



April 12, 2013

Councillor Matt Brown
Chair, Audit Committee
City of London
300 Dufferin Avenue
P.O. Box 5035
London, Ontario N6A 4L9

Dear Councillor Brown:

Re: Pricewaterhouse Coopers (PwC) Audit Services

This letter is in response to your correspondence of February 4, 2013:

- Formally advising London Public Library (LPL) of the London City Council resolution of December 11, 2012, regarding provision of the services of PricewaterhouseCoopers (PwC) to the Boards and Commissions for the purpose of an internal audit of existing processes, under the City's existing terms of engagement with PwC and at the City's expense; and
- Seeking expressions of interest; and
- Providing information about the submission and approval process.

London Public Library accepts the offer made by the City of London to extend the services of PricewaterhouseCoopers (PwC) to the Boards and Commissions with thanks and puts forward two requests for consideration:

- **Review of LPL Sources of Revenue** (2013) with the objectives of maximizing income from current revenue streams and seeking additional sources of operating funding to support LPL sustainability; and/or
- **Review of Central Library Service Delivery Model** (2013/2014) with the objective of supporting the forthcoming LPL strategic planning process and, specifically, the Library's review and updating of the Central Library to ensure that the Library meets current, emerging and future community needs.

Motion of the Library Board

On February 5th, 2013, the LPL Board held a special meeting of the Board to discuss the recommendation to London City Council by the Strategic Planning & Priorities Committee, January 25, 2013 regarding the 2013 Operating Budget and the specific reference to audit services that was part of the budget motion. In response to the offer of services, the Library Board approved the following motion (L13/03), stating that

The Library Board accepts the offer by the City of London to engage the services of PricewaterhouseCoopers (PwC) for the purpose of an internal audit of the Library's existing processes, under the City's existing terms of engagement with PwC and at the City's expense; and that

The recommendations of PwC report be provided directly to the Library Board, as an autonomous body, for consideration and review and that action on any recommendations be subject to the governance and strategic direction of the Library Board.

Summary of Scope of Work Requested

Revenue Generation

The Library seeks PwC expertise in helping LPL identify Library mission-related revenue generating options available in each of its revenue streams, along with their respective advantages and disadvantages, potential cost-benefit, and LPL's capacity to take on specific initiatives. LPL is also seeking advice in terms of establishing reasonable short and long-term targets for revenue growth.

Please see ***Appendix One: Review of LPL Sources of Revenue***

Central Library Review

Given the current strategic planning process, the age of the Central Library Service Delivery Model and lifecycle requirements of the building, it is time to review the Central Library. The Library seeks PwC expertise in helping LPL develop a service model that meets patron and staff needs and incorporates innovation, while improving operational efficiencies and reducing costs.

Please see ***Appendix Two: Review of Central Library Service Delivery Model***

Process

We understand that the next step in the process is review of the Library submission, along with other requests being submitted, by the Audit Committee and City Council. Further, we acknowledge that, as such, all requests will be published on the public agendas and will be considered at meetings open to the public.

The London Public Library looks forward to approval of the Library request. Thank you for your consideration of our submission.

Sincerely,

A handwritten signature in cursive script that reads "Susanna Hubbard Krimmer".

Susanna Hubbard Krimmer
CEO & Chief Librarian, London Public Library

cc: Josh Morgan, Library Board Chair
Art Zuidema, City Manager
Mike Turner, Deputy City Treasurer

APPENDIX ONE: REVIEW OF LPL SOURCES OF REVENUE

London Public Library wishes to request the services of PwC to review LPL “Sources of Revenue” with the objectives of maximizing income from current operating revenue streams and seeking additional sources of operating funding (2013) to support LPL sustainability.

Issue/Opportunity

In addition to the City of London annual appropriation, LPL has the following operating revenue streams:

- Annual Library Operating Grant, Ministry of Culture, Tourism and Sport;
- Fines and fees;
- Operating revenues;
- Rental revenues;
- Business revenues; and
- Government grants.

LPL brings in approximately \$1.5 million per annum in revenues (in addition to its City of London appropriation) and is seeking to increase this amount.

Background

Legislative Environment

- The Library Board is required by the Ontario *Public Libraries Act*, s. 23 to ensure that libraries are open to the public and shall not charge for:
 - Admission to a public library;
 - Use in the library of certain materials;
 - Reserving or borrowing of certain classes of materials; and
 - Access to reference and information services as the board considers practicable.
- LPL supports the *Canadian Copyright Act* and other laws governing intellectual property:
 - The purchase of collections materials is done in compliance with the *Book Importation Regulations (SOR/99-324) Canadian Copyright Act*.
 - LPL purchases licenses to support photocopying of copyright materials and public performance rights for certain collections materials.

LPL Policy

The LPL *Monetary Charges Policy* (Board Operational Linkage Policy F-R-01) governs and outlines all Library monetary charges – fines and fees and prices for all current services, goods, products and consumables for which the Library charges.

<http://www.londonpubliclibrary.ca/sites/default/files/Monetary%20Charges%202013.pdf>

Revenue Streams

Annual Library Operating Grant, Ministry of Culture, Tourism and Sport

LPL receives an annual operating grant from the Ministry of Culture, Tourism and Sport. This annual operating grant is based on a funding formula. The annual operating grant for public libraries was cut significantly in the mid-1990s and has not been increased since that time. There has been no adjustment for inflation or increased levels of service. Recent advocacy efforts by bodies such as the Federation of Ontario Public Libraries to establish a new funding model and higher level of pre capita funding to account for such variables as population growth, inflation etc. have been unsuccessful. LPL has no ability to increase this revenue line.

Fines and Fees

LPL charges fines and fees, where allowable according to the *Public Libraries Act*. These are primarily associated with collections and lending e.g.:

- Fines for overdue collections materials;
- Replacement charges for materials not returned.

Operating Revenues

LPL derives operating revenues from a variety of sources, for example:

- Patron self-service photocopying and printing;
- Sales of library merchandise and sundry items such as “thumb drives”; and
- Percentage revenue from onsite beverage services, e.g. vending machines.

Business Income

LPL derives business income from several sources:

- Where space permits in library locations, LPL leases space to tenants, e.g. London Arts Council, London Heritage Council, Pillar Nonprofit Network.
- LPL provides fee-based contracted services for other agencies, where appropriate and feasible, e.g. provision of payroll services to other agencies.
- LPL also charges for fee-based, value-added public services, e.g.:
 - Fees for in-depth research services;
 - Fees for exam proctoring for students who are doing distance education.

Grants

Where and when appropriate government grants are available, LPL applies for grants to fund research and development of services and for facility improvements, e.g. energy

retrofits. These do not provide ongoing, sustainable funding and several of the grants previously available have been either cut or eliminated in past three years, e.g. Employment Ontario Employment Resources Centres, e.g. Urban CAP funding to support technology in libraries.

Internal Processes

LPL has maximized revenue collection capabilities through various strategies:

- Use of a collection agency to recover fines and collections materials; and
- Introduction of E-Commerce for patron payment of fines and fees.

Potential Risks of Not Undertaking Service Review

- Budget goals not met;
- Inability to sustain services;
- Inability to meet the current and future needs and expectations of Londoners;
- Inability to take advantages of opportunities to provide services in new ways and/or to meet the needs of expanding groups of users (e.g. seniors, newcomers);
- Inability to meet high demand contemporary needs (e.g. assist patrons with technology needs, introduce patrons to new technologies).

Scope of PwC Support

The Library seeks PwC expertise in helping LPL identify Library mission-related revenue generating options available in each of the revenue streams, along with their respective advantages and disadvantages, potential cost-benefit, and LPL`s capacity to take on specific initiatives. LPL is also seeking advice in terms of establishing reasonable short and long-term targets for revenue growth.

APPENDIX TWO: REVIEW OF CENTRAL LIBRARY SERVICE DELIVERY MODEL

London Public Library wishes to request the services of PwC to support key work in the forthcoming LPL Strategic Plan and, specifically, the Library's strategic initiative to review and update the ***Central Library Service Delivery Model***.

Issue/Opportunity

LPL is entrusted with the responsibility of providing relevant, accessible and high quality library services that enhance Londoners' quality of life and capacity for success. LPL's current Strategic Plan "*Enriching Lives and Empowering People*" is in its third year. As we move towards the drawing to a close of the current plan, LPL has begun to begin the development of a new three-year plan for LPL. At its meeting of March 28th, 2013, the Library Board initiated a strategic planning process to create a new Strategic Plan.

The theme *Library Space as Community Place* will guide development of the new LPL Strategic Plan. A key component of the review of library space will be a review and redevelopment of the Central Library.

Background

The planning process for the current LPL Strategic Plan included research, analysis of best practices and built upon the accomplishments of the previous two strategic plans. The "*One Library, Many Doors*" Strategic Plan resulted in a strong infrastructure foundation. The "*Imagine!*" Strategic Plan positioned LPL as the "**community hub**" and emphasized our mission to make a difference in the community by enriching lives and empowering people through relevant, high quality library services.

The current plan "*Enriching Lives and Empowering People*" built upon the foundation of the previous plans by taking our community engagement model to the next level. We "kicked it up a notch" and the public loved it! We then began to move into a community development model, resulting in the further growth of the library as a community gathering place, as an incubator, as "creator" space (in addition to our traditional role of providing access to creative works), a place for technological learning and innovation, facilitator for democratic participation, conduit for government services, and much more. We joined with the City of London and other partners in great network initiatives designed to build community, e.g. Child & Youth Network, Age Friendly City, Culture Plan, Rethink London, etc. We have also been stepping outside of our doors going into communities and into virtual space. We have become part of the virtual landscape of London. Importantly, Library Staff have engaged individuals, community groups and library partners in the implementation of Action Plans for Strategic Initiatives for which it has been appropriate and feasible. This engagement process has ensured that the

outcomes of the LPL Strategic Plan are the expression of the vision, ideas, needs and expectations of our community.

Current LPL Strategic Plan:

http://www.londonpubliclibrary.ca/sites/default/files/strategic_plan2010_13.pdf

Strategic Theme

LPL's focus on the Library as "Community Hub" has ensured that the Library has continued to evolve and to be a leader in terms of the "library as place".

The conversation about public places, in general, and libraries, specifically, has begun to grow in importance and volume. The functionality of "intelligent" high functioning computers and multipurpose, mobile devices; digitally-based creation of content (in addition to ongoing digitization of content in print and other formats); and the social media revolution is changing ideas about the potential role and value of libraries. Contrary to the debate of years gone by about whether or not the Internet would kill libraries, the current conversation is about opportunity. Libraries are being seen as an institution that can offer people relevant and accessible physical and virtual places in an age when the user experience is becoming more and more important.

The essential question is: Why would someone in our community choose to spend their time in the library's physical and virtual space rather than somewhere else? Put another way: Why come to the library at all?

The immediate response to these questions is to ask more questions:

- What is the value of library as community place?
- How can we reinterpret our definition of the "library as place" to ensure that the Library meets current, emerging and future community needs?
- How can we reinvent London Public Library's physical and virtual space to ensure that the Library continues to enrich lives, empower people and build community capacity?

It is these community and staff response to these questions that will direct the work of the 2013 LPL strategic planning process.

Review of the Central Library Service Delivery Model

In 2012, LPL and the community celebrated the 10th anniversary of the Central Library. Ten years and 10 million visitors!

London Public Library's Central Branch serves as a branch for London's downtown, a city-wide resource and the Library's "head office" for infrastructure/support operations.

The Central Library opened to much acclaim at its present location at 251 Dundas St. in August, 2002. The core of the Service Delivery Model was a traditional model with help desks situated in subject-based service areas throughout the building. Services included numerous innovative self-service and "discovery" features. In the intervening years, various service areas have been assessed and changes made (e.g. a new award-winning Teen Annex service/space, was created on the 1st floor; a 2nd floor entrance/exit supporting lending services was eliminated; two separate information departments on the 2nd floor were amalgamated into a single department with one help desk; collections were reorganized and a popular materials area, "DiscoverPlace, was created on the main floor.) These changes have improved service capabilities and have also resulted in operational efficiencies. Over the past decade, patron needs and expectations have continued to change and it is time for a more comprehensive service review, including the development of an updated space plan for the building.

In addition, given the high volume of use of the building with over 1 million visitors a year, there is wear and tear of the physical space and furniture and equipment. LPL needs to address interior components such as carpets, for example. It makes sense to tie capital renewal with the service and space planning.

Community Engagement

LPL community engagement is about building synergistic relationships with our community in order to:

- Develop and build a vibrant community made up of active neighbourhoods and strong social networks using the layers of resources already present in the community; and
- Provide relevant library services that are integral to the fabric of this vibrant community.

It is based on values of: universal access, inclusiveness, diversity, transparency, stewardship and accountability. Strategies for successful community development are community-led, asset-based and relationship driven. LPL employs a wide spectrum of engagement techniques.

Thus, it is consistent and appropriate that the Library will engage groups and individuals in our community as an essential component of the creation of the new LPL Strategic Plan and the development of the Central Library Service Delivery Model, specifically.

Potential Risks of Not Undertaking Service Review

- Inability to meet the current and future needs and expectations of Londoners;
- Operational pressures resulting from the current service model (many service points on 3 floors);
- Inability to take advantages of opportunities to provide services in new ways and/or to meet the needs of expanding groups of users (e.g. seniors, newcomers);
- No opportunity to meet high demand contemporary needs (e.g. assist patrons with technology needs, introduce patrons to new technologies); and
- Budget goals not met.

Scope of PwC Support

Given the current strategic planning process, the age of the Central Library Service Delivery Model and lifecycle requirements of the building, the time is ripe to review the Central Library. The Library seeks PwC expertise in helping LPL develop a service model that meets patron and staff needs and incorporates innovation, while improving operational efficiencies and reducing costs.