)	-	4,000	100%		-	-	-	-
Unrest. donations: Capital planning	(32,500)	-	32,500	100%		-	-	-	-
Endowment: Lynda.com	(21,700)	(15,000)	6,700	100%		-	-	-	-
Contingency Reserve Fund	36,000	20,000	(16,000)	-44%		20,000	20,000	20,000	20,000
Transfers to/(from) Reserve Funds	(22,200)	5,000	27,200	-123%	11	20,000	20,000	20,000	20,000
Transfers to/(from) Accumulated Surplus	-	-	-	0%	12	-	-	-	-
Debt repayments	21,980	12,183	(9,797)	-45%	13	-	19,560	19,960	20,360
Financed assets	-	-	-	0%		-	(60,000)	-	-
	(220)	17,183	17,403	-7910%		20,000	(20,440)	39,960	40,360
<b>Financial Plan Balance</b>	-	-	-			-	-	-	-

# Notes to the 2018 Budget and Five-Year Financial Plan

## Budget context

GVPL is committed to operating efficiently and effectively to deliver library service to 10 municipalities. The library system leverages more than 100 active community partnerships to expand programs and lifelong learning opportunities for Greater Victoria residents.

In 2016, operational efficiencies were actively pursued and achieved. As a result, service enhancements for the community were delivered without increasing the staff complement. The Langford Heritage Branch was added to the existing 10-branch system. Library IT staff developed a new mobile catalogue. With external funding support from the Victoria Foundation and Friends of the Library, GVPL purchased a new outreach vehicle to extend service beyond 11 physical locations.

In 2017, to meet demand for new and expanding services, the Library continues to find efficiencies and to pursue cost avoidance strategies. As the lease at 747 Fort Street was discontinued, an offsite storage solution for IT servers was arranged at the University of Victoria and 17 staff members were relocated into reconfigured Central Branch work space. A new virtual branch (gvpl.ca) launched in August, created by GVPL staff with minimal external costs. These costs were offset by a grant from the Friends of the Library. The virtual branch offers expanded online services and operates within the existing staff complement. Modest revenue generation opportunities will be explored in 2018. Budgeted staffing levels remain flat at 147.56 FTE, identical to 2017. The existing staff complement will be used to operate a new branch in James Bay.

## Components of the 2018 budget include the following:

### 1 – Municipal contributions - operating

**Increase \$478,939**

Of the 2.90% increase in municipal contributions, the majority (82.9%) is attributed to salaries and benefits which are jointly negotiated through the GVLRA. Salaries and benefits are the key cost driver for GVPL.

Library materials costs account for 8% of the municipal contribution increase. This is due to fixed cost increases for subscriptions, processing and supplemental funding for a new digital resource.

As in previous years, overall revenues are conservatively projected which results in a 4.3% of the municipal contribution increase.

Building improvement fund contribution increases result in the remaining 3.6% increase in municipal contributions.

### 2 – Municipal contributions – start-up

**Decrease \$237,400**

In 2018 there is a decrease in the amounts for new and relocated branch start-up costs (furnishing and equipping the branch, as well as a collection inventory for new branches). These are funded by the individual municipalities providing the facilities:

One-time contributions to GVPL	Source	2016	2017	2018 Change	2018	Total
James Bay Branch	Victoria		\$698,000	(\$623,000)	\$75,000	<b>\$773,000</b>
Esquimalt Branch (Relocation)	Esquimalt			\$385,600	\$385,600	<b>\$385,600</b>
<b>Net budget decrease</b>				<b>(\$237,400)</b>		

The majority of these contributions are for capital expenditures, with a small percentage of start-up funding going towards non-capital costs, such as moving and some supplies below the asset threshold.

**3 - Fines, fees and printing revenue****Decrease \$1,609**

Revenue from fines, fees and printing is estimated to continue to decline modestly. Fees (e.g. meeting room rentals) are under review and additional opportunities for revenue generation will be explored in 2018. GVPL is currently investigating potential revenue sources such as fees for scanning and fees for overdue holds not picked up.

**4 – Investment Income****No Change \$0**

Investment revenue is conservatively estimated to reflect projected continuation of modest earnings in the Municipal Finance Authority bond fund.

**5 – Donations and Other Grants****Decrease \$23,643**

2017 to 2018 change in one-time funding for Canada 150 Project – Victoria Foundation and donations	(\$12,350)
2017 to 2018 change in DigiLab project funding - United Way	(\$11,293)
	<b>(\$23,643)</b>

Decrease relates to one-time funding received in 2017 that will not be received in 2018: Canada150 funding (\$12,350) and second year draw-down of the United Way DigiLab Project three year funding total (\$11,293). ). New funding opportunities will continue to be explored in 2018, in tandem with new donor engagement strategies.

**6 – Salaries and Benefits****Increase 364,373**

The library's CUPE Collective Agreement expired on December 31, 2016.

The full-time equivalent (FTE) count for regular employees (including full and part time employees) remains at 147.56 FTE. Salaries and benefits account for 71.9% of the library's overall budget in 2018. No additional staffing costs for the system will be incurred with the opening of the James Bay Branch in 2018 as the branch will be staffed through redeployment of staff vacancies, realignment of staffing levels elsewhere in the organization and savings achieved through attrition.

This budget includes employee benefit costs and payroll withholding costs such as EI and CPP. Total benefits are estimated to increase due to 1) the anticipated CUPE negotiated wage increase and 2) the annual increment increase for CUPE employees already supported in the current CUPE collective agreement. The rate of benefits and withholding costs will remain at 24.5% of total salaries and wages.

**7 – Library materials (expensed and capitalized)****Combined Increase \$38,500**

The library materials budget is split between Expenses, for periodicals and eResources, and Capital Expenses, for books, audio visual and electronic materials, which are capitalized as assets and amortized over 7 years. The net combined increase is:

Expensed – Library materials	\$37,508
Capitalized as asset – Library collection-operating	\$992
<b>Total, excluding branch startup collection assets</b>	<b>\$38,500</b>

Increase is due to anticipated fixed costs for increases in library materials subscriptions, processing and to provide new digital resources.

**8 – Amortization****Decreased \$76,400**

This is the estimated amortization expense for tangible capital assets, in accordance with the Board's Tangible Capital Asset policy. Since this is an unfunded expense, it is added back to the budgeted annual surplus.

**9 – Supplies and Services, Building Occupancy and Other****Combined Decreased \$17,673**

Supplies and services	\$1,143
Building occupancy	(\$20,306)
Other expenses	\$1,490
<b>Total</b>	<b>(\$17,623)</b>

The net decrease is primarily related to Building Occupancy due to the 747 Fort Street office space lease ending May 31, 2017. The lease was not renewed and a more permanent and secure location was found at the University of Victoria's Data Centre for the library's IT servers. The 17 HR, Finance and Facilities and I.T. personnel were relocated back to the Central Branch, which will serve as the most viable temporary location until a long term solution for administrative space is identified. The bulk of the savings realized from the termination of the 747 Fort Street lease and related moves have offset increases to other Building Occupancy budget lines.

**10 – Capital Expenditures****Increased \$37,992**

Library collection-operating	\$992	Primarily a shifting from non-capitalized library collection budget (periodicals and eResources) – Refer also to Note 7
Hardware	(\$3,000)	\$3,000 reduction in funded Digi-Lab project.
Building Improvement	\$40,000	The annual contribution level increase in 2018 from \$80,000 to \$120,000 is to correct historic underfunding for basic tenant improvement needs and are a pro-ration of original funding levels which were based on an 8 branch system in the late 1990s. This will improve capacity to modernize spaces for service delivery in GVPL's 12 branches and provide for more timely lifecycle improvements such as interior re-painting, flooring and window covering replacements and minor renovations.

All other budget variances relate to new branch start-up capital costs, as outlined in Note 2.

**11 – Transfers to/(from) Reserve Funds****Change in Net Transfer From Reserves \$27,200**

Unrestricted Donations - \$4,000 removed for one-time market research in 2017.

Unrestricted Donations - \$32,500 removed for one-time funding for capital planning and implementation support for branch projects in 2017.

Endowment Fund – (\$15,000) for cost to introduce Lynda.com online training platform for library users and staff in 2018, a decrease from (\$21,700) in 2017.

Contingency Reserve - \$16,000—removed for a one-time pension liability in the 2015 fiscal year; the contingency fund was depleted to a zero balance in 2016 in order to replenish a negative balance in the operating fund. Board policy requires that the contingency reserve target 1% of total operating budget within five years. This will replenish the reserve within the time period mandated by the policy, with no further annual increases in subsequent years.

**12 – Transfers to/(from) Accumulated Surplus****Change in transfers from surplus \$0**

One-time transfers from accumulated surplus-in 2016-were removed in 2017.

**13 – Debt Repayments****Reduction \$9,797**

Debt repayments budgeted in 2018 for Shuttle vehicle loan through MFA \$12,183 (loan maturity 2018).

## 2018 MUNICIPAL CONTRIBUTIONS

	2017		2018								
		Total Requisition 2017	Share 2018	Operating Budget	Rent Adjustment <sup>1</sup>	Total Requisition 2018	Increase			Building Maint. Costs <sup>2</sup>	Total Municipal Budget 2018
	2017						\$	%			
Central Saanich	5.14%	\$859,172	5.20%	\$884,902	\$9,204	\$894,106	\$34,934	4.10%		\$0	\$894,106
Colwood	4.76%	793,604	4.69%	\$798,113	6,278	804,391	10,787	1.40%		26,787	831,178
Esquimalt	5.44%	895,495	5.42%	\$922,340	(4,021)	918,319	22,824	2.50%		0	918,319
Highlands	0.69%	115,041	0.65%	\$110,613	871	111,484	(3,557)	-3.10%		3,877	115,361
Langford	10.95%	1,825,747	10.04%	\$1,708,541	13,541	1,722,082	(103,665)	-5.70%		57,900	1,779,982
Metchosin	1.50%	250,070	1.43%	\$243,348	1,897	245,245	(4,825)	-1.90%		8,933	254,178
Oak Bay	6.43%	1,058,442	6.88%	\$1,170,793	(4,771)	1,166,022	107,580	10.20%		0	1,166,022
Saanich	33.32%	5,487,794	33.95%	\$5,777,386	(21,859)	5,755,527	267,733	4.90%		0	5,755,527
Victoria	28.85%	4,768,973	28.73%	\$4,889,081	(2,317)	4,886,764	117,791	2.50%		0	4,886,764
View Royal	2.92%	484,061	3.01%	\$512,222	1,177	513,399	29,338	6.10%		0	513,399
Total	100%	\$16,538,399	100%	\$17,017,338	\$0	\$17,017,338	\$478,939	2.90%		\$97,497	\$17,114,835

<sup>1</sup> The **Rent Adjustment** is calculated in accordance with Section 8.12 (a), (b) and (c) of the Library Operating Agreement and relates to portions of buildings used to benefit all member municipalities: the Collection and Technical Services section of the Juan de Fuca Branch building and the Administrative portion of the Central Branch building. Municipalities which did not contribute to the initial acquisition of such building or who did not subsequently purchase a portion of such building pays reasonable rent to those Municipalities that did.

<sup>2</sup> **Building Maintenance Costs for jointly owned buildings** are additional municipal budget amounts that are over-and-above the requisition for the library operating budget. The two branches that are jointly owned are the Central Branch and the Juan de Fuca Branch. Similar costs at other branches do not flow through GVPL and are paid by the municipalities directly. Other than the contributions to the Juan de Fuca Major Asset Maintenance Trust fund ("JF MAM"), building costs are estimates. Once actual costs are known, GVPL invoices the municipalities. Budgeted building costs for the branch portion of the jointly-owned buildings, excluding administrative area costs that are included in the library operating budget, are as follows:

	Juan de Fuca Branch	Total
Direct property manager costs (repairs, maintenance, misc.)	22,389	<b>45,681</b>
Building insurance	10,404	<b>27,943</b>
JF MAM trust fund contribution	64,704	<b>64,704</b>
	<b>\$ 97,497</b>	<b>169,583</b>



## 2018 MUNICIPAL PER CAPITA CONTRIBUTIONS

	<b>2018</b>			
	<b>Total Requisition 2018</b>	<b>Population <sup>1</sup></b>	<b>Cost Per Capita 2018</b>	<b>Increase per capita</b>
Central Saanich	\$884,902	15,895	\$55.67	\$2.20
Colwood	\$798,113	17,583	45.39	\$0.61
Esquimalt	\$922,340	16,830	54.80	\$1.36
Highlands	\$110,613	2,394	46.20	-\$1.49
Langford	\$1,708,541	39,936	42.78	-\$2.60
Metchosin	\$243,348	4,792	50.78	-\$1.01
Oak Bay	\$1,170,793	17,368	67.41	\$6.19
Saanich	\$5,777,386	110,889	52.10	\$2.41
Victoria	\$4,889,081	85,192	57.39	\$1.38
View Royal	\$512,222	10,137	50.53	\$2.89
<b>Total</b>	<b>\$17,017,338</b>	<b>321,016</b>	<b>\$53.01</b>	<b>\$1.49</b>

<sup>1</sup> Source of 2018 population figures - BC Stats website:

<<http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx>>, 2016 population estimates, accessed on January 12, 2017.

General note: Percentage share of costs by municipality are determined based on 50% property assessment value and 50% population estimate. More detailed information on assessment values and population are available on request.