



## STAFF REPORT INFORMATION ONLY

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### Economic Adjustment for the 2014 Collections Budget

<b>Date:</b>	April 17, 2014
<b>To:</b>	Budget Committee
<b>From:</b>	City Librarian

#### **SUMMARY**

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The purpose of this report is to provide the Budget Committee with a detailed breakdown of the economic adjustment for collections for the 2014 operating budget, including the way in which the amount is determined.

#### **FINANCIAL IMPACT**

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The 2014 operating budget includes an economic increase for collections of 2.5% or \$0.434 million for a total collections budget of \$17.987 million.

The Director, Finance & Treasurer has reviewed this financial impact statement and is in agreement with it.

#### **DECISION HISTORY**

At its November 18, 2013 meeting, the Library Board approved the following Budget Committee recommendation:

*Requests staff to provide for information at the next meeting of the Budget Committee a detailed breakdown of the economic adjustment for collections, including how the amount is arrived at.*

#### **ISSUE BACKGROUND**

The economic adjustment for collections was eliminated for four consecutive years (2008 - 2011 inclusive) as part of the budget process to reduce operating budget pressures.

The economic adjustment was retained for the 2012 collections budget at 1.5%; subsequently in 2013, an economic adjustment of 1.7% or \$0.299 million was requested and \$0.200 was approved.

The approved 2014 operating budget includes the requested economic adjustment for collections of 2.5% or \$0.434 million.

## COMMENTS

A number of steps are undertaken to forecast inflationary pressures for the collections budget:

- Data from the TPL's acquisitions module is used to compare average prices for different categories of collections for the previous and current years; a blend of those average prices proportional to the amount allocated in the 2013 budget is used to estimate the current year experience;
- Major vendors and industry data are consulted;
- Economic forecasts for the Canadian dollar are considered.

The inflation estimate for the 2014 collections budget was determined by taking into account a number of factors:

- The price inflation experienced for new materials in 2013 was 2.6%;
- Unit costs for e-books remain higher than print and TPL continues to spend more on circulating e-content as demand continues to grow and more material is available;
- Major vendors and industry data suggest increases of 2.5 - 3% for 2014;
- *Library Journal*, a professional journal that is consulted internationally, conducts an annual survey of periodical prices, and reports that costs continue to trend up at approximately 4.1% in the U.S. in 2014 for both print and online periodicals;
- *Ebsco* is an international periodical and electronic products vendor that also conducts industry analysis and has reported that the inflationary increase for the Library's periodical subscriptions is 6.3%;
- The strong Canadian dollar has partially mitigated some of the steeper inflationary increases in recent years, particularly those associated with electronic products and periodicals. Currency forecasts available in 2013 predicted reductions for the Canadian dollar of up to 2.86%. In calculating the 2014 economic adjustment for collections, a more modest reduction of 1.4% was used to reflect the uncertainty of currency forecasts. A 1.4% reduction in the value of the Canadian dollar resulted in an inflationary increase of 2.9%. However, the experience with the Canadian dollar up to the end of March 2014, and the current reported forecasts, suggest an annual decrease to the relative value of the Canadian dollar closer to 6.1%. This would mean an increase of 3.9% to the total collections budget to maintain current buying power.

Based on the factors available in 2013, a 2.5% economic increase was requested for the 2014 collections budget, representing a very conservative estimate.

The annual economic adjustment to the collections budget helps maintain the budget's buying power. If the value of the Canadian dollar continues at its current levels and TPL continues to allocate more of the collections budget to electronic products sourced in the United States, TPL's buying power will be challenged going forward.

## CONTACT

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## **SIGNATURE**

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