



## MANAGEMENT REPORT

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**DATE:** October 20, 2016  
**AUTHOR:** Rick Danyluk – *Manager, Financial Planning (DNV)*  
**MEETING DATE:** October 27, 2016  
**To:** NVDPL Library Board  
**FROM:** Jacqueline van Dyk – *Director, Library Services*  
**SUBJECT:** **2016 OPERATING AMENDMENTS AND 2017 CAPITAL BUDGET REQUESTS  
– MOTION REQUIRED**

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### SUMMARY

The annual budget development process is well underway with 2016 Operating Amendments and 2017 Budget Capital Requests presented to FIC October 19<sup>th</sup> for recommendation to the Board for approval on October 27<sup>th</sup>. The 2017 Operating Budget will be presented at the Board meeting due to timing constraints.

The District is accelerating budget timelines this year to improve the planning cycle which has led to a condensed process this year. The District's budget plan will be publicly launched in early December and followed by due public process. Council will decide on final budget allocations in January.

As outlined in NVDPL Policy B-FIN-03, this process follows District budget guidelines and timelines for Board direction.

### PURPOSE

This report is for decision.

### RECOMMENDATION

FIC recommends the following motion from the Board:

**THAT the Library Board approve the 2016 Operating Budget Amendments, including allocating the \$51k board contingency to Internet Improvements and the Public Announcement (PA) system, the 2017 Capital Renewal Budget (\$832k), and the Digital Creation Lab (\$305k) subject to available Library surplus and successful federal grant funding of 50% of costs.**

### NVDPL FINANCE POLICY – B-FIN-03 BUDGET DEVELOPMENT AND APPROVAL:

The Library shall prepare its annual operating and capital submissions at such time as budgets for the District of North Vancouver ("District") are prepared. The annual Operating and Capital submissions shall be prepared in

accordance with District Budget Guidelines and timelines and Board direction. The preparation of the submissions shall be the responsibility of the Director of Library Services who will liaise with and work under the direction of the Chief Financial Officer (“CFO) and the Finance and Infrastructure Committee (“FIC”) of the Library Board. The submissions and any revised submissions require the approval of a majority of the Board present at the meeting at which they are considered, before forwarding to the District for Council approval.

## **BACKGROUND**

The proposed library budget is a joint effort between Library and District staff. This budget follows District Council's long term funding strategy, budget assumptions and guidelines. The key long term funding strategies are:

- Taxation increases at inflation
- Existing fees adjusted to inflation and cost recovery
- New fees @1% per year
- .5% annual efficiencies
- 1% tax lift for asset renewal
- Harmonize tax rates with regional average

## **DISCUSSION**

### **2016 Operating Budget Amendments**

In early 2016, FIC and the Board received an orientation session profiling District centralized support services. At this session the Board was advised by Andy Wardell, Acting Chief Financial Officer that billing the Library for centralized services would be discontinued. This amendment simplifies business processes for both the District and Library removing the remaining funding and costs totalling \$135,900 for Human Resources and Information Technology services.

The transition of the Horizon server in 2016, as part of the migration of Library servers to the District’s server farm, will result in annual savings of \$13,300 beginning in 2017. To help with the one-time migration costs incurred in 2016, \$10,700 was transferred from an existing Horizon project that is now no longer required.

Shifting patron demands to more electronic resources necessitated a transfer of \$16,000 from the Library’s capital print collection budget to the Library’s operating budget for digital collections.

The Library’s Radio Frequency Identification (RFID) Gate project was originally set up within the District’s Capital budget. This has now been appropriately set up with a total of \$30,480 transferred to the Library’s capital budget in 2016.

Additional common area costs of \$12,000 incurred at the Lynn Valley Village have been allocated to the Library in 2016.

In 2015, the District telecom hardware contract was renewed across the District and its partner organizations resulting in a centralization of these costs. As such, \$20,000 of the telecom expense budget has been transferred back to the District leaving \$4,600 to maintain the Library’s annual cellular phone costs.

The 2016 Board contingency of \$51,000 was reallocated to fund Internet Improvements and Public Announcement (PA) system which require immediate attention and are essential to public service.

## 2017 Capital Budget

The District uses a risk based approach to prioritize renewal projects. All Library renewal requests are currently included in this budget. Capital upgrades and expansion projects are generally prioritized through strategic plans. For 2017, from a policy perspective, most upgrade and expansion requests are deferred to Council's long term funding strategy planned for the fall of 2016 and spring of 2017. Technology priorities are generally supported by the District's Manager of IT. A draft Asset Management Plan for Library Collections and Technology was prepared in 2016 and is the basis for the items included in the table below.

<b>CAPITAL (000's)</b>	2015 Budget	2016 Budget	2017 Budget <sup>(1)</sup>	Y:Y	Priority
<b>Renewal</b>					
Collection <sup>(1)</sup>	455	546	577	31	
Technology <sup>(2)</sup>	138	40	255	215	
Buildings <sup>(3)</sup>	160	59		(59)	
Furniture	-	-		-	
	<b>753</b>	<b>645</b>	<b>832</b>	<b>187</b>	
<b>Upgrade &amp; expand <sup>(4)</sup></b>	20	110			
Technology					
- Innovation (digital) lab			305		1
- AV modernization			33		2
- PC evergreening: MAC's			12		3
- On-line fine payment solution			5		4
Buildings					
- Children's literacy zones (LV)			16		5
	<b>20</b>	<b>110</b>	<b>371</b>	<b>-</b>	
<b>Grand Total</b>	<b>773</b>	<b>755</b>	<b>1,203</b>	<b>187</b>	
<b>Notes:</b>					
1) Asset Management Plan indicates the non-digital collection needs \$577k					
2) Explore options to replaced pc's and monitors through DNV					
3) Moved \$55k to Library operating fund in 2017 (asset maintenance)					
4) Draft business cases prepared					

## FINAL REMARKS

A formal adoption of support for the annual budget submissions is a key component of Board governance.

### Library Asset Management Plan (AMP) process and summary

2016 is the first year Library developed its AMP for library collections and IT assets. The work started in April 2016 and drafts were completed and reviewed by the end of September 2016. Below is a short summary of the major findings of the AMP.

#### Library collections:

**Physical collections:** As per the NVDPL Collection Policy, the Library aims for a **steady state collection** with respect to the physical collection. That is, the space available for the physical collection is fixed and therefore the intake of new materials should be offset by the relocation, disposal or replacement by electronic access, of a corresponding quantity of existing items.

To date, the overall conditions are considered to be **'Good'**. However, the mix and quantity of materials in the collection are not in targeted optimal levels.

**Digital collections:** the digital resources portion requires additional support in order to meet expectations and to provide the services comparable to those other Lower Mainland libraries are providing.

#### *What does it Cost?*

The total value of library collection is about \$4.3 million. The capital expenditure includes the purchasing of materials for the physical collection with the lifecycle of more than one year. The operating expenditure includes the purchasing of periodicals and digital resources and other related costs to upkeep the collection.

The optimal capital expenditure level for the next 10 years (2017 to 2026) is estimated to be \$577k per year based on 2016 market prices, which is about \$30k more than current budget. This estimate aims for optimal mix and renewal lifecycle to improve the relevancy and make the collection more up-to-date. This number will be reviewed and revised each year to reflect public needs and market trends. Digital resources are identified to require an additional expenditure of \$67k per year to be included in Operating expenditures.

#### Library IT assets:

The NVDPL operates standalone IT assets from the District of North Vancouver ("the District"). The NVDPL and the District operate under a Service Level Agreement (SLA), which outlines the provision of limited IT services by the District as a provider to NVDPL.

To date, the overall conditions (physical, demand/capacity, and functionality) of the technology directly managed by the NVDPL are considered to be 'Fair' to 'Good', falling short of the target of all 'Good' conditions. This is in part due to the lack of staffing capacity to implement and maintain a timely renewal cycle. Furthermore, NVDPL's technology investment requires additional support in order to meet expectations and to provide the services comparable to those other Lower Mainland libraries provide.

#### *What does it Cost?*

Total value of library IT assets is about \$1 million with 80% in hardware.

Projected capital expenditure of renewal of existing assets is \$206 k per year, which is higher than the past few years' average due to overdue renewal requests.

In addition, another \$155 k each year is required for New additional assets (upgrade/expansion) that optimize service delivery.

This projection is based on a detailed work plan for year 2017 and estimated amount for the years beyond.