

The Trustee's Role in the Budget Process



Library trustees in Ontario must be prepared to take a leading part in all aspects of the library budget process. You have a very important responsibility to the citizens you represent to spend wisely and to carefully monitor expenditures.

In this supplement to *The Ontario Library Trustee's Handbook* you will find a budget plan incorporating strategies which have been successfully used by several boards across Ontario. Read the supplement, consider the process, adapt it to your community and your needs, and evaluate your process as the budget year progresses.

The most critical issue is to make a *considered* decision about the budget request for your library. It is important that your budget planning, preparation, presentation, implementation and review are all the result of a conscious plan of action which has been presented to, and thoroughly discussed and approved by, your entire Library Board.

The budget process is undoubtedly the single most important annual task which trustees must undertake. Although this task is challenging and time-consuming, the sense of accomplishment which you will experience through working with your Chief Executive Officer to ensure the best possible financial framework for your library will more than compensate you for your efforts on behalf of your community.

Background

Legally, the annual preparation of the budget flows from a Library Board's fundamental responsibility "to provide . . . a comprehensive and efficient public library service that reflects the community's unique needs" as indicated in Section 20 (a) of the *Ontario Public Libraries Act, 1984*. More specifically, Sections 24 (1) and (2) further state:

"a public library board, county library board or county library co-operative shall submit to the appointing council, annually on or before the date and in the form specified by the council, estimates of all sums required during the year for the purposes of the board.

The amount of the board's estimates that is approved or amended and approved by the council shall be adopted by the board and shall

be paid to the board out of the moneys appropriated for it.”

In presenting this supplement to you and your board, the Ontario Library Trustees' Association is very much aware that no two public library boards in Ontario are the same. Each board is composed of individuals with unique characteristics and each board has its own way of "getting things done." With this in mind you are encouraged to adapt this process where necessary to meet the needs of your specific situation.

Preparation

The budget process is a *year-round* activity during which the Chief Executive Officer must constantly survey the on-going activities of the library in preparation for reporting to the board with recommendations for:

- continuation of existing services and programs;
- extension of existing services and programs;
- termination of existing services and programs;
- replacement of existing services and programs;
- creation of new services and programs.

The Chief Executive Officer should also:

- locate problems or services which might require new or additional funds for next year's budget;
- provide all the initial figures and supporting documentation for the first draft of the budget.

To enable the Library Board to review the current year and subsequently prepare the budget requests for the following year, the Chief Executive Officer will need to collect the following data:

Current Year's Expenditures

(i.e. total costs during the present fiscal year)

- ✓ salaries and benefits;
- ✓ library materials and programs;
- ✓ occupancy costs;
- ✓ general administration;
- ✓ other (specified).

Current Year's Revenue

(i.e. total income during the present fiscal year)

- ✓ municipal contribution;
- ✓ provincial per household grant;
- ✓ miscellaneous income (itemized).

Projected Expenditures

(i.e. total costs projected for the coming fiscal year)

- ✓ salaries and benefits;
- ✓ library materials and programs;
- ✓ occupancy costs;
- ✓ general administration;
- ✓ other (specified).

Projected Revenue

(i.e. revenue sources which remain relatively stable from year to year)

- ✓ provincial per household grants
- ✓ miscellaneous income, e.g. fines or equipment rentals;
- ✓ the surplus from the current year, if any.

The assumptions upon which the projected figures have been based must be clearly explained by the Chief Executive Officer to the Library Board, e.g., a 4% increase in salaries and benefits.

To facilitate comparison all figures reported should also be expressed as percentages of the total budget.

Under Section 165 of the Municipal Act every board, commission, body or local authority may in their estimates provide for the establishment or maintenance of a *reserve fund* for any purpose for which it has the authority to spend funds. A reserve fund will provide your Library Board with the capacity to handle unforeseen necessary expenditures more easily. Such a fund *must* be approved by your municipal council. Your Library Board may not establish or maintain a reserve fund on its own. For further detail or clarification of the restrictions governing reserve funds, see page 8 and/or contact your local Ontario Library Service office.

Planning

When all of the above information and documentation is available, the Finance Committee should hold detailed discussions with the Chief Executive Officer concerning the projected expenditures. The Finance Committee needs to be in agreement with the Chief Executive Officer that the projected expenditures will address the needs of the library system in order to provide the best possible service for the community.

Prior to determining the amount of the budget request to be made to municipal council the Finance Committee should also be provided with any municipal budgeting guidelines available from municipal staff.

Using all the information made available and after appropriate discussion and agreement the

**A MODEL SCHEDULE FOR BUDGET PREPARATION PRIOR TO
PRESENTATION TO MUNICIPAL COUNCIL**

DEADLINE	ACTIVITY	ACTION BY
<i>Monthly</i>	<i>Review Year-to-Date and monthly expenditures and statistics</i>	<i>Library Board / CEO Activity</i>
3 months prior	Consider programs for the coming year in consultation with senior library staff	Chief Executive Officer
3 months prior	Estimate potential revenue	Chief Executive Officer
3 months prior	Review municipal budgeting guidelines and timetable for budget preparation	Chief Executive Officer
3 months prior	Recommend percentage increase in salaries	Personnel Committee
2 months prior	Prepare the initial draft of the operating and capital budgets, present draft of budget to Finance Committee or appropriate representatives of the Library Board	Chief Executive Officer
1 - 2 months prior	Revise initial draft of the budget as necessary	Chief Executive Officer and Finance Committee
1 month prior	Present draft budget to Library Board for approval Approve budget for presentation to Municipal Council	Finance Committee Chairman Library Board
1 month prior	Discuss budget with municipal staff	Chief Executive Officer
2 - 3 weeks prior	Plan strategy for budget presentation to council	Library Board Chief Executive Officer
2 weeks prior	Prepare all documentation to be used at budget presentation	Library Board Chief Executive Officer

Finance Committee should draft a budget request for submission to the Library Board.

The board now examines the budget not only with regard to proposed levels of service to be provided to the community, but also with regard to any political consequences of such a request. At this stage final adjustments are made to the budget before presentation to municipal council for approval.

Budget Presentation to Municipal Council

After determining the most appropriate budget request you and your fellow board members must now be committed to working together in the creation of a complete and effective presentation to your local municipal "body".

Very important in any budget strategy is the *anticipation* of the topics about which municipal councillors will be most concerned. As pointed out

in *The Ontario Library Trustee's Handbook* (p. 22), "the budget presentation is the most important meeting between your board and the municipal council."

It wisely emphasizes that

"in preparation you should have already become acquainted with your local municipal councillors and developed a positive relationship with them."

Municipal council members on your Library Board will play a major role in this process. You must take into account the priorities that the Library Board has established for itself to fulfill its goals and objectives.

The board needs to decide whether the budget presentation is to be given by the Chairman and the Chief Executive Officer or whether more impact would come from the inclusion of several individual board members, each specializing in a specific area of interest or expenditure. Do not overlook the potential value of including supportive members of the community to lend strength to your budget presentation.



Documentation

Your budget document will be an invaluable vehicle for pointing to your successes and to future plans. Be clear and direct.

Your budget must include:

- your financial position at the end of your current year;
- your proposed budget;
- explanatory notes which can be elaborated upon at the time of the verbal presentation.

In order to be sure that you are providing the council with sufficient clear information, it is also useful to prepare a printed outline of the *major issues* dealt with by your library in the past year and the *budget ramifications* of such issues. Other documentation you may wish to include:

- Annual reports
- Reference and circulation statistics
- Collection development statistics
- Programming highlights
- Special project reports
- Library staff to be commended.

All documentation should be in the hands of the municipal council according to *their* schedule.

Presentation Guidelines

Your municipal councillors hear many requests for funding throughout the year. They will appreciate a carefully organized, clear and concise presentation.

1. Take time to rehearse your presentation.

Time it to be sure you will complete your remarks within your board's allotted time frame and allow time for questions.

2. If you are quite sure that a specific issue will be raised by the council, deal with it first. There is no better strategy than anticipation and it is here that your careful preparation and attention to municipal council concerns will pay big dividends.

The issues won't go away; confront them and deal with them in your initial formal presentation. Members of your board, who are also municipal councillors, will be key consultants in planning strategies to be used.

3. Use the question period which often follows the formal presentation to elaborate on or to repeat points of information. Your willingness to deal with more difficult issues "up front" will lend considerable credibility to your explanation and to your presentation.

4. Come prepared with full documentation on any "special requests." It is here that a demonstration of your citizen support can be very helpful.

5. If you don't fully understand a question, say so. Ask for the question to be rephrased.

6. Pass questions on to other board members or your Chief Executive Officer if you cannot answer them confidently.

7. Above all, be honest, direct and complete in your presentation and in answering any subsequent questions.

Your budget will be approved as presented or change may be suggested that will entail a further budget review by the Library Board and council before final approval.

Monitoring

Once your budget has been approved by municipal council your board responsibility shifts to the process of monitoring expenses and revenue in connection with your short and long term goals and objectives. While there are several "fixed" costs and stable revenue sources, a monthly report which clearly outlines your board's financial position in relation to: a) your previous fiscal year, and b) the year to date, must be prepared by staff and carefully and thoughtfully analysed by the Library Board on a regular basis. Small discrepancies can be corrected if necessary before they become major difficulties.

Long Range Planning

There are several important reasons why your Library Board must prepare a long range plan covering from two to five years for your library.

1. Capital funding.

Your municipal council will have more requests for capital funding than it can approve in any fiscal year. Your library must be clear in its projections of future needs in order to be able to provide advance notice of capital funding requirements to the municipal council. This same process will be followed by most municipal departments and may prove to be a valuable model for your Library Board.

2. Advocacy.

You will be able to be an effective advocate in your community *only* if you are well aware of the future

YOURTOWN PUBLIC LIBRARY BUDGET

INCOME

	<u>Last year's budget</u>	<u>Last year's actual</u>	<u>This year's proposed budget</u>
PROVINCIAL GRANT	\$ 32,312	\$ 33,281.00	\$ 34,678
YOURTOWN GRANT	\$ 165,848	\$ 165,849.00	\$ 174,496
REVENUES FROM PROGRAMS:			
Fines	2,150	1,876.87	2,100
Photocopier	3,000	2,743.80	2,700
Current rentals	500	499.00	400
Book sales	200	451.15	1,000
Children's programming	700	500.45	500
Film Insurance	-	122.00	75
Other	200	393.92	250
INTEREST	450	454.02	250
PRIOR YEAR'S SURPLUS	8,909	8,909.00	4,651
 TOTAL BUDGET	 \$ 215,684	 \$ 216,466.03	 \$ 221,100

Total increase over previous year's budget -- \$5,416 or 2.5%

Total increase over previous Town grant -- \$8,648 or 5.2%

REQUEST FOR DRAW ON LIBRARY RESERVE \$9,280 -- \$5,210 for photocopier
 \$1,650 for photocopier
 \$ 670 for telephone line
 install.
 \$ 600 for sump pump rep.
 \$1,150 for humidifiers and
 dehumidifiers

TOTAL \$9,280

Sample budget from a library serving 14,000 people

YOURTOWN PUBLIC LIBRARY BUDGET

FINAL DRAFT

	<u>Last year's budget</u>	<u>Last year's actual</u>	<u>This year's proposed budget</u>	%
SALARIES	\$ 123,720	\$ 123,319.66	\$ 129,449	+4.5%
BOOKS, SUPPLIES, UTILITIES:				
Books and other Resources	34,500	37,524.70	36,500	+4.8%
Processing	5,250	5,372.98	5,600	+6.7%
Periodicals	1,925	1,953.43	2,000	+ 5%
Film Equipment Supplies	330	407.89	400	+ 21%
Records and Tapes	1,600	944.27	1,600	+ 35%
Stationery	2,000	2,361.43	2,700	-87.5%
Photocopier Paper	800	71.06	100	+ 26%
Utilities	8,700	8,478.14	8,700	4.6%
Telephone	2,250	1,907.80	2,850	
Postage	650	776.47	680	
Binding/Repairs (of books)	1,000	704.90	1,000	
SUB-TOTAL	\$ 59,005	\$ 60,503.07	\$ 62,150	+5.3%
GENERAL EXPENSES				
Service Contracts	\$ 825	\$ 870.10	\$ 825	
Photocopier Contract	1,225	865.55	1,300	+ 6%
Building Maintenance	3,210	2,334.96	4,350	+ 36%
Maintenance Contract	9,595	8,577.30	8,700	-9.3%
Insurance	1,675	1,675.00	2,345	+ 40%
Travel and Conference	3,000	2,565.37	3,000	
Memberships	215	225.00	250	+ 16%
Advertising	1,500	1,584.01	1,600	+6.7%
Professional Fees	1,600	1,605.00	1,700	+6.3%
Programmes	2,000	1,406.22	2,000	
Equipment	6,220	6,252.00	2,700	+ 43%
Taxes	86	83.34	86	
Sundry	608	687.27	644	+ 6%
SUB-TOTAL	\$ 32,960	\$ 30,232.12	\$ 31,001	- 6%
TOTAL	\$ 215,685	\$ 214,054.85	\$ 221,100	+2.5%

needs, both short and long term, of both your community and your library system.

3. Focus.

A long range plan, although it will undoubtedly be modified annually, will serve as an anchor to you and your board members in discussion of financial and personnel issues as they arise during the year.

4. Stability.

A long range plan provides stability to the board as its make-up changes over the years.

Augmenting Your Budget

In addition to the regular funding from local and provincial government sources, community libraries can avail themselves of special provincial and federal grants as well as gifts and bequests from private donors. Such funds can provide important additional revenue for library budgets.

The Ontario Ministry of Culture and Communications provides matching grants, i.e. grants that provide from one-half to two-thirds and sometimes more, for funding of material, acquisition, staff training and development, to assist public libraries in meeting the growing and changing needs of the local community.

In order to benefit from these grants the Library Board and its senior library staff must have the foresight to provide funding in their annual budget for their share of such projects.

Libraries can also obtain gifts and bequests to augment revenue. These sources usually need to be solicited and communication of your needs is crucial. Donors, when made aware of special library needs, are often quite generous.

Your board may establish *trust funds* under the general authority of Section 6(g) of the Charities Accounting Act. *The major distinctions between trust funds and reserve funds discussed earlier are outlined in the box.*

Be aware that municipal councils sometimes look upon such donations as windfalls and feel such funds should *replace* rather than enhance the regular municipal revenues in the budget. This difficulty may be overcome if the gift is a specific item rather than a contribution of money. The pursuit of such additional resources should be undertaken in some time frame quite removed from the regular budget process and possibly by a group which is not made up entirely of library trustees.

Whatever approach would work in your community should be discussed by, approved by, and conducted under the general direction and authority of your Library Board.

Reserve Funds:

In a reserve fund, assets (generally cash) are set aside or segregated and restricted for the specific purpose for which the fund was set up.

A reserve fund is a balance sheet account which generally cannot generate revenues or incur expenditures of itself. The exceptional cases of revenue generation in the reserve fund is restricted to receipts from external sources (i.e. subdividers contributions), or earned income from investments (i.e. interest earned on short-term investments).

A reserve fund cannot incur an expenditure of itself. In order to offset operating or capital expenditures, funds must be transferred from the reserve fund balance sheet account to the relevant revenue account on the income statement or the relating capital account on the balance sheet which reports the expenditure.

Trust Fund:

A trust fund is used by an organization to segregate or administer assets under the specific terms of a statute or trust indenture. A trust fund arrangement exists where money or property are held by a municipality or local board for the benefit of another.

A trust fund differs from a reserve fund in that council cannot alter the use for which a trust fund has been established.

Statement for the month of June

INCOME

	Approved budget	This month	Year to date This year	Year to date Last year
Town	\$174,496	\$ 12,541.00	\$ 92,787.00	\$ 82,924.50
Province of Ontario	34,678		34,678.00	26,625.00
Desk Receipts:				
Fines	2,100	158.54	1,010.02	1,011.46
Photocopier	2,700	261.20	1,863.45	1,386.80
Equipment rentals	400	17.00	245.00	210.00
Book Sales	1,000	--	630.51	306.70
Children's Programs	500	--	300.00	228.95
Film Insurance	75	--	44.00	--
Other	250	59.04	234.03	130.60
Interest	4,651	--	4,651.75	200.98
Surplus	\$221,100	\$ 13,036.78	\$136,443.76	\$121,934.49

EXPENSES

PERSONNEL

- Salaries
- Canada Pension
- Unemployment Insurance
- OMERS
- Northern Life
- OHIP

	\$129,449	\$ 8,205.16	\$ 53,269.29	\$ 50,934.33
		113.50	718.68	689.67
		242.69	1,578.86	1,512.99
		375.38	2,432.10	2,314.35
		493.76	2,813.52	2,460.28
		208.25	1,249.50	1,249.50

LIBRARY BOOKS & SUPPLIES

- Books
- Processing
- Periodicals
- Film Equipment and supplies
- Records
- Stationery/Supplies
- Photocopier
- Utilities
- Telephone
- Postage
- Binding Repairs

	\$ 36,500	1,619.88	17,659.74	\$ 12,965.34
	5,600	54.63	1,997.69	1,350.65
	2,020	212.69	783.85	392.10
	400	--	8.00	172.27
	1,600	323.05	--	402.50
	2,700	614.37	2,248.59	1,530.40
	100	195.74	118.45	33.46
	8,700	114.77	5,269.45	4,867.30
	2,850	--	1,073.67	1,046.87
	680	--	531.88	462.68
	1,000	--	413.90	434.36

GENERAL EXPENSES

- Service Contracts
- Photocopier Contract
- Bldg. Maintenance & Repairs
- Maintenance Contract/Supplies
- Insurance
- Travel & Conference
- Memberships
- Advertising
- Professional Fees
- Programming
- Equipment
- Craft Tours
- Taxes
- Bank Charges
- Sundry

	\$ 825	\$ 261.07	453.57	582.92
	1,300	279.40	1,311.22	633.71
	4,350	--	349.12	1,502.54
	8,700	625.25	3,668.15	3,637.00
	2,345	--	--	1,675.00
	3,000	225.42	1,079.64	1,277.75
	250	100.00	628.54	225.00
	1,600	111.42	900	996.71
	1,700	--	1,283.15	1,605.00
	2,000	700.00	--	812.45
	2,700	--	422.00	746.80
	--	--	--	--
	--	--	15.00	--
	87	--	485.53	289.89
	644	193.16	--	--
	\$221,100	\$ 15,249.59	\$102,984.97	\$ 96,823.82

TOTAL

Sample monthly budget statement for monitoring

Involve Your Councillors on a Year Round Basis

- ✓ Send the minutes of your monthly board meetings to your councillors.
- ✓ Send copies of your annual report to your councillors.
- ✓ Trustees should make a point of attending public functions and special events in the community where councillors and the mayor are present.
- ✓ Arrange to have members of the council visit the library (libraries) on occasions throughout the year.
- ✓ See that politicians receive publicity for their efforts on behalf of the library.
- ✓ Chairman of the Board and/or Committee Chairmen should meet one to one with members of council during the year to discuss problems and progress.
- ✓ Plan an informal meeting. Invite the mayor and the councillors and discuss library development in your community.
- ✓ At budget time assign a trustee to each councillor in order to discuss the budget issues with individual councillors.
- ✓ Throughout the year see that library information is sent to key decision makers, i.e. mayor, councillors, chief administrative officers, etc.
- ✓ Attempt to improve communications with other municipal departments.
- ✓ On every occasion be strong advocates of the library. Emphasize the vital role it plays in the life of your community and how important municipal council support is in your library's ability to serve your community well.

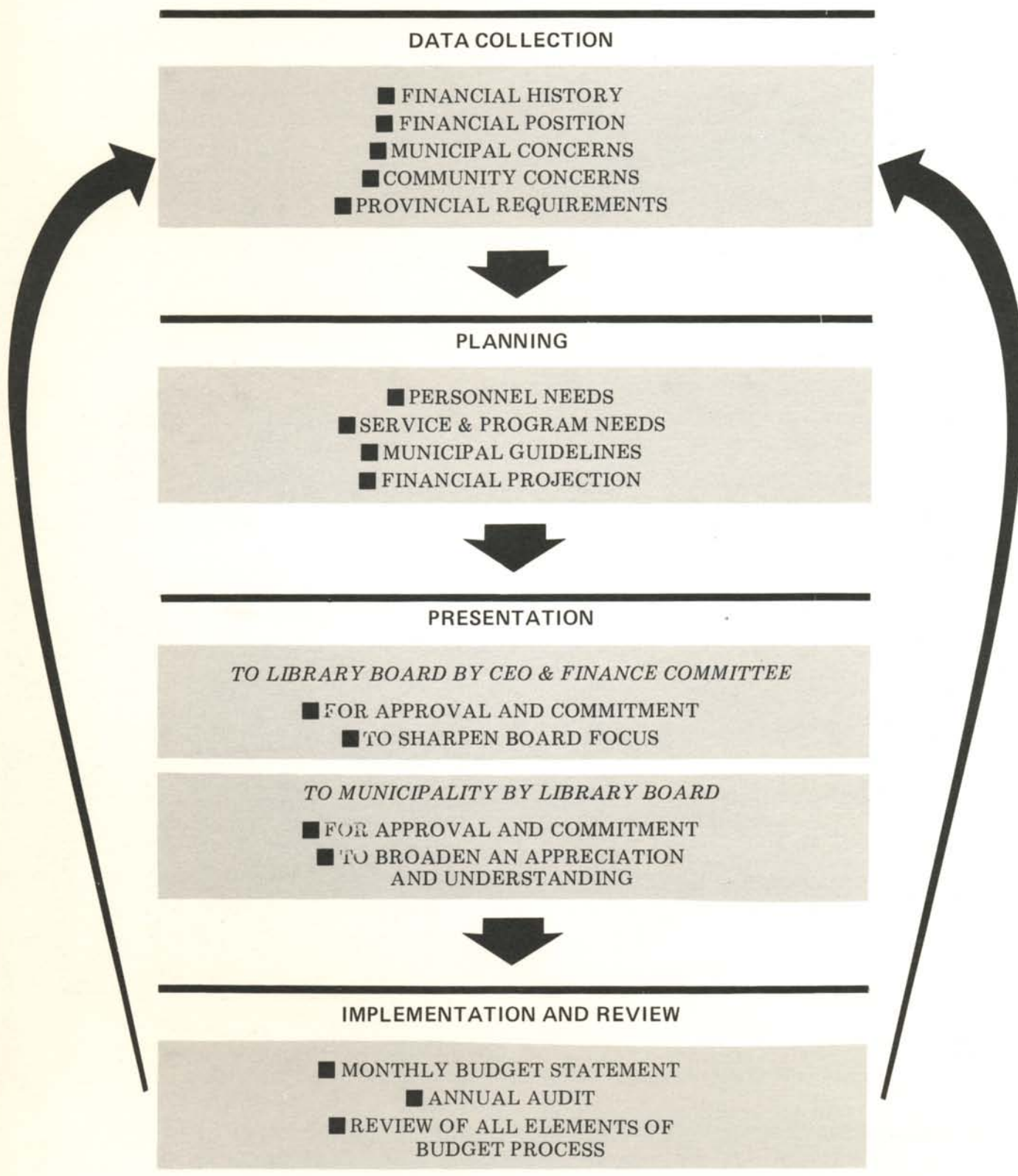
In Conclusion

Adapt the process outlined in this supplement to suit the needs of your Library Board. We are sure that a structured approach to the budget process will serve you and your community very well.

Please contact the Ontario Library Trustees' Association with your comments and/or concerns as you proceed through your budget year.



Summary of
THE ANNUAL BUDGET PROCESS



“The Trustee’s Role in the Budget Process”
No. 4 in *THE OLTA LIBRARY TRUSTEE’S KIT*

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Photos: Toronto Public Libraries, p. 1; City of St. Catharines, p. 4; Collingwood Public Library Board, p. 10
Sample statements based on materials provided by Lincoln Public Library Board.

The Ontario Library Trustee’s Association wishes to thank the Ministry of Culture
and Communications for its generous financial assistance to this project.

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The OLTA Library Trustee’s Kit is comprised of:

1. The Ontario Library Trustee’s Handbook (\$15.00; OLA/OLTA members, \$12.00).
2. Ontario Libraries and the Law (available from the Ontario Government Bookstore, \$5.00).
3. The Ontario Library Trustee’s Profile (Abridged, \$3.00; full version, \$20.00).
4. The Trustee’s Role in the Budget Process (\$5.00 each for additional copies).

Nos. 1, 3, 4 may be ordered from the Ontario Library Association, 100 Richmond St. East,
Suite 300, Toronto, Ontario M5C 2P9 / (416) 363-3388. Visa, Mastercard.