

SPECIAL BUDGET MEETING OF THE FRASER VALLEY REGIONAL LIBRARY BOARD

Wednesday, February 4, 2015 - 9:00 a.m.
FVRL Administrative Centre
34589 DeLair Road, Abbotsford, BC V2S 5Y1

- | | | |
|------|---|--|
| 1.00 | CALL TO ORDER | Mayor John Van Laerhoven, Chair |
| 2.00 | APPROVAL OF MINUTES
<i>Motion</i> | THAT the Minutes of the January 7, 2015 Board meeting be approved as circulated. |
| | p. 3 | Enclosure:
◆ January 7, 2015 Meeting Minutes |
| 3.00 | APPROVAL OF AGENDA
<i>Motion</i> | THAT the Agenda be approved as circulated. |
| 4.00 | 2015 BUDGET
<i>Motions</i> | Scott Hargrove, Chief Executive Officer |
| | p. 10 | THAT a Materials Purchase budget option be chosen and |
| | p. 14 | THAT the 2015 draft budget be recommended to FVRL member councils. |
| | p. 15 | Enclosure: |
| | p. 18 | ◆ Summary Letter to Directors of Finance |
| | p. 19 | ◆ January 7, 2015 Email to Board & Directors of Finance |
| | p. 20 | ◆ January 7, 2015 PowerPoint Presentation to Board |
| | p. 21 | ◆ Fraser Valley Regional Library 2015 Draft Budget - 12/19/2014 |
| | | ◆ Materials Purchase Budget Option 1 |
| | | ◆ Materials Purchase Budget Option 2 |
| | | ◆ Materials Purchase Budget Option 3 |
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SPECIAL BUDGET MEETING OF THE FVRL BOARD: Agenda

February 4, 2015

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5.00 OTHER BUSINESS

6.00 AROUND THE TABLE

7.00 QUESTIONS

8.00 NEXT MEETING
Information

The FVRL Board will meet next on:

Wednesday, February 25, 2015
9:00 am
FVRL Administrative Centre
34589 DeLair Road, Abbotsford, BC V2S 5Y1

9.00 ADJOURNMENT
Motion

THAT the meeting of FVRL Board be adjourned.



Administrative Centre | 34589 Delair Road | Abbotsford, BC | V2S 5Y1
Tel: 604-859-7141 | Toll-free: 1-888-668-4141 | Fax: 604-852-5701

December 22, 2014

Dear Directors of Finance of FVRL Member Local Governments:

Thank you for your support and patience with the development of the 2015 DRAFT Final Budget ("2015 Budget"). What follows is an overview of the 2015 Budget that provides an explanation of the 2015 *status quo* budget over the 2014 Budget, and details three increased service level options (referred to as "Decision Packages") for the Board's consideration.

Attachment A

Attachment A to this letter details the related 2015 Member Assessments, including the estimated impacts of the stated Decision Packages, which are included in the 2015 Budget at this stage.

2015 Budget Total Member Assessment

The 2015 Budget Total Member Assessment is **\$23,557,675**, which is \$830,474 or 3.65% greater than the 2014 Total Member Assessment. This change remains materially similar to the 2015 PRELIMINARY Budget Estimate provided to you in mid-November, of \$783,314 or 3.45%.

Basis for 2015 Budget Preparation

The 2015 Budget was prepared on the following basis:

- Service levels for all service areas are unchanged from fiscal 2014, with the exception of specifically identified new items (i.e., Decision Packages), which are separately identified for Board approval.
- Some "fine-tuning" and changes to staff structure and levels are included in this budget. These changes are contained within existing resources and do not impact current service levels.
- Includes known cost and anticipated inflationary impacts, incorporating a 2% increase on all salaries (as per the Union Contract), 7% increase in benefits, 0-2% for inflation on other expenses and 5% for hydro costs. The 7% increase in benefits reflects a 2.26% estimated increase for fiscal 2015 plus an adjustment to the 2014 base to more accurately reflect estimated actual benefit expenses of 4.74% (2.26 + 4.74 = 7%).
- Fines revenue and the Provincial Library Grant are reduced to reflect expected 2015 actuals. The fines revenue reduction is based on revenues to date in fiscal 2014. The fine revenue reduction is primarily due to the Board's decision to eliminate or reduce some fines in 2013, along with changes in public usage patterns trending toward greater use of no, or lower fine, materials.

- The addition of the first full year repayment on the \$475,000 2014 ERP (new computer system) capital lease (\$104,543/year).

It also should be noted that a number of corrections in the classification of expenses and revenues for fiscal 2015 have been made to better reflect the requirements, and intent, of the current funding formula.

Reasons for 2015 Budget Increase

The key reasons for the 2015 Budget increase over the 2014 Budget of \$830,474 are detailed as follows:

REASONS FOR 2015 BUDGET INCREASE		
Reason	Dollar	Percent
Increase in all salary & benefits (including temporary Finance support)	\$298,980	1.32%
Decrease in Library and other FVRL department fines revenue	256,872	1.13%
Decrease in Province of BC Operating Grant	24,100	0.11%
Increase in capital lease payments (for ERP computer system)	104,543	0.46%
Decision Package: Increase in Library Materials beyond 2% (inflation) - Plus 3%	113,894	0.51%
Decision Package: Increase in Library Materials beyond 2% (inflation) - Plus 2.5%	95,745	0.42%
Decision Package: Actuarial on post-retirement and related benefits	20,000	0.09%
Actuarial Funding - From Reserves	(20,000)	-0.09%
Net reductions in other areas	(64,660)	-0.28%
Total	\$830,474	3.65%

The impacts of the first four, and last, items listed in the above table, drive a member assessment increase of 3.01% (1.32% + 1.13% + .11 % + (0.46%)), and are essentially required in order to maintain the budget at current/*status quo* levels.

INCLUDED DECISION PACKAGES

Included Decision Packages (i.e. new items) are:

1. Library Materials

Additional 5.5% beyond 2% for inflation (\$114,894+\$95,745=\$210,639)

- This Budget contains an increase in total Library Materials of 7.5% over the 2014 Budget.
- 2% of the increase reflects basic cost increases, and the remaining 5.5% are included as two separate Decision Packages (for an additional 3% and 2.5% budget increase).

- This increase is desired to help reverse the trend in reduced library materials available in the FVRL Libraries that have been eroded over a number of years, for a variety of reasons.

2. Actuarial on Post retirement and Related Benefits
(\$20,000 Expense; \$0 Net expense)

- This proposal provides funding to engage a professional actuary to estimate FVRL's post-retirement and sick leave employee benefit liabilities.
- The 2013 audited Financial Statements have valued the post-retirement benefit at \$487,000 and the sick leave liability at \$0.
- Both liabilities were determined based on an estimate completed by the Finance Officer.
- The Auditor's related letter to the Board supporting the 2013 audit, states that they believe that the post-retirement liability is understated by \$81,000. (The existence of this understatement was not considered material, and accordingly did not affect the audit opinion.)

Summary of 2015 Draft Final Budget Member Assessments

Please refer to Attachment A, "Summary of the 2015 DRAFT FINAL Budget Member Assessments."

The 2015 Budget will be presented to the Board at the January 7, 2015 Board meeting. The Board's weighted vote on the 2015 Budget will occur at the February 25, 2015 Board meeting. Between these two dates Board representatives will have time to bring the 2015 DRAFT FINAL Budget back to their respective councils for discussion.

Should you have any questions or concerns, please contact me. Let me suggest that you contact me by email (gillian.mcleod@fvrl.bc.ca) because I will be out of the office for parts of the Christmas break.

Best wishes for the holiday season and coming year!

Gillian McLeod
Acting Senior Manager - Finance | Library Manager - Delta

ATTACHMENT A: SUMMARY OF THE 2015 DRAFT FINAL BUDGET MEMBER ASSESSMENTS

SUMMARY OF THE 2015 DRAFT FINAL BUDGET MEMBER ASSESSMENTS								
FVRL Member Local Government	Member Assessment					Estimated Impacts of Decision Packages		
						INCLUDED in 2015 Member Assessment		
	2015 Per Capita	2015 Total	2014 Total	\$ Change	% Change	Inc. Materials Budget 3%	Inc. Materials Budget 2%	Actuarial
Total Fraser Valley Regional District	14.85	\$249,324	\$246,619	\$2,704	1.10%	\$2,737	\$2,281	0
Total District of Kent	52.72	313,499	296,007	17,492	5.91%	970	808	0
Total District of Hope	53.88	319,507	323,472	(3,965)	-1.23%	967	806	0
Total City of Chilliwack	36.40	2,950,147	2,837,634	112,512	3.97%	13,216	11,013	0
Metro Vancouver	11.76	2,000	2,000	0	0.00%	28	23	0
Village of Harrison Hot Springs	39.87	60,124	58,667	1,457	2.48%	246	205	0
Total City of Abbotsford	27.58	3,831,737	3,691,801	139,935	3.79%	22,652	18,877	0
Total District of Mission	34.69	1,302,401	1,276,709	25,692	2.01%	6,123	5,102	0
Total City of Langley	46.14	1,213,598	1,189,174	24,424	2.05%	4,289	3,574	0
Total Township of Langley	34.32	3,859,403	3,663,566	195,838	5.35%	18,335	15,279	0
Total City of White Rock	44.05	847,862	840,438	7,423	0.88%	3,139	2,616	0
Total Corporation of Delta	33.57	3,421,192	3,263,112	158,080	4.84%	16,618	13,848	0
Total City of Port Coquitlam	27.72	1,637,263	1,537,916	99,348	6.46%	9,630	8,025	0
Total City of Maple Ridge	33.11	2,620,542	2,613,729	6,813	0.26%	12,905	10,754	0
Total City of Pitt Meadows	49.82	929,078	886,357	42,721	4.82%	3,041	2,534	0
FVRL IN TOTAL	33.43	\$23,557,675	\$22,727,201	\$830,474	3.65%	\$114,894	\$95,745	0

Sent: Wednesday, January 07, 2015 3:58 PM
Subject: FVRL 2015 Budget Options: As Requested

TO: FVRL Board Members
COPY TO: Finance Directors of FVRL Member Local Governments

In response to your direction at today's Board Meeting, attached are three 2015 Budget Options for consideration. The **ONLY difference** between the options is the budget provision for **Materials purchases**.

OPTION 1: BASE/STATUS QUO BUDGET

- This option results in an overall increase in the FVRL Budget of \$619,835 or 2.73% over the prior year (2014).
- The Materials budget included in this option is 2% higher than the 2014 Materials budget.

OPTION 2: BASE/STATUS QUO BUDGET PLUS ADDITIONAL 3% ON MATERIALS

- This option results in an overall increase in the FVRL Budget of \$734,729 or 3.23% over the prior year (2014).
- The Materials budget included in this option is 5% higher than the 2014 Materials budget (2% base increase + 3% additional increase).

OPTION 3: BASE/STATUS QUO BUDGET PLUS ADDITIONAL 5.5% ON MATERIALS

- This option results in an overall increase in the FVRL Budget of \$830,474 or 3.65% over the prior year (2014).
- The Materials budget included in this option is 7.5% higher than the 2014 Materials budget (2% base increase + 5.5% additional increase).
- For clarity, this Option is the DRAFT Budget that was presented to the Directors of Finance on December 16, 2014 and to the Board at today's meeting.

OPTION DETAILS

Each option details the individual Member impacts, presented in the same format as the FVRL DRAFT Budget (being Option 3) included with today's Board Meeting Agenda.

TODAY'S POWERPOINT

For your reference, I also have attached a PDF copy of the Powerpoint by Nancy Gomerich, NG Consulting, on the 2015 DRAFT Budget that she presented at today's (Jan 7 2015) Board Meeting.

Should you have any questions or require further information please do not hesitate to contact me.

Sincerely,
Gillian McLeod
Acting Senior Manager - Finance | Library Manager - Delta



2015 DRAFT Budget
Presentation to FVRL Board
January 7th, 2015

Read. Learn. Play.

2015 DRAFT Budget Agenda

- 2015 Strategic Directions & Annual Plan
- Budget Development Process
- Budget Overview
 - Budget Assumptions
 - Financial Summary
 - Proposed Increase & Key Drivers
 - Decision Packages
- Next Steps & Q&A



Read. Learn. Play.

2015 DRAFT Budget
2015 Strategic Directions & Annual Plan






Read. Learn. Play.

2015 DRAFT Budget
Budget Development Process

- Built from “ground up”
 - Budget system
 - Budget numbers
- Library Managers & FVRL Administration Department Heads key
- Preliminary Budget presented to Member Finance Officers Nov/15 & DRAFT FINAL (this Budget) Dec/16



Read. Learn. Play.

2015 DRAFT Budget

2015 Budget Overview


- Budget Assumptions
- Financial Summary
- Proposed Increase & Key Drivers
- Decision Packages



Read. Learn. Play.

2015 DRAFT Budget
Budget Assumptions

- Status quo (except for Decision Packages)
- Expenses:
 - 2% increase in Salaries and 7% increase in Benefits (2.26% 2015 + 4.74% Base)
 - Most other expenses 0-2% increase; some significant reductions/rationalization
 - Addition of capital lease repayment (5 year term) for ERP (\$105,000)
- Revenue:
 - Provincial Grant (\$1.24M) reduced by 2.7% (same change as in 2014)
 - Literacy (\$89,000) & One Card (\$47,000) grants set at 2014 level
 - Fine Revenue (and other library based revenues) reduced to reflect expected 2014 actuals



Read. Learn. Play.

2015 DRAFT Budget Financial Summary

Description	2015 TOTAL FVRL	Roll-up SAME as 2015 (reception some S&B)		
		2014 TOTAL FVRL	Difference \$ (2015-2014)	Difference % (change/2014)
DIRECT CHARGES				
Net direct library wages and benefits	13,448,056	12,977,256	470,803	3.63%
Other direct charges	487,538	492,185	(24,647)	-5.01%
Subtotal: Total Direct Charges	13,935,594	13,469,441	466,153	3.31%
SHARED SERVICES				
Information systems	2,069,839	1,895,280	174,559	9.21%
Human resources and payroll	962,629	970,620	(8,001)	-1.86%
Vehicle operations	534,455	556,410	(21,955)	-3.95%
Support services (library materials, inter-library loans)	4,838,318	4,516,027	322,291	7.14%
Client services (programs, LIL, outreach, interlink)	971,498	1,010,931	(39,433)	-3.90%
Donor relations	25,240	29,612	(4,372)	-14.76%
Subtotal: Shared Services	9,391,881	8,976,880	415,001	4.62%
LIBRARY REVENUE & PROVINCIAL GRANT				
Library Based Revenue	(481,133)	(710,616)	229,483	-32.29%
Provincial Grant (allocated based on population)	(1,241,000)	(1,285,100)	24,100	-1.90%
Subtotal: Library Revenue & Provincial Grant	(1,722,133)	(1,975,716)	253,583	-12.84%
TOTAL BUDGET BEFORE FVRL ADMINISTRATION	21,585,344	20,472,605	1,112,739	5.44%
% share of total budget before FVRL Administration	100.00%			
SHARED SERVICE: CORPORATE SUPPORT*	1,528,572	1,821,994	(293,422)	-16.10%
SHARED SERVICE: MARKETING & COMMUNICATIONS*	443,759	432,602	11,157	2.58%
*Allocated based on share of budget before this Allocation				
2015 TOTAL ASSESSMENT	23,557,675	22,727,201	830,474	3.65%
Assessment Per Capita	33.43	32.25		

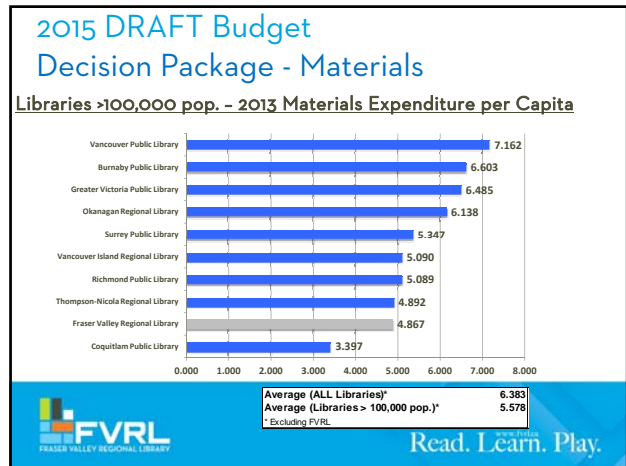
2015 DRAFT Budget Proposed Increase & Key Drivers

2015 Budget Change Over 2014 Budget	2015 Budget Change Over 2014 Budget	
	\$	%
Increase in all salary & benefits (incl. temporary finance support)	298,980	1.32%
Decrease in Library and Other FVRL Department Fine Revenue	256,872	1.13%
Decrease in Provincial Grant	24,100	0.11%
Increase in capital lease payments (ERP system)	104,543	0.46%
Net other	(64,660)	-0.28%
Subtotal	619,835	2.73%
Decision Pkg: Incr. in Library Materials beyond 2% (inflation) - Plus 3%	114,894	0.51%
Decision Pkg: Incr. in Library Materials beyond 2% (inflation) - Plus 2.5%	95,745	0.42%
Decision Pkg: Actuarial	20,000	0.09%
Actuarial Funding - From Reserves	(20,000)	-0.09%
Total Increase	830,474	3.65%

2015 DRAFT Budget Decision Package - Actuarial Review

Actuarial Review

- Review of post-retirement benefits & sick-leave \$20,000 / 0%
- Current liability of \$487,000 (Dec/2013)
- Auditor suggests retirement benefit is understated by \$81,000
- Proposal to fund review from Reserves
- Provides "defensible" number



2015 DRAFT Budget Decision Package - Materials

Materials Expenditure - Comparisons:

	2013 Materials Exp. Per Capita	FVRL 2015 Budget
Average (ALL Libraries)*	6.383	4,497,511
Average (Libraries > 100,000 pop.)*	5.578	3,930,407
* Excluding FVRL		
	2015 Materials Exp. Per Capita	Cumulative
FVRL 2015 Budget		
2015 Materials Budget - Base	5.316	3,745,378
2015 Materials Budget - Plus 3%	0.163	114,894
2015 Materials Budget - Plus 2.5%	0.136	95,745
	5.615	3,956,017

2015 DRAFT Budget Budget in Perspective...

1% Change in Member Assessment = \$235,176

- What is 1% of Your Municipality's Assessment?
- How does this compare to what a 1% tax increase for your Municipality would be?

2015 DRAFT Budget
Next Steps



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2015 DRAFT Budget
Questions & Answers



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