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April 6th, 2017

Dear Palliser MLA's Warren, Greg, B, Greg L, Lyle and David,

I would like to point out to you that Palliser Regional Library does not or has it ever had a reserve in excess of \$2 million - that would be 3½ years of our operational grant. Based on your statement that Palliser has over \$2 million in reserve, we think that there might be some confusion in the way PSAB is reporting the Consolidated Schedule for Accumulated Surplus balances, on page 15, Schedule 4. The Net Investment in Tangible Capital Assets, which is included in this table, refers to the value of all previously purchased physical assets (building, books, vehicles, equipment), while the Appropriated Reserves column truly represents what is below. The two columns together are over \$2 million but vehicles and old books cannot be turned into cash on a dollar per dollar basis.

Attached below is the status on December 31st, 2016, as signed off by our auditor. Here are 3 points that I would like to highlight for you:

Issue 1: Palliser Surplus

FYI – 2016: Between Moose Jaw, Palliser Headquarters, and the rural branches, the surplus is \$15,835. We are concerned about the quality of the financial information being provided to Minister Morgan. You can check on our home page for the full audited statement.

The statement goes on to include the Net Investment in Tangible Capital Assets of \$1,558,350 as defined in Schedule 1. The Tangible Capital Asset as defined in Schedule 1 represents the land, the buildings, furniture and equipment, equipment, vehicle, SILS investment share and the \$1,420,017 of that number is the value of the actual library collection. Over 60% of this collection was paid for and belongs to Moose Jaw but shows up on our books, just like their salaries do because of our centralized accounting and payroll, which we cost-share with them. None of this money is cash or easily convertible to cash. \$0.10 on the dollar for books would be extremely optimistic, even if they all belonged to us. In discussions with the other regions, we have found that the same misconception applies to reserve figures for all regions and the two cities.

The long and the short of it is that Palliser's actual dedicated reserves total \$392,249. From that number, \$39,000 has to come out of the automation fund to cover SILS costs for this year. We had intended to buy one new vehicle this year to replace our 8 year old vehicle and would have

needed to replace our courier van next year, as it will be reaching the 400,000 km mark. To complicate matters, past practice and information from previous iterations of Provincial Library and reinforced by government reporting patterns, was that all the government money was to be spent by December 31 and not March 31st. This means that Palliser will have to dip into reserves for another \$185,000 plus the 2 months of severance. We need board approval to spend any of the money as it is in designated reserves for purposes as listed below.

Reserve Name	Held on Dec 31 2016	Owning Organization
Automation ⁴	\$116,765.47	Palliser
Equipment ⁵	\$65,387.73	Palliser
Vehicle ⁶	\$143,286.53	Palliser
Building ⁷	\$66,809.77	Palliser
Sick Pay – rural branches ¹	\$28,764.05	Rural branches - not Palliser
SILS staff computer replacement - Evergreen ²	\$22,043.83	Rural branches - not Palliser
Public Access Computer replacement ³	\$16,671.54	Rural branches - not Palliser
Joan Heaton Estate bequest ⁴	\$105,909.22	Rural branches, Moose Jaw - not Palliser

The following reserves do not belong to “Palliser” and therefore cannot be used to run HQ:

- 1. The Sick Pay reserves belongs to the rural branches** and the \$28,764.05 is money provided by the rural levy over the past 10 years to cover excessive sick payouts. Palliser cannot take any funds to run branches from Palliser reserves so we had to create their own.
- 2. The Public Access and its reserve of \$16,671.54** is money set aside (\$0.17 to \$0.34 per person, incorporated in the rural levy) to replace the software on the public access stations in each branch. This money belongs to the branches, not Palliser. It cannot be used to run Palliser. We were looking at replacing equipment in 2017-2018.
- 3. The \$22,043.83 “Evergreen” reserve was created as part of our agreement with the government** to ensure that the replacement of SILS local staff equipment was self-sustaining. \$300 per staff machine is charged to each branch and is held by Palliser to guarantee the availability of funds for machine replacement.
- 4. The Joan Heaton Estate is a \$105,000** bequest to the Moose Jaw Public library and to the Palliser rural branches for programming. We are not allowed to dip into this to fund Palliser.

Total of reserve funds belonging to the Rural Branches and Moose Jaw: \$172,479.42

Palliser Designated Funds (necessitated by fact that the annual provincial grant to run headquarters did not cover the following capital expenses/emergencies/building):

5. **The \$116,765.47 Automation reserve** has been building since 1988 and was originally was an agreement between Palliser and the City of Moose Jaw, designed to replace the library automation system and its equipment. The fund replaced the servers until 2006. In 2009, it paid the \$50,000 deposit for SILS and we have been maintaining/building (1/3 automation - 1/3 building - 1/3 vehicle) the fund in case SILS should restructure and we have to make a substantial reinvestment to it again.
6. **The \$65,387.73 Equipment reserve** fund was designed to replace headquarters computers, copiers, laminators, phone systems and other equipment required to run the regional headquarters.
7. **The 143,286.53 Vehicle reserve fund was created to replace the vehicles required in the daily operations of Palliser.** We should be replacing the consulting vehicle in 2017 as it is now 7 years old and that would cost approximately \$50,000. The van for the interagency delivery system is replaced every 4 years (next due in 2018), as we put on in excess of 100,000 km every year and our last one was purchased in 2014 and its cost of replacement is also around \$50,000. The extra money is the result of the fact that we did not have to use these funds to replace the last vehicle due to efficiencies created at Palliser.
8. **The \$66,809.77 Building reserve** was created because we do not, nor have we ever received, any funding for the building. The building is owned by the region and our branches are wholly owned by the region. The building is maintained by Palliser with no special funding from the province to cover repairs or improvements.

The total reserve funds that Palliser can access: \$392,249.50

Palliser's enterprising policies have earned \$68,000 from the Moose Jaw Kennel club, \$10,000 from selling advertising space on free bookmarks, and \$5,060 from interest earned on investment. It would not be unreasonable to say that \$100,000 of the Palliser reserve funds is found money and through careful and diligent financial management through good times and bad times, rest of the reserve has accumulated since 1988.

Palliser Reserves:	\$ 392,249.50
Spent to Run Palliser HQ from January 1 to March 24:	\$ 154,728.00
Spent on paying out severance plus vacation payouts:	\$ 50,000.00
SILS	\$ 39,000.00
Balance Remaining:	\$ 148,521.50
Previous Grant:	\$ 687,000.00
2017 anticipated grant	\$ 285,000.00

Fixed Costs (audit, utilities, insurance)	\$ 45,687.00
Balance (we still have 20 branches and 52 employees to manage, train, and pay)	\$ 239,000.00

Issue 2: Number of libraries per person

- **All branch libraries in Palliser are owned and operated by the town or village that they are located in.** No funding from the provincial government goes to funding these facilities and **the operation of these facilities is a municipal choice** made not by Palliser or the provincial government but by the towns served. Regions have tried to close branches unilaterally in the past and the push-back was enormous – in 1998 Wood Mountain even threatened to take us to the world court when we tried to shut that little jewel (open 5½ hours/week, as that is what their levy covers, and services 77 people, circulating over 3,000 per year).
- **Our conclusion based on previous funding model:** If they want a library and are willing to pay for its upkeep and staffing, the cost to the province is minimal – materials and processing that is distributed through the entire region in a careful, calculated way to maximize the limited resources available. It is very much the same argument that the school boards made for keeping the 28 boards – local control to meet local needs.
- In Palliser, **100% of the rural levy** from the town or village hosting the library and the surrounding RM **goes to pay for the open hours of the branch.**
- **The Province pays for ½ hour of open time per week per branch** through the resource sharing grant (\$18,000). The rest of the resource sharing grant goes to pay the cost of the interagency movement of materials throughout the province (151,000 within Palliser in 2016 – actual cost to Palliser to run courier + staff = \$65,000 and Palliser gets \$38,000 as our share of the resource sharing pool

Issue 3: School and public libraries

- **30%** of our rural branches are in towns and villages which no longer have a school: Elbow, Tugaska, Wood Mountain, Briercrest, Willow Bunch and Riverhurst.
- We suspect, with the cuts to school divisions that 3 more of our branches are located in towns in danger of losing their schools: Bethune, Holdfast, Mossbank. This would bring the rural libraries in towns without schools statistic up to **45%**.
- 2 branches are located in towns with multiple schools (Assiniboia and Moose Jaw).
- Last provincial survey on towns who have a library but no school was done for SILS in 2013. Wapiti and Parkland did not respond so survey was incomplete and I was never asked by anyone to update my information.
- The Prairie South School Board has been steadily reducing library staffing in schools and discontinued its resource centre library for teachers in 2015. Its resource collections are in disarray and, for the most part, not being refreshed, added to, or weeded.

Issue 4: Courier

- Assuming \$1.00/L: The cost of run courier, as per past practice, is \$73,000 per year. In the past, this resented about 11% of our total costs. Under the proposed new budget, it represents 26% of our total costs. We lent out 94,431 books to other regions and borrowed 49,437 from other regions.
- Proportional to our population and grant received, we are the highest lender.

- Many regions are receiving much more than we are, as a result of the grant shuffle, so other regions are able to maintain a reduced level of courier service but Palliser's options, on a budget of \$285,000, are non-existent.

Issue 5: Declining circulation rumours

- While this is true from a book perspective (365,845 local circulation, plus 140,317 circulated out of region), libraries are much more than books. Our electronic circulation in 2016 was 100,092 within Palliser. Altogether, the 606,254 items circulated is the highest in the history of the Palliser region. In 2015, it was 554,179 items circulated. This represents a 9.14% increase in circulation year over year.

Issue 6: Declining patrons rumours

- This is unknown.
- Earlier figures were unreliable. Different regions had different policies with respect to expired patron accounts. Palliser would take them off if they hadn't used their card in 5 years (unless the owed money). Other system never took anyone off the system.
- The new integrated system has a 3 year automatic clean-up.
- The new integrated system also means that it is only one card per person/family instead of a card in Saskatoon, one for the lake, one while they attended SIAST in Moose Jaw, one under a maiden name, one under a married name. It is also a common practice in Saskatchewan to have a family card. With 100 books that can be signed out at one time, it is easy to pick up the latest Webb Griffin for the husband, 3 board books for the little ones, a romance for the wife, and a John Green book for the teen in the house – all at one time and generally on Mom's card.

Libraries have been comparing notes and we have not heard a thing from the Minister or the Provincial Library since this started. We have set aside time at our SILS directors meeting and we are meeting with the ADM on Wednesday morning, at his request.

I would be more than pleased to talk with you and discuss things. I can be reached at 306-693-3669. Greg, Lyle, Warren, and I can meet with you in person but all out of city travel (except this SILS meeting) is canceled for the foreseeable future.

Jan Smith
Director