

Date October 22, 2025
To Chair and Members of the Board Committee
From Pam Byrne, Director of Finance
Subject **2026 Operating Budget 1st Review**

2026 Operating Budget

The 2026 Operating Budget is being submitted at a 5.25% increase, which would result in a \$1,967,779 increase. The net levy municipal contribution would be \$39,449,273. The Mayor of Hamilton indicated that a recommended percentage increase from one year to the next should not exceed 4.25%. Our submission to the Board today is 5.25% a 1.0% increase over the recommendation, or \$374,815.

Background

Over the last 10 years, the following direction has been received by Council and subsequent submissions by the Library Board:

<u>Year</u>	<u>Direction</u>	<u>Library</u>
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	-----	7.3%
2026	4.25%	5.25%

This would be only the second time in over 12 years that an increase higher than 4.4% is being requested.

We are requesting a 5.25% increase over the prior year. This will enable us to maintain our current service levels while we continue to face social pressures impacting our operations.

The largest driver is employee-related costs, which are facing an increase of just under \$ 1.34 million. Most of this increase is due to rising wages and benefit costs. HPL matches the cost-of-living increases with the City to maintain pay equity. The full-time equivalent (FTE) count is increased by +1.0 in this request. The increase is aimed at enhancing our capacity to allocate more resources to procurement and financial oversight.

Below is a chart that outlines the total cost increase of \$1,967,779 and highlights the Employee-Related cost increase of \$1,335,866.

Total Cost Increase vs. People Cost Increase

Categories	2024 Budget.	2025 Budget.	2026 Budget.	2026 Budge Variance \$
Expenses /				
Expenditure	\$37,743,231	\$40,018,640	\$41,687,510	\$1,668,869
Employee Related Cost	\$26,053,702	\$27,063,157	\$28,399,023	\$1,335,866
Material & Supply	\$3,696,840	\$3,819,559	\$4,044,870	\$225,312
Reserves/Recoveries	\$3,265,140	\$3,298,435	\$3,579,504	\$281,069
Contractual	\$1,766,770	\$2,503,505	\$2,554,081	\$50,576
Building & Ground	\$2,112,707	\$2,282,257	\$2,211,101	-\$71,156
Financial	\$375,420	\$554,989	\$441,043	-\$113,946
Cost Allocations	\$370,722	\$391,510	\$382,182	-\$9,328
Vehicle Expenses	\$101,930	\$105,228	\$75,706	-\$29,523
Revenues / Funding				
Source	-\$2,727,530	-\$2,537,146	-\$2,238,236	\$298,909
Fees & General	-\$418,080	-\$427,696	-\$438,786	-\$11,091
Reserves	-\$1,000,000	-\$800,000	-\$500,000	\$300,000

Grants & Subsidies	-\$1,309,450	-\$1,309,450	-\$1,299,450	\$10,000
NET LEVY - City for				
Funding	\$35,015,701	\$37,481,495	\$39,449,273	\$1,967,779

Categories - Description

The categories on the previous table are explained here. Each includes Employee-Related Costs – costs associated with employees, such as wages, benefits, pension and training.

Material and Supply – costs associated with office supplies, photocopier supplies, operating equipment, furniture and fixtures, - library materials, -subscriptions, printing and a few other operational types of accounts

Reserves and Recoveries – the title is misleading as this category refers to cost recoveries from a City perspective. These are charges that the City relays to us mainly for facilities. Additionally, within this category are funds that we aim to allocate to reserves for larger projects in future years.

Contractual Services – cost associated with leases, contractor expenses, or any other outside services.

Building and Ground – cost associated with rent, utilities and security

Financial – this includes insurance premiums, legal fees, audit fees and processing fees associated with collection materials

Cost Allocations –indirect charges that are billed back to HPL by the City. These charges include accounting and payroll services as well as the facilities helpdesk.

Vehicle Expenses – this includes any fleet charges billed back to HPL from the City, as well as fuel and any additional upkeep on the vehicles.

Revenues and Funding Sources –this refers to additional monies that HPL receives beyond City funding. This is derived from fees or sales, grants, and usage of HPL reserves. The additional monies needed to maintain the operation of HPL are calculated by adding up all the expenses required to run the business within the year, minus the revenues and funding sources. This is how the Net Levy is calculated.

Variances Year-Over-Year by Category

Category	2025 Budget	2026 Budget	Variance \$	Variance %	Explanation
Employee Cost	\$27,063,157	\$28,399,023	\$1,335,866	4.9%	Wage and benefits increase. Meeting service levels while controlling FTE count,
Contractual	\$2,503,505	\$2,554,081	\$50,576	2.0%	New website (digital experience platform). The 2026 equipment budget is lower because of the finalization of the network restructuring project of 2025 totalling \$1.5M
Material & Supply	\$3,819,559	\$4,044,870	\$225,311	5.9%	31% of this increase is material for Makerspace; revenue will offset this. The remaining balance is cost increases in office and operating supplies.
Building & Ground	\$2,282,257	\$2,211,101	(\$71,156)	-3.1%	Reduction of cost mainly due to centralizing phone costs, as well as reducing forecasted security costs for 2026
Cost Allocations	\$391,510	\$382,182	(\$9,328)	-2.38%	No material changes
Financial	\$554,989	\$441,043	(\$113,946)	-20.5%	Cost reduction in collections, reduction in legal fees, and completed union negotiations in 2025.
Reserves/ Recoveries	\$3,298,435	\$3,579,504	\$281,069	8.5%	Increase from City chargebacks.
Vehicle Expenses	\$105,228	\$75,706	(\$29,523)	-28.1%	Small dollar-wise reduction related to fleet services less than \$30k
Revenues / Funding	-\$2,537,146	-\$2,238,236	\$298,909	-11.8%	The category is down due to

					\$300k reduction of reserve usage.
Grand Total	\$37,481,495	\$39,449,273	\$1,967,779	5.25%	Total Budget Increase Over Prior Year

Cost Reductions

In a number of areas, we identified modest reductions to offset increases in other areas.

Account Label	Sum of 2024 Budget	Sum of 2025 Budget	Sum of 2026 Budget
53841 - Library Materials			
750020 – Financial	\$2,432,570		
750037 - Library Books	\$0	\$2,432,570	\$2,332,570
750060 - Local History & Archives	\$0	\$0	\$1,000
750140 - Technical Services	\$0	\$0	\$0
750142 – Collections	\$0	\$0	\$0
750250 - Children's Services	\$0	\$0	\$0
750585 - New Horizons Grant	\$0	\$0	\$0
55739 - Processing Fee			
750020 – Financial	\$300,000	\$300,000	\$200,000
750037 - Library Books	\$0	\$0	\$0
750585 - New Horizons Grant	\$0	\$0	\$0
57681 - Program Activities			
750042 - Partnerships and Outreach	\$0	\$0	\$0
57683 – Programming			
750020 – Financial	\$0	\$0	\$0
750042 - Partnerships and Outreach	\$126,220	\$103,220	\$103,220
750050 - Central Children's	\$1,000	\$1,200	\$1,000
750078 - RedBook HPL	\$0	\$0	\$0
750142 – Collections	\$0	\$0	\$0
50250 - Children's Services	\$20,000	\$35,460	\$35,460
750467 - Michael Johnstone Collection	\$0	\$0	\$0
750510 - Summer Reading – Grants	\$0	\$0	\$0
750575 – CAPC	\$0	\$0	\$0
Grand Total	\$2,879,790	\$2,872,450	\$2,673,250

We continue to face challenges in maintaining welcoming public spaces. We are in the process of reducing our reliance on contract security. The CMHA Peer Support Worker program, which started in 2025, is having a positive impact, as are other measures we have put in place.

	2024 Budget	2024 Actuals	2025 Budget	2025 Actual Year-To- Date	2026 Budget
56202 – Security	\$677,200	\$1,036,910	\$750,000	\$741,624	\$730,600

Information Technology

HPL has successfully leveraged technology to automate numerous repetitive tasks, allowing staff to focus on higher-value areas. We also provide critical access to technology to residents. Work on building a new and more reliable network infrastructure continues. The chart below outlines the approval for the department's budget increase from 2024 to 2025, due to the Cyber Event of 2024. The increase from one year to the next was not drastic, but a necessity to ensure stronger firewall protection and absorb some of the additional costs that, until the Cyber Event, were at the City level.

Row Labels	Sum of 2024 Budget	Sum of 2025 Budget	Sum of 2026 Budget
Contractual	\$1,332,120	\$1,881,642	\$1,647,916
Cost Allocations	\$27,148	\$27,772	\$28,412
Material & Supply	\$125,890	\$169,190	\$428,153
Grand Total	\$1,485,158	\$2,078,604	\$2,104,481

Our Forecasted Future Years

For the next three years, HPL will continue to be financially prudent and forecasts a percentage increase of no more than 5.09% for the period. It is hoped that HPL can

continue to maintain its strong community involvement and excellent customer service while operating within a responsible budget.

Categories	2026 BUDGET	2027 BUDGET	2028 BUDGET	2029 BUDGET
Expenses / Expenditure	\$41,687,510	\$43,355,010	\$45,522,760	\$47,798,899
Employee Related Cost	\$28,399,023	\$29,534,984	\$31,011,733	\$32,562,320
Material & Supply	\$4,044,870	\$4,206,665	\$4,416,998	\$4,637,848
Reserves/Recoveries	\$3,579,504	\$3,722,684	\$3,908,818	\$4,104,259
Contractual	\$2,554,081	\$2,656,244	\$2,789,056	\$2,928,509
Building & Ground	\$2,211,101	\$2,299,545	\$2,414,522	\$2,535,248
Financial	\$441,043	\$458,685	\$481,619	\$505,700
Cost Allocations	\$382,182	\$397,469	\$417,343	\$438,210
Vehicle Expenses	\$75,706	\$78,734	\$82,670	\$86,804
Revenues / Funding Source	-\$2,238,236	-\$1,944,022	-\$2,005,306	-\$2,105,571
Fees & General	-\$438,786	-\$456,338	-\$479,155	-\$503,113
Reserves	-\$500,000	-\$200,000	-\$200,000	-\$210,000
Grants & Subsidies	-\$1,299,450	-\$1,287,684	-\$1,326,151	-\$1,392,459
Grand Total	\$39,449,273	\$41,410,988	\$43,517,455	\$45,693,327
Increase Over Prior Year		4.97%	5.09%	5.00%

There is also a mandate from the City, dating back to previous years, to utilize some of the reserve funding for operational purposes.

Library Reserve Funding by Year	<u>2025</u>	<u>2026</u>	<u>2028</u>	<u>2029</u>
	\$800,000	\$500,000	\$200,000	\$100,000