

DATE: November 15, 2023
TO: Chair and Members of the Board
FROM: Tony Del Monaco, Director, Finance and Facilities
SUBJECT: **2024 Operating Budget (2nd Review) - TD**

RECOMMENDATION:

That the Hamilton Public Library Board approve for submission to the City of Hamilton the 2024 Operating Budget at a net increase of \$1,483,378 or 4.4%.

That the Hamilton Public Library Board approve the use of \$1,000,000 in reserve funding from the Library General Development Reserve #106007 as part of the 2024 Operating Budget submission.

ATTACHMENTS:

2024OperatingBudget_2nd Review.pdf
Table 1 - 2024 Budget Summary.pdf
Table 2 - Operating Budget Changes.pdf
Table 3 - Three Year Forecast.pdf

Date: November 15, 2023
To: Chair and Members of the Board
c.c.: Paul Takala, Chief Librarian/CEO
From: Tony Del Monaco, Director of Finance & Facilities
Subject: **2024 Operating Budget Submission (2nd Review)**

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

The 2024 Operating Budget is being submitted at a 4.4% increase which would result in a \$1,483,378 increase. The net levy municipal contribution would be \$35,015,701.

The Board passed a Statement on Sustainability, committing the library to maintaining investment in 5 key areas. Those key areas are: Collections; Facilities; Technology; Staff; and Programs and Services. A 4.4% budget increase allows the Library to achieve these priorities and meet customer service demands.

BACKGROUND:

Over the last several years, the following direction has been received by Council and subsequent submissions by the Library Board:

	<u>Direction</u>	<u>Library</u>
2014	0.0%	0.2%
2015	-----	1.5%
2016	1.0%	1.0%
2017	1.8%	1.8%
2018	1.5%	1.8%
2019	-----	2.4%
2020	2.0%	2.0%
2021	2.0%	1.5%
2022	2.0%	2.5%
2023	-----	3.5%
2024	-----	4.4%

As can be seen from past operating budget submissions, the Library has a strong track record of meeting City Council's budget guidelines (no Council direction given this budget year). Over the previous 10 budget cycles, the average annual increase in HPL's operating budget has been limited to 1.8% per year.

HPL's 2024 operating budget increase is at 4.4%.

2024 Budget Outlook:

The 2024 Operating Budget request is at a municipal contribution of \$35,015,701 which is an increase of \$1,483,378 or 4.4% over the 2023 Operating Budget of \$33,532,323.

Attached as Table 1 to this report is a 2024 Budget Outlook summarizing the changes by cost category.

Employee-related expenses are the primary driver and are budgeted to increase by \$2,027,827.

A 2.5% and 3.0% cost of living adjustment (COLA) for non-union and union employee salary and wages respectively has been built into the budget for 2024. This is higher than the COLA we have been using in recent years and higher than what was budgeted last year in 2023. As part of last year's budget, we included a 2.5% COLA factor for all employees; however, actual union increases were 3.75% and non-union increases were variable depending on the position, but above 2.5% in all cases. The non-union increases included modifications to pay scales to remain in-line with our comparator municipalities. As a result, the 2024 budget includes not only the cost of living adjustment for 2024, but also an adjustment for the actual cost of living factors applied in 2023, versus what was budgeted for.

Several positions were also added to the budget, bringing our Full-Time Equivalent (FTE) count from 303.5 up to 309.5. The positions relate to public service and in-house security. In 2022, we made sweeping changes to our service hours system-wide. We listened to community member feedback and eliminated closed days during the week, and expanded Sunday hours to include all regional branches in addition to Central, without adding additional staff. 2022 was also the year we returned to in-person programming. We started with much fewer programs than before the pandemic and we have been slowly building up our offerings. With increased service hours and the demand for in-person programming growing over the course of 2022 and into 2023, staffing deficiencies in this area became evident. Having achieved consistent service hours across the city, we now need to address the community's needs for programming and outreach. By filling these positions, we will be able to more closely meet those needs. We anticipate that the demand will continue to increase in some areas, as our offerings are still below pre-pandemic levels. We will provide updates when additional resources are required.

As mentioned, the budget includes the addition of two in-house security guard positions. Currently we have one in-house security supervisor that oversees a team of contracted security guards. In recent years we have seen an increase in demand for security guards, both at Central, where security guards have been onsite for many years, and at some branches that have never had security guards before. The increased use of security guards has also allowed us to offer the "After Hours

Study Hall” model of operations where the Central Library and our six Regional branches remain open for quiet study, from regular closing at 8pm until midnight Monday through Thursday. The service model operates with one or two guards onsite (except for Central, which uses four due to its size). Adding in-house security will help with scheduling and other administrative tasks of the expanded guard contract, while also providing increased coverage time so that an HPL-employed guard can be onsite at Central to lead the contracted guard team. These on-staff guards will not only be leading the contracted guard team, but will also be performing regular guard duties to offset the number of contracted guards required.

As for Employee Benefits, our share of OMERS employer-paid contributions are budgeted to increase by \$265,000. As of last year, the eligibility requirements for non-full-time employees have been removed, so now all non-full-time employees may elect to join the OMERS Plan at any time. For those staff that elect to opt in, the Library will provide matching pension contributions. About 50 part-time employees and 1/3 of our Pages have elected to join the plan so far, and we have adjusted the budget accordingly.

Security Contract

As mentioned earlier, we have increased our use of contracted security guards to help deal with behaviour-related incidents at our branches. Three of our branches now have security on site on a regular basis – Central, Barton and Parkdale. At Barton we have a guard onsite during all open hours. At Parkdale a guard is onsite for about half of the open hours. Central, being our biggest and busiest location, has a complement of between 4 and 10 guards at any given time. Various branches may also have guards temporarily onsite to help staff deal with spikes in unwanted behaviour.

With the rollout of our After Hours Study Halls at Central and Regional branches, the requirement for budgeted guard hours has increased. Study Hall service operates at these locations from close of normal operations at 8pm, until midnight Mondays to Thursdays. Regional locations operate with one or two guards onsite, while Central operates with four due to its size.

The Board has also committed to making sure our guards are paid a living wage. With the combination of increased hours and increases to living wage, we are expecting our next security contract, which will be put out for tender later this year, to come in higher than in the past. For this reason, we have included a \$100,000 budget increase for security in 2024, with further increases budgeted in the three-year projection.

Other Budget Areas

We have moved \$25,000 from the software budget (Materials and Supplies) to Service Contracts budget (Contractual Services). Occasionally we buy software, but it is more likely that we subscribe to it, and pay an annual fee through the Service

Contracts budget. The majority of other budget adjustments relate to City-driven costs, which are charged back to us via a direct or indirect cost allocation.

Revenues

On the revenue side, we have incorporated minor changes to the budget, including expected increases in Newcomer Learning Centre grant funding (\$20,000); Print and Copy revenue increases (\$30,000) as well as miscellaneous revenue increases (\$4,000) for things such as filming requests.

Reserve Funding

Two years ago, as part of the operating budget, we introduced a transfer from library reserves to offset operating budget impacts. For the 2023 budget, that transfer was set at \$200,000. As part of the 2024 budget, and in line with the Mayoral directive, we have increased that reserve contribution to \$1,000,000. We are expecting library reserves will contribute \$2.7 million to help offset and smooth out operating budget increases over the next six years. The phase-out strategy is outlined below in the three-year outlook.

Table 2 provides a line-by-line breakdown of proposed budget changes for 2024.

Three-Year Outlook

The Library participates in the City's multi-year budgeting initiative. Operating budgets are still approved on an annual basis; however, a three-year forecast – in addition to the current budget year - now accompanies the annual budget. The three-year forecast is for information purposes only and is presented in Table 3.

We forecast an average increase of 4.5% from 2025 to 2027 to maintain levels of service. The following are key drivers of the 2025 to 2027 forecast:

- A 4.0% increase in employee-related costs has been assumed over the three-year period to cover estimated 3.0% cost of living increases, as well as step increases and increases in benefit costs.
- Building and Ground shows an increase for security contract costs. Our security contract will be put out for tender in the coming months. We are expecting we will need to continue to increase the budget provision for potential increases under the new contract.
- A provision for other general contract cost increases has been included as part of Contractual Services at \$50,000 to \$125,000 per year.
- A provision of \$80,000 to \$100,000 per year has been included in the Reserves/Recoveries budget as an estimate for City cost recovery increases and increased reserve provisions for capital enhancements.
- Indirect City Cost allocations have been estimated to increase by 3.0% inflation.

- Fees & General revenues are projected to remain stable with modest increases in grant revenue for the Newcomer Learning Centre program and Printer/Copier usage.
- Contribution from Library Reserves to support Operations is forecast to decrease by \$200,000, \$300,000, and \$200,000 in each of 2025, 2026, and 2027 respectively. Further decreases of \$100,000 in each of 2028, 2029, and 2030 would eliminate the reliance on Library Reserve funding over a 6-year period.

Table 1 - 2024 Operating Budget Summary

		2023 Budget	2024 Budget	2024 \$ Budget Variance	2024 % Budget Variance
Hamilton Public Library					
	Expenses Total	35,404,853	37,743,231	2,338,378	6.6%
	Employee Related Cost Total	24,025,876	26,053,702	2,027,827	8.4%
	Material & Supply Total	3,721,840	3,696,840	(25,000)	(0.7%)
	Vehicle Expenses Total	91,801	101,930	10,129	11.0%
	Building & Ground Total	2,014,610	2,112,707	98,097	4.9%
	Contractual Total	1,721,770	1,766,770	45,000	2.6%
	Reserves/Recoveries Total	3,042,372	3,265,140	222,767	7.3%
	Cost Allocations Total	411,164	370,722	(40,442)	(9.8%)
	Financial Total	375,420	375,420	-	0.0%
	Revenues Total	(1,872,530)	(2,727,530)	(855,000)	45.7%
	Fees & General Total	(383,080)	(418,080)	(35,000)	9.1%
	Grants & Subsidies Total	(1,289,450)	(1,309,450)	(20,000)	1.6%
	Reserves Total	(200,000)	(1,000,000)	(800,000)	400.0%
Net Levy		33,532,323	35,015,701	1,483,378	4.4%

Table 2 - 2024 Operating Budget Changes

Category	Budget Change \$	Drivers
EMPLOYEE-RELATED COST	2,027,827	
Salaries & Wages	1,642,165	COLA adjustments, staffing changes, step increases
Benefits	385,662	OMERS, Vacation Pay, Health Benefits
MATERIAL AND SUPPLY	(25,000)	
Software Purchases	(25,000)	Budget moved to Contractual Services
VEHICLE EXPENSES	10,129	
Central Fleet Charges	10,175	Charges from City for vehicle maintenance
Licenses	470	Charges from City
Fuel-Diesel	(1,177)	Fuel for Bookmobiles
Fuel-Unleaded Gasoline	660	Fuel for Courier Trucks & Vans
BUILDING AND GROUND	98,097	
Heating Fuel	870	
Hydro	5,070	
IP Telephony Charges	(7,843)	City driven change
Security	100,000	Increased guard hours; Contract increases
CONTRACTUAL SERVICES	45,000	
Lease & Service Contracts	45,000	Contract increases
RESERVES / RECOVERIES	222,767	
Transfer to Vehicle/ Equipment Reserve	15,560	City charge for future replacement of vehicles
City Direct Vehicle Insurance Recovery	743	Charges from City
City Direct Insurance Recovery	(134,328)	Charges from City
City Direct Facilities Recovery	340,295	Charges from City
City Postage/Freight/Courier Recovery	498	
COST ALLOCATIONS	(40,442)	
Facilities Helpdesk	(46,449)	City driven cost
Driver Training	463	City driven cost
City Indirect Accounting Services Recovery	1,707	City driven cost
City Indirect Financial Applications Recovery	598	City driven cost
City Indirect Payroll Recovery	1,743	City driven cost
City Indirect Accounts Payable Recovery	621	City driven cost
City Indirect Procurement Recovery	388	City driven cost
City Indirect Budgets Recovery	402	City driven cost
City Legal Services Recovery	84	City driven cost
FINANCIAL EXPENSES	-	
EXPENSES	2,338,378	
FEES, GENERAL, & OTHER GRANTS	(35,000)	
Administration Fees	(1,000)	Lease revenue related to Carlisle branch ATM
Research Fees	(70)	
Photocopier Revenue	(30,000)	Projected increase in printer/copier usage
Miscellaneous Revenues	(3,930)	Filming Requests
GOVERNMENT GRANTS & SUBSIDIES	(20,000)	
Federal Grants	(20,000)	Newcomer Learning Centre grant
RESERVES	(800,000)	
Contribution from Reserves	(800,000)	Contribution from Library Reserves increased from \$200,000 to \$1,000,000
REVENUES	(855,000)	
NET LEVY	\$ 1,483,378	

Table 3 - Three Year Forecast

	2023	2024	2024	2025	2026	2027
	Budget	Budget	Change	Change	Change	Change
Total Expenses	35,404,853	37,743,231	2,338,378	1,437,081	1,427,240	1,468,609
EMPLOYEE-RELATED COST	24,025,876	26,053,702	2,027,827	1,172,148	1,089,034	1,132,595
MATERIAL AND SUPPLY	3,721,840	3,696,840	(25,000)	5,000	10,000	10,000
VEHICLE EXPENSES	91,801	101,930	10,129	2,548	(20,000)	2,112
BUILDING AND GROUND	2,014,610	2,112,707	98,097	100,000	100,000	100,000
CONTRACTUAL	1,721,770	1,766,770	45,000	50,000	125,000	100,000
RESERVES / RECOVERIES	3,042,372	3,265,140	222,767	80,000	100,000	100,000
COST ALLOCATIONS	411,164	370,722	(40,442)	11,122	11,455	11,799
FINANCIAL	375,420	375,420	-	16,263	11,750	12,103
Total Revenue	(1,872,530)	(2,727,530)	(855,000)	180,000	280,000	180,000
FEES, GENERAL & OTHER GRANTS	(383,080)	(418,080)	(35,000)	(10,000)	(10,000)	(10,000)
GOVERNMENT GRANTS AND SUBSIDIES	(1,289,450)	(1,309,450)	(20,000)	(10,000)	(10,000)	(10,000)
RESERVES	(200,000)	(1,000,000)	(800,000)	200,000	300,000	200,000
\$ Net Levy	33,532,323	35,015,701	1,483,378	1,617,081	1,707,240	1,648,609
% increase			4.4%	4.6%	4.7%	4.3%