



DATE: December 11, 2024
TO: Chair and Members of the Board
FROM: Pam Byrne, Director of Finance
SUBJECT: **2025 Operating Budget - Updated - PB/PT**

RECOMMENDATION:

That the Hamilton Public Library Board approve the modified 2025 Operating Budget request of a net Levy of \$37,481,495, an increase of \$2,465,794 or 7.0% over the prior year's budget.

BACKGROUND:

The budget figures were presented to the Board for approval on November 20th, 2024. The Board approved the budget. Since that meeting, HPL was requested to edit its budget slightly to align with the City's budgeted numbers for the 2025 Year. The adjustment that HPL encountered was minimal, and the change's impact resulted in an expense increase of approximately \$87k for the year.

Several cost categories were impacted but overall, the change was deemed to be immaterial.

The original budget presented was a net Levy of \$37,395,010, an increase of \$2,379,309 or 6.8% over the prior year's budget. The revised budget now entails a net Levy of \$37,481,495, an increase of \$2,465,794 or 7.0% over the prior year's budget. The exact cost variance from the first budget presented to the current budget is \$86,485.

ATTACHMENTS:

2025RevisedOperatingBudget.pdf
2025RevisedBudgetTables.pdf



Date: December 10, 2024
To: Chair and Members of the Board
c.c.: Paul Takala, Chief Librarian/CEO
From: Pam Byrne, Director of Finance
Subject: **2025 Operating Budget Submission**

BACKGROUND

The 2025 operating budget submission maintains service levels while addressing needed investments in infrastructure to continue recovering from the cyber-attack.

In February 2024, the Hamilton Public Library and the City incurred a serious cyber-event that impacted operational capabilities. While HPL staff worked diligently to continue providing the services we could, Library Members were impacted for many months with some services not available. Library collections were available for borrowing; however, online systems such as placing holds were not available. Public computing access and printing were impacted for the longest period. Currently, public computing has been restored at all locations, and printing is available through staff assistance; the online system that facilitates self-service printing and payment is in the final stages of testing, with deployment expected in early December.

During this time, repair and a thorough review of HPL's network infrastructure were undertaken to ensure this occurrence does not repeat itself. This review has concluded that important upgrades and capital investment are needed to maintain the current services being provided by HPL in a capacity that our Members are accustomed to.

Also, within this period, different approaches have been adapted to ensure the safety and security of all who enter HPL. Training, constant teamwork, and partnering with outside parties to aid Members in need have been a focus and will continue to be vital in 2025. Necessary feasibility studies are underway to ensure a greater footprint for HPL to provide services to all its community members. These services range from borrowing materials to entertainment to necessary free services that are transacted at an outside location and may come with a fee.

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%
2025	-----	7.0%

The Library has not requested a percentage increase over 4.4% in recent years. Over the past 11 years, HPL has maintained a budget average increase of 2.49%. 2025 is a significant year due to network infrastructure requirements. Equipment is getting older and needs upgrades and, in some instances, replacement. This is also coupled with the need to ensure safety and stability in all HPL areas requiring additional training and materials.

HPL's 2025 operating budget increase is at 7.0%.

2025 BUDGET OUTLOOK

The 2025 Operating Budget request is for a municipal contribution of \$37,481,495, an increase of \$2,465,794 or 7.0% over the 2024 Operating Budget of \$35,015,057.

Attached as Table 1 to this report is a 2025 Budget Outlook summarizing the changes by cost category. The biggest driver to the cost increase relates to the cost category called Contractual. Budget expenses seeking approval relate to additional firewalls, such as self-check upgrading of equipment, sorter upgrades, and website upgrades. These upgrades and enhancements are new and reflect the need for HPL and the City to have appropriate network separation. Hence, both organizations are less vulnerable to future disruptions from cyber-attacks. The total cost of these necessary investments outside the normal budgetary amounts is \$650,000.

The second biggest driver is people cost 3.0% cost of living adjustment (COLA) for non-union and union employee salary & wages, respectively, has been built into the budget for 2025. This is lower than the COLA we've been using last year. The focus in 2025, as it relates to people cost, is to ensure we have the correct talent in the proper locations – social workers – security guards – pages – librarians- or Digital Technology staff, all committed to serving HPL with their skill set and talents. The total cost increase over the prior year is \$1,000,000. Employing roughly 535 HPL staff. This budget submission does not increase the overall FTE (full-time equivalent).

Material and Supply

Material and supplies are increased by 3.3% over the prior year. This increase is directly related to increasing supplies for the branches to allow for more programming opportunities at the branch level. We also advocate for additional funds for Makerspace activities and want to engage more citizens and local businesses to use this service. It is an excellent opportunity to engage the small business community, allowing them to leverage marketing tools and materials.

Building and Ground

This cost category has increased by 8.0% over the prior year. Unfortunately, the bulk of these expenses are beyond our control and cannot be managed cost-wise. HPL is faced with rent and security increases. Projects are underway to ensure security costs are within budget or lower for 2025. Security costs for 2025 are budgeted at \$750,000, a decrease of over \$500,000 from 2023 actuals and a speculated decrease of \$350,000 from 2024 actuals.

Three locations—Red Hill, Parkdale, and Greenville — are facing additional rent increases. Costs are being controlled to the best of our ability, but these increases are within the arranged contractual agreements.

Financial

This cost category encompasses our own held insurance premiums – processing fees and legal and auditing fees. It is speculated that due to recent events, insurance fees, as well as auditing fees, may face a substantial increase. Legal fees have also increased over prior years due to union negotiations that will occur in 2025.

Compounding the increase is the addition of HPL undertaking its own insurance policy for certain occurrences, such as cybersecurity. The increase over the prior year is approximately \$180k or 47.8%.

Cost Recoveries

HPL incurs cost recoveries from the City related to insurance, facilities management, and maintenance. For 2025, there is a budgeted cost increase for facilities recoveries amounting to \$33,295. This increase is highly minimal for the 2025 year. The main contributing factor to the slight increase over the prior year is the reallocation of insurance to the financial cost category. This category helps ensure all buildings and grounds are maintained to the highest standards. Projects that the cyber-event may have delayed are now being reviewed and executed.

Other Budget Areas

All other cost categories have increased by 2.3% or, in some instances, not at all.

Revenues

On the revenue side, we've incorporated no changes to the budget as it relates to Grants and subsidies. A small increase totalling \$9,616 was included for fees and revenues, which entailed increasing some revenue accounts from the prior year to 1.7%.

Reserve Funding

As part of the 2024 budget and in line with the Mayoral directive, we had increased the reserve contribution to \$1,000,000. Again, for the 2025 budget and in accordance with the Mayor's direction, a reserve contribution of \$800,000 is budgeted. The phase-out strategy is outlined below in the three-year outlook. Table 3 provides a line-by-line breakdown of proposed budget changes for 2025.

Three-Year Outlook

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

We are forecasting an average increase of 4.9% from 2025 to 2028. The following are key drivers of the 2025 to 2028 forecast:

- A 4.0% increase in employee-related costs has been assumed over the 3-year period to cover an estimated 3.0% cost of living increases, step increases, and increases in benefit costs.
- Building and Ground. Our security contract was put out for tender, and acceptance was given in the latter quarter of 2024. We are expecting to stabilize or decrease security costs in the coming years. Cost increases projected within this category related to AODA expenditures and other Building and Ground maintenance items.
- A provision for other general contract cost increases has been included as part of Contractual Services at \$80,000 to \$125,000 per year. This is due mainly to the increased network infrastructure requirements.
- 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% due to 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.
- Contributions from Library Reserves to support Operations are forecast to decrease by \$200,000, \$300,000, and \$200,000 in 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 6 years.



Date: December 10, 2024
To: Members of the Board Committee
From: Pam Byrne – Director of Finance
Subject: Amendment in Budgetary Figures for the 2025 Year

Table 1 - 2024 Operating Budget Summary

Presented at the November Board Meeting

	2023 Actual	2024 Budget	2025 Budget	2025 \$ Budget Variance	2024 % Budget Variance
Hamilton Public Library					
Expenses Total	36,156,112	37,743,231	39,932,155	2,188,925	6.1%
Employee Related Cost Total	24,842,335	26,053,702	26,854,126	800,424	3.2%
Material & Supply Total	3,766,479	3,696,840	3,819,559	122,719	3.3%
Vehicle Expenses Total	99,684	101,930	104,274	2,344	2.4%
Building & Ground Total	2,593,878	2,112,707	2,297,257	184,550	7.1%
Contractual Total	2,082,297	1,766,770	2,528,505	761,735	36.6%
Reserves/Recoveries Total	2,082,297	3,265,140	3,539,031	273,891	13.2%
Cost Allocations Total	376,094	370,722	379,248	8,527	2.3%
Financial Total	313,049	375,420	410,155	34,735	11.1%
Revenues Total	(3,369,075)	(2,727,530)	(2,537,146)	190,384	-5.7%
Fees & General Total	(551,751)	(418,080)	(427,696)	(9,616)	1.7%
Grants & Subsidies Total	(1,252,129)	(1,309,450)	(1,309,450)	-	0.0%
Reserves Total	(1,565,196)	(1,000,000)	(800,000)	200,000	(12.8%)
Net Levy	32,787,037	35,015,701	37,395,010	2,379,309	6.8%

Table 1 - 2024 Operating Budget Summary

Adjustments Made AFTER Board Approval

	2023 Actual	2024 Budget	2025 Budget	2025 \$ Budget Variance	2024 % Budget Variance
Hamilton Public Library					
Expenses Total	36,156,112	37,743,231	40,018,640	2,275,409	6.0%
Employee Related Cost Total	24,842,335	26,053,702	27,063,157	1,009,455	3.9%
Material & Supply Total	3,766,479	3,696,840	3,819,559	122,719	3.3%
Vehicle Expenses Total	99,684	101,930	105,228	3,298	3.2%
Building & Ground Total	2,593,878	2,112,707	2,282,257	169,550	8.0%
Contractual Total	2,082,297	1,766,770	2,503,505	736,735	41.7%
Reserves/Recoveries Total	2,082,297	3,265,140	3,298,435	33,295	1.0%
Cost Allocations Total	376,094	370,722	391,510	20,788	5.6%
Financial Total	313,049	375,420	554,989	179,569	47.8%
Revenues Total	(3,369,075)	(2,727,530)	(2,537,146)	190,384	-7.0%
Fees & General Total	(551,751)	(418,080)	(427,696)	(9,616)	2.3%
Grants & Subsidies Total	(1,252,129)	(1,309,450)	(1,309,450)	-	0.0%
Reserves Total	(1,565,196)	(1,000,000)	(800,000)	200,000	-20.0%
Net Levy	32,787,037	35,015,701	37,481,495	2,465,794	7.0%

The Change of Cost Categories from the Budgetary Year of 2024 to 2025

Table 2 - 2025 Operating Budget Changes	
Category	Budget Change \$
EMPLOYEE RELATED COST	1,003,455
Salaries & Wages	814,445
Benefits	195,010
MATERIAL AND SUPPLY	122,719
750165 - Makerspace	40,000
750160 - Digital Technology	1,443
750110 - Communications	25,000
Branches	67,270
750015 - Corporate Expenses	(20,000)
VEHICLE EXPENSES	3,298
54005 - Central Fleet Vehicle Charges	1,613
54010 - Licenses	56
54115 - Fuel-Diesel	675
BUILDING AND GROUND	169,550
54415 - AODA Expenditures	-
55358 - Rent-Offices & Buildings	17,632
56110 - Data Line	-
56115 - Heating Fuel - NG	7,881
56145 - Telephone	1,905
56180 - Water & Sewer	40,503
56202 - Security	72,800
55358 - Rent-Offices & Buildings	28,823
CONTRACTUAL SERVICES	736,735
750160 - Digital Technology	586,312
750042 - Partnerships and Outreach	2,903
750305 - Photocopier Services	62,903
55916 - Contractual Services	100,000
Other Departments	(15,383)
RESERVES / RECOVERIES	33,295
Transfer to Vehicle/ Equipment Reserve	8,394
City Direct Vehicle Insurance Recovery	231
City Direct Insurance Recovery	5,001
City Direct Facilities Recovery	173,601
Insurance	(153,331)
COST ALLOCATIONS	20,788
FINANCIAL EXPENSES	179,569
EXPENSES	2,275,409
FEES, GENERAL, & OTHER GRANTS	(9,616)
GOVERNMENT GRANTS & SUBSIDIES	-
Federal Grants	
RESERVES	200,000
Contribution from Reserves	200,000
REVENUES	190,384
NET LEVY	\$ 2,465,794

Largest Drivers – Employees cost – Contractual Service (Technology Related) – Building and Ground (Security and Rent Increases) – Finance Expenses (Insurance – Legal – Audit)

Three Year Forecast - Hamilton Public Library Years 2026 to 2028

	2024	2025	2025	2026	2027	2028
	Budget	Budget	Change	Change	Change	Change
Total Expenses	37,743,231	40,018,640	2,275,409	1,388,552	1,451,789	1,449,165
EMPLOYEE RELATED COST	26,053,702	27,063,157	1,009,455	1,082,526	1,125,827	1,170,860
MATERIAL AND SUPPLY	3,696,840	3,819,559	122,719	10,000	10,000	10,000
VEHICLE EXPENSES	101,930	105,228	3,298	2,631	3,500	2,784
BUILDING AND GROUND	2,112,707	2,282,257	169,550	100,000	100,000	100,000
CONTRACTUAL	1,766,770	2,503,505	736,735	80,000	125,000	100,000
RESERVES / RECOVERIES	3,265,140	3,298,435	33,295	80,000	50,000	35,000
COST ALLOCATIONS	370,722	391,510	20,788	11,745	20,163	12,703
FINANCIAL	375,420	554,989	179,569	21,650	17,299	17,818
Total Revenue	(2,727,530)	(2,537,146)	190,384	190,000	290,000	190,000
FEES, GENERAL, & OTHER GRANTS	(418,080)	(427,696)	(9,616)	(10,000)	(10,000)	(10,000)
GOVERNMENT GRANTS AND SUBSID	(1,309,450)	(1,309,450)	-	-	-	-
RESERVES	(1,000,000)	(800,000)	200,000	200,000	300,000	200,000
\$ Net Levy	35,015,701	37,481,495	2,465,794	1,578,552	1,741,789	1,639,165
% increase			7.0%	4.2%	4.5%	4.0%

Note: Library Reserves usage \$1M in 2024, \$800k in 2025, \$500k in 2026, \$200k in 2027, \$100k in 2028 a total of \$2.6M.

	2024	2025	2026	2027	2028
Library Reserve Funding by Year	1,000,000	800,000	500,000	200,000	200,000

Three Year Capital Forecast - Hamilton Public Library Years 2026 to 2028							3-YR PLAN
		Pre-Approved	2025	2026	2027	2028	TOTALS
Mount Hope Replace/Expansion	Total Expenditures	2,400,700	2,913,300				2,913,300
7501941800							0
	DC Revenues	558,200					0
	Library Reserves	1,075,000	0				0
	Grant - GICB (PENDING APPROVAL)		2,913,300				
	City Capital Levy Reserve	767,500					0
	Total Revenues	2,400,700	2,913,300				2,913,300
							0
							0
Discovery Centre Project - Waterfront	Total Expenditures	250,000		15,000,000			15,000,000
7502341300							0
	DC Revenues			15,000,000			15,000,000
	Library Reserves	250,000					0
	Total Revenues	250,000		15,000,000			15,000,000
							0
							0
New West Mountain Branch	Total Expenditures					14,000,000	14,000,000
7502841303							0
(new branch Ward 14)	DC Revenues					14,000,000	14,000,000
	Library Reserves						0
	Total Revenues					14,000,000	14,000,000
							0
							0
New Bookmobile	Total Expenditures			1,000,000			1,000,000
7502351301							0
	DC Revenues			600,000			600,000
	Library Reserves			400,000			400,000
	Total Revenues			1,000,000			1,000,000
							0
							0
HPL Network Infrastructure Upgrades	Total Expenditures		1,500,000				1,500,000
							0
	City Capital Levy Reserve		1,500,000				1,500,000
	Library Reserves						0
	Total Revenues		1,500,000				1,500,000
							0
ANNUAL TOTALS	TOTAL EXPENDITURES	2,650,700	4,413,300	16,000,000	0	14,000,000	34,413,300
	DC REVENUES	558,200	1,500,000	15,600,000	0	14,000,000	31,100,000
	LIBRARY RESERVES	1,325,000	0	400,000	0	0	400,000
	GRANT - GICB		2,913,300				2,913,300
	TOTAL REVENUES	2,650,700	4,413,300	16,000,000	0	14,000,000	34,413,300