

REPORT TO LIBRARY BOARD

JULY 17, 2025

SUBJECT: 2026 Operating Budget Submission

PURPOSE: For Approval

PREPARED BY: Executive Team

PRESENTED BY: Lakshay Gaur - Director, Financial and Facility Services

RECOMMENDATION

It is recommended that the Library Board approve the return of \$200,000 to the City of London from the Library's Stabilization Reserve Fund to assist in the City's efforts to lower the 2026 tax levy.

BACKGROUND

City Request

The agenda for the London City Council Budget Committee meeting on March 19, 2025 included a report from City staff titled 2026 Annual Budget Update Process recommending that each entity (i.e. the City and each agency, board and commission), be requested to put forward budget reduction opportunities for the 2026 Budget.

Board Motion

At the June 19, 2025 meeting of the Library Board, the following motion was approved:

To return to the City, on a one-time basis, funds equal to the amount that is beyond the upper target for the Library's Stabilization Reserve.

Stabilization Reserve

As per the Library's *Reserves and Reserve Funds Policy*, the Stabilization Reserve fund exists to mitigate the impacts of unforeseen events, extraordinary expenditures or reductions in revenue. It is funded from the annual operating budget surplus and the Policy stipulates that the target balance be between 2%-5% of annual operating budget. Assuming the scheduled operating increase from the City of 5.1% proceeds, the balance is projected to be 5.8% of the projected 2026 operating budget.

Return of Funds

As part of the City's 2026 Annual Budget Update Process, Library staff recommend returning \$200,000 to the City from the Library's Stabilization Reserve Fund. Returning this amount, and assuming the City will be satisfied with this contribution to the 2026 tax levy decrease efforts,

projects the fund's balance will remain at its upper threshold of approximately 5% of the Library's projected 2026 annual operating budget and would keep the Library's scheduled 2026 increase of 5.1% - and our base operating budget - intact. Assuming the scheduled City contribution increase of 5.2% in 2027 proceeds, this would keep \$443,000 in our base budget.

Please see the addendum for more details.

ADDENDUM: 2026 BUDGET SUBMISSION BACKGROUND

Stabilization Reserve as of Dec 31, 2024	\$1,763,689
Reserve allocated to balance 2025 budget	\$173,171
Projected Stabilization Balance as of Dec 31, 2025	\$1,590,518
2026 Projected Operating Budget	\$ 27,596,000
2025 COL Allocation	\$ 24,738,000
2026 COL Allocation (Currently 5.1%)	\$ 25,996,000
2027 COL Allocation (Currently 5.2%)	\$ 27,342,000

Projected Stabilization Pct of 2026 Operating	Balance	Amount Less than Projected Balance
5.8%	\$1,590,518	NA
5.7%	\$1,569,418	\$ 21,100
5.6%	\$1,544,680	\$ 45,838
5.5%	\$1,519,942	\$ 70,576
5.4%	\$1,495,204	\$ 95,314
5.3%	\$1,470,466	\$ 120,052
5.2%	\$1,445,728	\$ 144,790
5.1%	\$1,420,990	\$ 169,528
5.1%	\$1,396,252	\$ 194,266
5.0%	\$1,371,514	\$ 219,004
4.9%	\$1,346,776	\$ 243,742
4.8%	\$1,322,038	\$ 268,480
4.7%	\$1,297,300	\$ 293,218
4.6%	\$1,272,562	\$ 317,956
4.5%	\$1,247,824	\$ 342,694
4.4%	\$1,223,086	\$ 367,432
4.3%	\$1,198,348	\$ 392,170
4.3%	\$1,173,610	\$ 416,908
4.2%	\$1,148,872	\$ 441,646
4.1%	\$1,124,134	\$ 466,384
4.0%	\$1,099,396	\$ 491,122

Scenarios in which base allocation is reduced:

Pct Increase 2026 Allocation	Adjusted COL Allocation	Projected 2027 Budget Increase (5.2%)	Overall Loss of City Revenue (26-27)
5.1%	\$25,996,000	\$ 27,342,000	0
5.0%	\$25,974,900	\$ 27,325,595	\$37,505.20
4.9%	\$25,950,162	\$ 27,299,570	\$88,267.58
4.8%	\$25,925,424	\$ 27,273,546	\$139,029.95
4.7%	\$25,900,686	\$ 27,247,522	\$189,792.33
4.6%	\$25,875,948	\$ 27,221,497	\$240,554.70
4.5%	\$25,851,210	\$ 27,195,473	\$291,317.08
4.4%	\$25,826,472	\$ 27,169,449	\$342,079.46
4.3%	\$25,801,734	\$ 27,143,424	\$392,841.83
4.2%	\$25,776,996	\$ 27,117,400	\$443,604.21
4.1%	\$25,752,258	\$ 27,091,375	\$494,366.58
4.0%	\$25,727,520	\$ 27,065,351	\$545,128.96
3.9%	\$25,702,782	\$ 27,039,327	\$595,891.34
3.8%	\$25,678,044	\$ 27,013,302	\$646,653.71
3.7%	\$25,653,306	\$ 26,987,278	\$697,416.09
3.6%	\$25,628,568	\$ 26,961,254	\$748,178.46
3.5%	\$25,603,830	\$ 26,935,229	\$798,940.84
3.4%	\$25,579,092	\$ 26,909,205	\$849,703.22
3.3%	\$25,554,354	\$ 26,883,180	\$900,465.59
3.2%	\$25,529,616	\$ 26,857,156	\$951,227.97
3.1%	\$25,504,878	\$ 26,831,132	\$1,001,990.34