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Value for Money Review

Financial Allocation Model Analysis

Okanagan Regional Library

September 2013

FINAL DRAFT



Grant Thornton

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September 26, 2013

Okanagan Regional Library
1430 KLO Road
Kelowna, BC V1W 3P6

Attention: Don Nettleton, Financial Manager

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Dear Don:

Re: Okanagan Regional Library Financial Allocation Model Analysis

In accordance with the terms of our engagement, we have completed analysis pertaining to the Okanagan Regional Library's ("ORL") Financial Allocation Model.

This report has been prepared for the ORL and is intended to support initiatives related to internal planning and analysis. The information contained within this report should not be used for any purpose other than that disclosed herein.

Our analysis, opinions and conclusions were developed and reported to the best of our knowledge and belief in conformance with the requirements of the Code of Professional Conduct for the Canadian Association of Certified Management Consultants.

If we may be of assistance in the interpretation or application of our findings or in the furtherance of this project, please contact me at your convenience.

Yours very truly,

FINAL REPORT WILL BE SIGNED

Doug Bastin, CMC
Partner, Grant Thornton Consulting

Contents

	Page
Introduction	1
Okanagan Regional Library overview	4
Assessment of funding by ORL jurisdiction	8
ORL expense/investment allocation analysis	14
Benchmarking against comparable libraries	25
Conclusions	28
Exhibits	30
Appendix	37

Introduction

Introduction

The Okanagan Regional Library (“ORL”) is headquartered in Kelowna and covers the Okanagan area, north to the Shuswap region, south to Osoyoos, west to the Similkameen region and east to Golden. It is the only system resource centre in the region and the 16th largest library in Canada. The ORL is governed by a Board of Trustees that consists of 25 members representing their own town councils, regional district boards and First Nations. The Board formally meets four times per year, and votes on a budget each November for the following year.

The ORL receives 86% of its funding through local property taxes from municipalities and districts in the region. It also receives monetary support from government and charitable grants, as well as fundraising initiatives from the Friends of the Library groups.

Project purpose

At this time, library constituent members are concerned with whether they are getting good value for the resources provided, and, in particular, whether they are being equitably treated relative to each other. As a result, the ORL engaged Grant Thornton LLP (“Grant Thornton”) to analyze the financial allocation model currently in place to ensure that the ORL’s constituent members are being equitably treated and that their constituents are receiving good value for the taxes paid to the Regional Library system.

Project scope

The scope of the project is described below.

- The primary focus of the project was on the relative resourcing of service in the Regional System. As such, the cost input from each member of the system was estimated and compared relative to the service expenditure received.
- The analysis examined the current situation, but also looked back at previous years to gain an understanding of whether the level of inputs has been consistent over a period of time.
- The research and analysis focuses primarily on the flow of dollar value to and from the ORL libraries and jurisdictions. The scope did not entail analyzing:

- Stakeholders' views on the qualitative aspects of the goods and services they receive from ORL in return for the levy they provide to ORL; and,
- The actual utilization levels of libraries relative to the levy provided and the estimated share of ORL expenditures received.

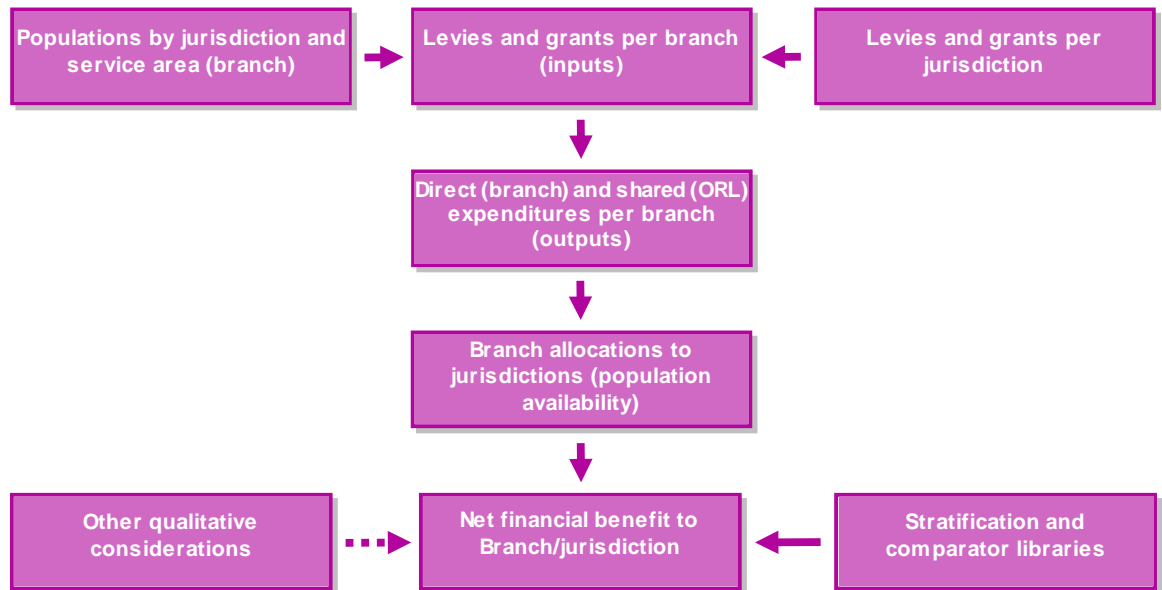
General approach

Consistent with the project scope noted above, our general approach to this review assignment entailed the following steps.

1. Detailed review of relevant documentation provided by the ORL.
2. Detailed analysis of populations by jurisdiction and by branch service area, in relation to the levies and grants that flow from the jurisdictions to the ORL (and ultimately comprise ORL revenue).
3. Detailed analysis of direct branch expenditures.
4. Detailed analysis of shared ORL expenditures and investments.
5. Development of potential methods for allocating the shared ORL expenditures back to each branch and to each jurisdiction, generating several scenarios for the ORL's review.
6. Comparison of the levies and grants contributed by each jurisdiction in relation to the estimated allocation of the shared ORL expenditures and investments received in return, using the scenarios noted in the previous step.
7. Review of the above-noted analysis with the ORL Policy and Planning Committee.
8. Selection of the most "realistic" scenarios.
9. Stratification of the ORL libraries by size, determined by population, and a comparison of the average revenues and expenses of the ORL libraries in each strata to independent libraries that serve a similar population base.
10. Preparation of a draft report that summarizes the approach, the analysis, the conclusions and the recommendations.
11. Presentation of the findings to the ORL Board.
12. Finalization of the report.

The diagram on the following page illustrates our general approach to this project.

General Study Approach



Qualifiers

The source for population data used in this study is the 2011 Canadian Census, as this is the most recent Census year and these data are provided at a finer level of detail than that of BC Statistics, enabling more accurate analysis of population levels in unincorporated areas. It is acknowledged that population levels will have changed since 2011.

Okanagan Regional Library overview

Introduction

The purpose of this section is to provide an overview of the ORL, particularly for the reader who may not be as familiar with the governance and overall structure of the ORL. This is intended to serve as context for the remainder of the report.

The ORL, located on KLO Road in Kelowna BC, was established in 1936. The ORL currently includes 29 branches located in the four regional districts within the Okanagan area: Columbia Shuswap, Central Okanagan, North Okanagan and Okanagan Similkameen. The ORL branch libraries have a total of 250 employees and provide free library services to over 360,000 residents.

Governance

The ORL operates under the *BC Library Act* (the “Act”) and is managed by a Board of Trustees that consists of 25 members representing their own town councils, regional district boards and First Nations. The role of the Library Board is defined in the Act. Its primary responsibilities lie in making policy and financial decisions.

In addition to the Library Board, the ORL has three standing committees: Policy and Planning Committee, Finance Committee and Personnel Committee. Each committee consists of an elected chair and up to five appointed members who have volunteered to serve on the committee.

Patrons

The ORL provides services to residents who live in or own property in the region’s jurisdictions and contribute to the ORL’s annual tax levy. Upon application and payment or proof of membership in another library in BC, the ORL also serves non-residents, BC OneCard holders and Internet Only users.

Branches and branch types

There are 29 branches in the region and their facilities are reviewed by the Library Board every five years following the Canadian Census, in which the area population figures for each branch determine the type, size and operating hours of the branch according to Board guidelines. The Board will consider opening a new branch when an area reaches a population size of 2,000 people. Under the new Board guidelines adopted in May 2013, there are three types of branches in the region. The ORL branches by type are listed in the following table. A description of each branch type follows the table.

Branches	Population ¹	Branch Types
Columbia Shuswap Regional District		
Falkland	1,400	Rural Community
Golden	6,765	Community
North Shuswap	2,415	Rural Community
Revelstoke	7,690	Community
Salmon Arm	21,985	Community
Sicamous	3,775	Rural Community
Silver Creek	530	Rural Community
South Shuswap	5,885	Community
Regional District of Central Okanagan		
Kelowna	49,310	System Resource Centre
Mission	31,610	Urban Neighborhood
Rutland	39,215	Urban Neighborhood
Lake Country	13,175	Community
Peachland	5,200	Community
Oyama	1,420	Rural Community
Westbank	39,905	Urban Neighborhood
Regional District of North Okanagan		
Armstrong	9,870	Community
Cherryville	940	Rural Community
Enderby	7,260	Community
Lumby	4,580	Rural Community
Vernon	58,655	Urban Neighborhood
Regional District of Okanagan Similkameen		
Hedley	745	Rural Community
Kaleden	2,270	Rural Community
Keremeos	4,355	Rural Community
Naramata	1,845	Rural Community
Okanagan Falls	3,445	Rural Community
Oliver	8,925	Community
Osoyoos	6,735	Community
Princeton	2,725	Rural Community
Summerland	15,045	Community
TOTAL	357,675	

¹ Population is based on the 2011 Census.

System Resource Centre

The Kelowna Branch on Ellis Street is the single system resource centre and serves as a community branch. It provides in-depth reference services to all ORL customers and branches and houses a larger reference collection. In addition, it serves as a depository for low use circulating collections and operates seven days and 60 hours per week from October to March and six days per week for the remainder of the year.

Urban Neighbourhood Branch

The urban neighbourhood branch is located within municipalities with a population of at least 25,000. The branch must be located at least five kilometres from other facilities and serves a minimum population of 25,000 people. The minimum operating hours for the branch are 48 hours per week.

Community Branch

The community branch must be located at least 10 kilometres from other facilities and serve a minimum population of 5,000 people.

Rural Community Branch

The rural community branch must be located at least 20 kilometres from other facilities and serve a minimum population of 2,000 to 5,000 people.

Funding/revenue

As mentioned earlier, the ORL receives 86% of its funding through local property taxes from municipalities and districts in the region. It also receives monetary support from government and charitable grants as well as fundraising initiatives from the Friends of the Library groups. Funds are allocated mainly to areas such as staff, branch locations, new acquisitions of library collections and public Internet.

Each year the Board approves the annual development of a three-year operating and capital budget as well as a five-year capital budget. The Finance Committee oversees the development of the three-year budget plan, which is presented to the Board each budget cycle for approval. Once it is approved, the first year of the plan becomes the approved budget for the following year and determines the approved member tax assessment for that budget year.

According to the formula in Section 24 of the Act, the tax funding will be shared by the municipalities and districts in two ways: fifty percent is shared on the basis of land value and improvements (property assessments), and, fifty percent is shared on the basis of population.

When the funding cost is allocated, the ORL will send a bill to each municipality and regional district where the local council or district board will apportion the cost amongst all property owners on the basis of property assessments. Each municipality and regional district has the power to change its own tax apportionment formula.

Grants

There are four types of provincial grants:

- Operating grant (based on the most recent populations and rates);
- Resource Sharing grant (based on a piece rate for materials lent through interlibrary loan during the previous year);
- BC OneCard grant (based on a tiered rate or a piece rate for materials lent and returned in the previous year); and,
- Library Literacy grant (based on tiered rates concerned with overall funding equity).

Sales revenue from withdrawn materials

Withdrawn library materials are sold as part of fundraising initiatives to account for expenses that do not normally appear in the budget. After any related costs are deducted from this revenue, the profits are shared on a 60-40 basis; 60% is distributed to the local community group for any local library improvements while 40% is provided to the ORL for improvements to system-wide library services.

Donations

The ORL accepts donations in the form of cash, library materials, furniture and equipment. These donations become the property of the ORL and cash donations may be given to a particular branch upon the donor’s wishes.

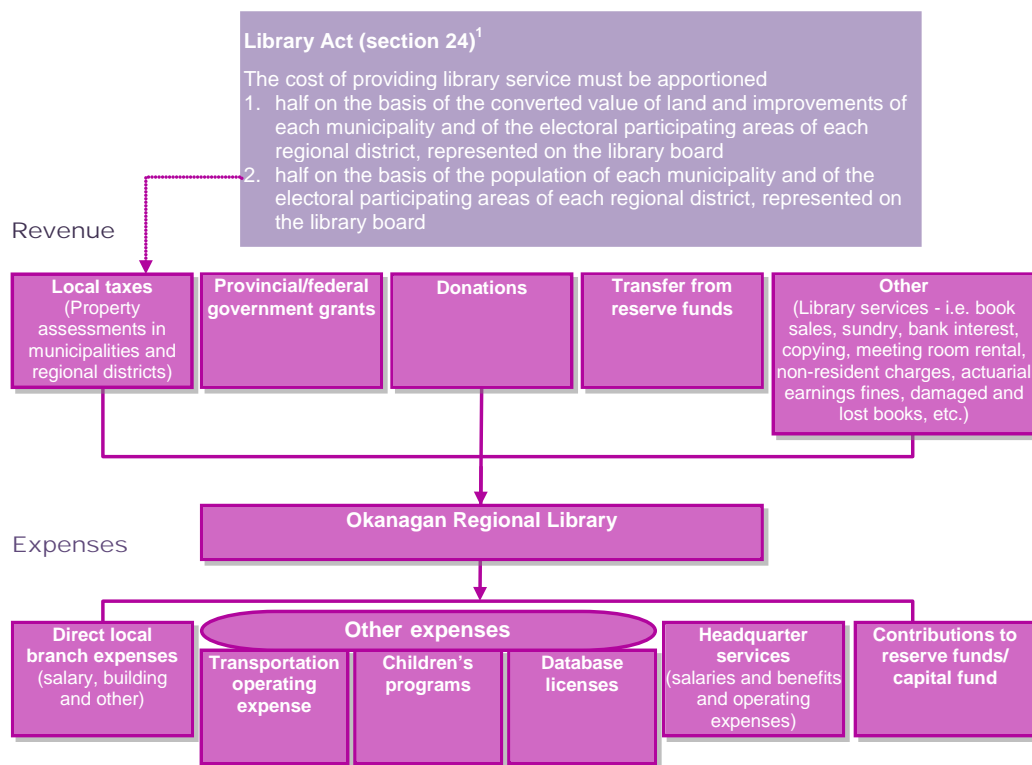
Reserve fund

The Board utilizes several reserve funds for special projects or capital items every several years.

Library grants to rural communities

Book deposit grants are given by the ORL to some rural communities with a population of 500 to 1,499 people upon application. The community in return needs to provide a book deposit to its residents. Since book deposits are independent of the ORL, they are not required to retain circulation records or follow any ORL policies. They must be located at least 20 kilometres from the nearest branch or book deposit. The grants are based on the population size in the community on a \$2 per capita basis, up to a maximum amount of \$2,000.

High level flow of ORL revenues and expenses¹



¹ A proposal can be adopted if at least 2/3 of the municipalities and regional districts represented on the library board adopt a proposal on apportioning the cost of providing library service, the proposal binds all the municipalities and regional districts represented on the library board. The adopted proposal may be changed or cancelled by a resolution adopted by at least 2/3 of the municipalities and regional districts represented on the library board.

¹ Note that “expenses” for the purposes of this report also include additions to reserve funds, which are not typically referred to as an “expense”.

Assessment of funding by ORL jurisdiction

Introduction

The previous section included a high-level overview of how the ORL generates revenue to operate the regional library system. This section provides a more detailed assessment of the level of funding contributed by each municipality, regional district or other funding jurisdiction in the ORL, in addition to a description of the other sources of funding.

Funding (levies) from jurisdictions

The method for determining funding (levies) provided by each member jurisdiction is described below. In our description, and in the analysis presented in subsequent sections of the report, we use 2011 as a benchmark year as this is the most current Canadian Census year.

We commence with a reference to relevant sections and subsection of the *British Columbia Library Act* (the "*Library Act*"), followed by a discussion about fund generation using the current model (population and assessed value) and by a different model which uses population-only to determine funding amounts per jurisdiction.

Library Act

The *British Columbia Library Act* (the "*Library Act*") provides direction to regional library districts on how to generate revenue from their member jurisdictions to cover the costs of operating the regional library system. The three regional library districts in BC – the ORL, the Fraser Valley Regional Library and the Vancouver Island Regional Library – use the direction provided under Section 24, Subsection (2) to generate revenue. However, it should be noted that regional library districts can use a different method for generating revenue from their member jurisdictions, if at least 2/3 of the jurisdictions adopt a proposal for a different method. This is explained in the following excerpt from the *Library Act*.

Section 24, subsections (2), (3) and (4) state that:

(2) The cost of providing library service must be apportioned

(a) 1/2 on the basis of the converted value of land and improvements of each municipality and of the electoral participating areas of each regional district, represented on the library board, and

(b) 1/2 on the basis of the population of each municipality and of the electoral participating areas of each regional district, represented on the library board,

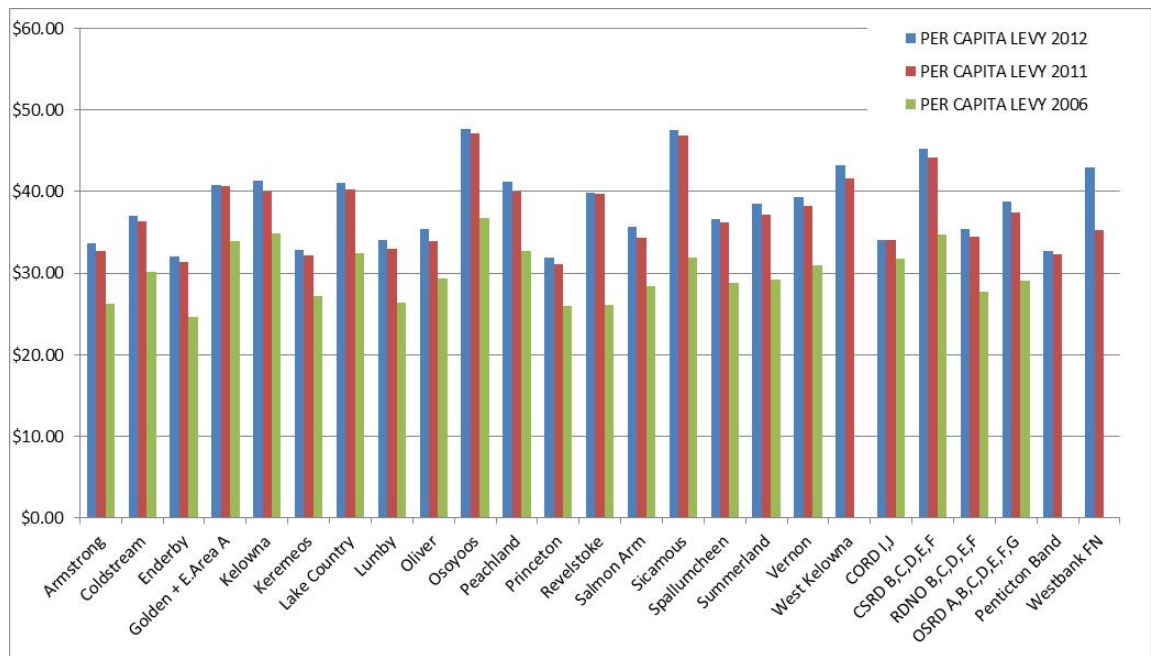
Unless a proposal is adopted under subsection (3).

(3) If at least 2/3 of the municipalities and regional districts represented on the library board adopt a proposal on apportioning the cost of providing library service, the proposal binds all the municipalities and regional districts represented on the library board.

(4) A proposal adopted under subsection (3) may be changed or cancelled by a resolution adopted by at least 2/3 of the municipalities and regional districts represented on the library board.

Current method – population and assessed property value

The primary method of obtaining funding for the ORL (85% to 90% of revenues) is the assessment of levies to the various jurisdictions of the ORL. As noted earlier, population, and the assessed value of real property, are equally weighted in calculating levy amounts per jurisdiction. As such, a progressive taxation model is currently used. As a result, the levy amount on a per capita basis is higher than average for jurisdictions with higher than average assessed values and is lower than average for those jurisdictions with lower than average assessed values. Per capita levy rates in dollars by jurisdiction are illustrated below for 2012, 2011 and 2006.



In analyzing the various levy rates per jurisdiction, we can identify those jurisdictions that pay higher or lower rates as compared with the average for the ORL area. For example, in 2011 the municipalities of Osoyoos and Sicamous paid per capita levy rates of 27% and 26% respectively in excess of the average per capita rate, while the municipalities of Princeton and Enderby paid per capita rates of 17% and 16% lower than the average levy rate. Deviations from average levy rate for each jurisdiction are illustrated in the next graph.

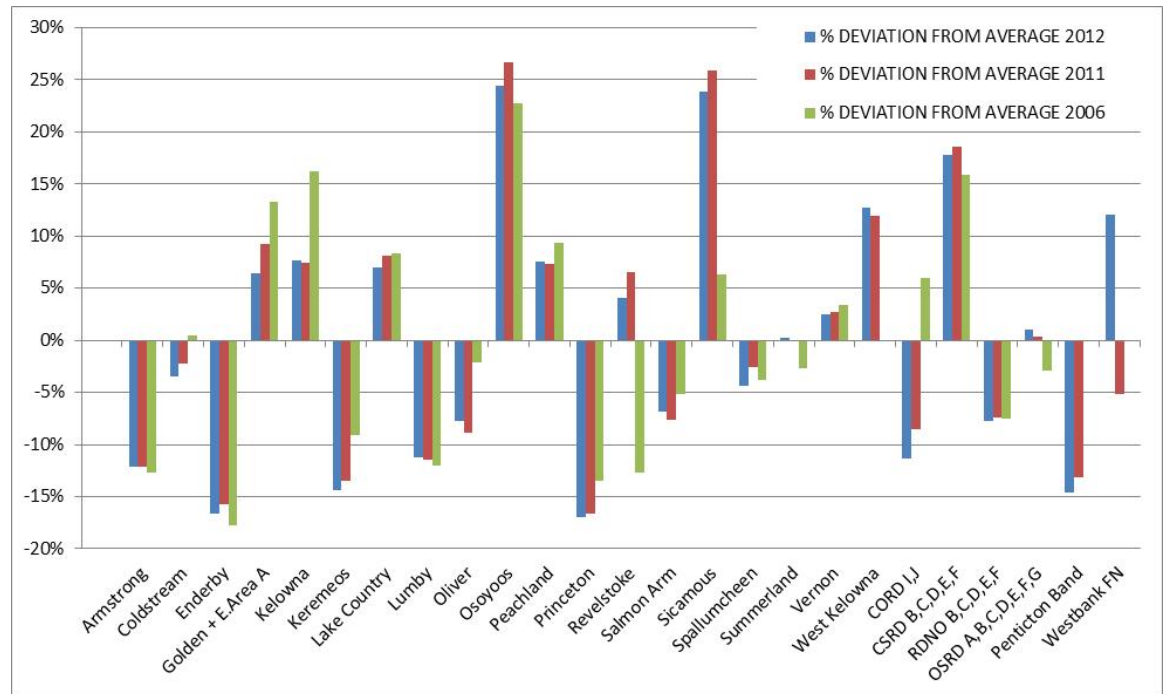


Exhibit 1 includes a table showing per capita levy assessment rates for each jurisdiction (where data is available) for 2012, 2011 and 2006.

Alternate method – population only

While, at this time, the three regional library districts in BC utilize the method described under Section 24, Subsection (2), of the *Library Act*, there are other methods that can be used to determine the amount of funding provided by jurisdictions within a regional library system. As part of our analysis, we also calculated the levies based on a population-only method.

The last column in the following table shows the difference in the taxpayer funding provided (excluding grants) by each jurisdiction using this alternate method. There are several jurisdictions where the amount changes positively or negatively by a considerable amount. For example, when calculated using the population-only method:

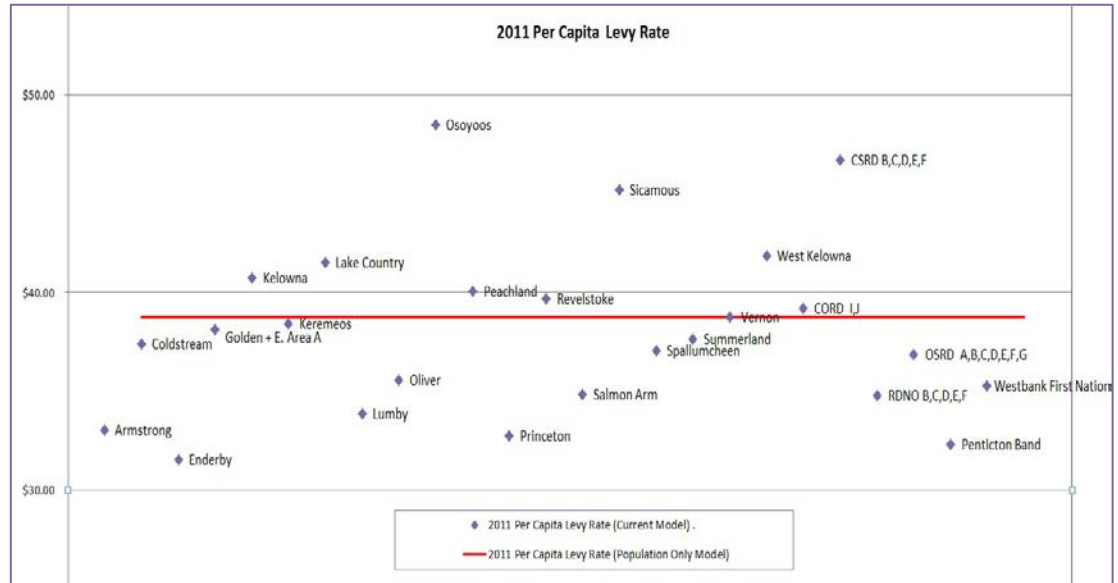
- Kelowna and Westbank contribute considerably less funding;
- Salmon Arm contributes considerably more funding;
- All of the jurisdictions in the Regional District of North Okanagan contribute more funding; and,
- All of the jurisdictions in the Regional District of Okanagan Similkameen, with the exception of Osoyoos, contribute more funding.

Tax Jurisdiction	Library Resource	2011 Taxpayer Funding Attributed (Excluding Grants)		A - B
		A. Current Method	B. Population Only Method	
Columbia Shuswap Regional District				
Golden	Golden Branch	\$287,037	\$273,571	\$13,466
Revelstoke	Revelstoke Branch	\$288,086	\$281,752	\$6,334
Salmon Arm	Salmon Arm Branch	\$592,731	\$668,497	(\$75,766)
Sicamous	Sicamous Branch	\$138,257	\$114,376	\$23,881
Unincorporated / Other CSRD		\$821,514	\$721,459	\$100,055
Total		\$2,127,625	\$2,059,655	\$67,970
Regional District of Central Okanagan				
Kelowna	3 Kelowna Branches	\$4,919,762	\$4,767,491	\$152,271
Lake Country	2 Lake Country Branches	\$459,021	\$442,343	\$16,677
Peachland	Peachland Branch	\$209,593	\$203,317	\$6,276
Westbank (West Kelowna)	Westbank Branch	\$1,137,375	\$1,058,577	\$78,799
Unincorporated / Other RDCO		\$384,245	\$437,497	(\$53,252)
Total		\$7,109,997	\$6,909,225	\$200,772
Regional District of North Okanagan				
Armstrong	Armstrong Branch	\$148,206	\$175,751	(\$27,545)
Enderby	Enderby Branch	\$91,175	\$112,670	(\$21,495)
Lumby	Lumby Branch	\$59,416	\$69,944	(\$10,527)
Vernon	Vernon Branch	\$1,489,592	\$1,510,845	(\$21,253)
Coldstream	Vernon Branch	\$377,871	\$402,758	(\$24,887)
Spallumcheen	Armstrong Branch	\$185,939	\$198,820	(\$12,881)
Unincorporated / Other RDNO		\$670,132	\$754,182	(\$84,050)
Total		\$3,022,331	\$3,224,969	(\$202,639)
Regional District of Okanagan Similkameen				
Penticton Indian Band	Penticton Resources	\$47,533	\$56,994	(\$9,461)
Keremeos	Keremeos Branch	\$47,643	\$57,343	(\$9,700)
Oliver	Oliver Branch	\$162,291	\$185,444	(\$23,153)
Osoyoos	Osoyoos Branch	\$244,669	\$201,185	\$43,484
Princeton	Princeton Branch	\$85,593	\$106,893	(\$21,300)
Summerland	Summerland Branch	\$418,125	\$435,907	(\$17,782)
Unincorporated / Other RDOS		\$748,285	\$776,476	(\$28,190)
Total		\$1,754,138	\$1,820,241	(\$66,103)
TOTAL		\$14,014,091	\$14,014,091	\$0

The following graph illustrates the differences in per capita rates paid by jurisdiction both under the current progressive model, which factors in both population and real property values, and under a model solely based on population. The graph demonstrates:

- The variability of the levy per capita when property values are factored into the calculation (current model); and,
- The consistency of the levy per capita when only population is factored into the calculation.

While this observation is important, we caution ORL stakeholders in their interpretation of this analysis as it is not (on its own) an indicator of equity or inequity within the ORL funding model. Such an assessment also requires consideration of total funding allocated to each geographical area of service by the ORL Board, in addition to the financial value received and other qualitative benefits that may be present. The next section of the report assesses the funding provided by each jurisdiction under the current model in relation to the estimated financial value received by each jurisdiction.



Provincial grants

Provincial grants accounted for just over 6% of ORL revenues in 2011. Each year the jurisdictions that participate in the ORL receive provincial grants to support the funding of library service delivery. Such funding would be received by the municipality or regional district regardless of whether the jurisdiction was a member of the ORL. As such, provincial grants are contributions to the ORL on behalf of taxpayers in each of the jurisdictions that participate in ORL operations. In 2011 and 2006 the ORL received provincial grants on behalf of its members as follows.

Grant Type	Amount	
	2011	2006
Municipal and District	\$945,807	\$938,215
BC OneCard Grant	\$24,000	\$151,400
Resource Sharing and Literacy Equity Grants	\$42,947	\$162,810
Total	\$1,012,754	\$1,252,425

Other revenues

Other revenues primarily relate to the ongoing operations of the ORL rather than any specific taxpayer funding by stakeholders. Funds from these sources serve to offset indirect costs at head office and throughout the system. The three largest categories of other revenue in 2011 included:

- Fines for damaged and lost books (\$354,547);
- Additional grant revenues (\$125,174) from non-recurring sources; and
- Bank interest on funds held for specific budgeted initiatives (\$49,127)

As such revenues may not recur and are not directly attributable to the taxes paid by ORL stakeholders; we have not included such other revenues in our overall analysis.

Conclusions

As discussed in this section, levies are assessed to each jurisdiction within the ORL in a progressive manner with jurisdictional property value as one key driver of that assessment, and population the other key driver. In turn, each jurisdiction then assesses property taxes to taxpayers in a progressive manner, based on the assessed value of their property values.

This funding method results in some jurisdictions, and some individuals within each jurisdiction, contributing more or less than an equal share of total investment in library services. It is up to the ORL Board and the various jurisdictional governments that are shareholders in the ORL to determine if such a progressive model is appropriate for the funding of library services. As noted earlier, the *Library Act* includes a provision that allows the ORL Board to modify the funding method, which stipulates that at least 2/3 of the municipalities and regional districts represented on the Board support any proposal for a change in the method.

The analysis presented in the next section will provide additional insight into the level of financial value being received as compared with the level of funding provided under the current model to assist shareholders and stakeholders in determining whether there is a need to amend the levy assessment model and/or introduce policies to ensure more equitable results.

ORL expense/investment allocation analysis

Introduction

The previous section discussed how funds are generated for the ORL (ORL revenue). This section discusses how funds can be attributed to each jurisdiction within the ORL system and how investments made by the ORL (or shared expenses) can be allocated to each jurisdiction as financial value received. The purpose of conducting this analysis is to enable a comparison of the funds generated and the value allocated by jurisdiction, which will help determine the extent to which libraries and jurisdictions are receiving financial value in return for the funds they provide to the ORL. As mentioned in the previous section, we use 2011 as a benchmark year as this is the most current Canadian Census year.

Attribution of funding

Having identified all taxpayer contributions specific to ORL service delivery (see previous section), it is necessary to determine the level of contributions attributable to each geographic area of service delivery in order to compare local contributions to local investments in library services within the ORL. This analysis is challenging for a number of reasons as noted below.

- Significant variances exist between provincial population data used to calculate levies and Statistics Canada census data which was last formally updated in 2011. These variances are particularly high in regard to the populations within unincorporated areas, creating some variances in the rate paid per capita in those areas.
- The geographic areas served by a given branch do not generally correlate with the municipal taxation boundaries.
- There is overlap in many cases between the primary populations served by branches in areas of higher density, making it difficult to attribute specific populations (and their tax contributions) to each branch (see Appendix A for an illustration).
- The number of taxpayers who reside in unincorporated areas within the four regional districts that encompass ORL operations are widely dispersed throughout each regional district and in some cases are not easily attributable to a specific branch.
- Contribution rates vary between municipalities and unincorporated areas.

In determining a reasonable method for the allocation of taxpayer contributions to related service delivery, we obtained the population allocation model utilized by ORL management. This model

utilizes an in-depth analysis of population determined by federal census units and the logical application of these units to each of the ORL service centers based on both geography and topology.

Our analysis of ORL's population allocation model included comparing population allocations identified by ORL management to our own analysis of populations within 5, 10, and 15 kilometers of branch operations. Our figures were obtained from 2011 census data. While there were differences between our analysis and that of ORL management, the variances were minor when the overlap of populations within operating areas was factored in and adjustments made in considering logical access routes to service centres.

Based on this assessment we were able to utilize the figures prepared by management in allocating populations (and related funds contributed) to specific service centres. The following procedures were conducted to estimate taxpayer contributions related to specific service centres or branches:

Population Allocation

- Obtained population figures for 2011 from Statistics Canada for each municipality in close proximity to centres of library service.
- Obtained population allocations as prepared by ORL management based on the allocation of specific census units to logical service centres for those units within each of the four regional districts (also based on 2011 Statistics Canada data).
- Determined the population of municipally-funded individuals associated with each service centre.
- Determined the population of individuals with logical access to specific service centres who lie outside of municipal taxation boundaries and provide funding through their Regional District or other means.

Levy and Grant Allocation

- Obtained information on levy and grant contributions associated with each of the municipalities, regional districts, Penticton Indian Band, and Westbank First Nation (the "jurisdictions").
- Allocated levies and grants related to jurisdictional funding to logical municipal library service centres within the ORL.
- Allocated regional district levies and grants to the unincorporated populations related to each library service centre.
- Calculated total taxpayer contributions related to each service centre or branch.
- Determined the related proportion of usage for library service centres by each taxpayer jurisdiction (based on local population) in order to apportion actual funding provided to each area of service delivery by taxpayer jurisdiction.

Our analysis is limited to the population data available. Inaccuracies in the allocation of taxpayer funding and related investments in service may result from differences between information obtained from Statistics Canada and actual populations. In addition, populations were allocated to service centres based on judgement and best estimates of logical service delivery locations for each unit of population.

Our analysis of funding allocations to service centres is presented in Exhibit 2. Exhibit 3 shows the comparisons between funding provided by jurisdictions and related investments by the ORL in local service delivery.

Penticton Indian Band

One of the key requirements of our analysis is the ability to allocate populations to areas of library service provided by the ORL. The Penticton Library is not a member of the ORL, but is the logical service provider for the Penticton Indian Band who is a contributor to the ORL. The ORL provides services to the Penticton Indian Band through a service contract with the Penticton Library. Given the differences in how the ORL delivers these services, as compared to other ORL contributors, we are unable to ascertain the relative value of services provided by the Penticton Library as compared to the funding provided by the Penticton Indian Band using the same model of analysis. As such we have excluded both funding received from the Penticton Indian Band and the value of the service contract with the Penticton Library from our analysis of ORL Library funding and investments.

Based on our analysis of 2011 levies and attributable grants, the Penticton Indian Band provided funding of \$55,168 to the ORL. In turn, based on the 2011 ORL financial statements, \$65,450 was provided under contract to the Penticton Library for services delivered to ORL contributors in that year. Some portion of the cost of the Penticton Library contract would be attributable to populations outside of both the Municipality of Penticton and the Penticton Indian Band. However, given available information, we are unable to estimate what proportion of the Penticton Library contract cost is attributable to those populations at this time.

Allocation of investments (expenses)

The results of our analysis that provides the estimated allocation of investment (or shared ORL expenses) back to each jurisdiction is presented below.

Direct local branch expenses

Funding to cover direct branch operating expenses is provided to each branch annually based on a budget prepared by the ORL. These direct local branch budgets primarily cover salaries and benefits and building operating expenses for each library. In 2011, the collective direct local branch expenses were \$8.54 million.

ORL "shared" investments

The types of investments that are central to ORL headquarters are listed below. In 2011, these investments, which are not allocated directly to each branch by the ORL, totalled \$7.27 million.

ORL “Shared” Investments	
Headquarters support services	Delivery/transportation
<ul style="list-style-type: none"> Salaries and benefits 	Children’s programs
<ul style="list-style-type: none"> Operating expenses 	Contributions to capital fund
Books and materials	Contributions to reserve funds

One challenge associated with analyzing inputs and outputs within a specific year of operations relates to the differences that exist between accrual and cash based accounting. In order to truly compare funding provided in the year to actual funds invested in operations for each jurisdiction and branch during that year it was necessary to conduct our analysis on a cash basis. As such, only current year investments in capital assets or reserves were considered. If utilized in the assessment of other year operations where there are unusual levels of investment in capital assets, the validity of this model should be re-assessed.

ORL investment allocation methodologies used in analysis

In order to compare the funding provided by each branch and each jurisdiction (as discussed in the previous section) to the estimated financial value they receive in return, we allocated the ORL shared expenses for 2011, which are considered as investments to maintain and operate the library system, to each branch and jurisdiction using several methodologies. These methodologies are described in the table below.

A multitude of scenarios can be generated by applying different combinations of the methods to the investment amounts to determine the estimated allocation of the investment to each ORL jurisdiction. We generated 10 scenarios initially, and selected the results of three of these scenarios for presentation in this report. The three scenarios are discussed following the table below (see *Analysis Results*).

Allocation of ORL Investments

A.	Employee Investments	Allocation Methods Used in Analysis
1	<ul style="list-style-type: none"> Employees that work with books and materials and collections Employees that provide technical support Public librarians and employees that work in public services Excludes all members of senior management team 	Method a) Proportional allocation based on population
2	<ul style="list-style-type: none"> Senior management team (excluding HR Manager) 	Method a) Proportional allocation based on population
3	<ul style="list-style-type: none"> Central HR employees (including HR Manager, HR assistants and payroll employees) 	Method a) Proportional allocation based on population Method b) Proportional allocation based on # of employees in each branch
4	<ul style="list-style-type: none"> IT employees (excluding IT Manager) 	Method a) Proportional allocation based on population Method b) Proportional allocation based on # of computers in each branch

B.	Operating Investments	Allocation Methods Used in Analysis
1	<ul style="list-style-type: none"> Operating expenses, as per Schedule 4 of Financial Statement (excluding computer maintenance and data lines which are included in IT Expenses) 	Method a) Proportional allocation based on population
C.	Information Technology Investments	Allocation Methods Used in Analysis
1	<ul style="list-style-type: none"> Computer maintenance 	Method a) Proportional allocation based on population Method b) Proportional allocation based on # of computers in each branch
2	<ul style="list-style-type: none"> Computer data lines 	Method a) Based on actual expense per branch
3	<ul style="list-style-type: none"> Computer equipment (see E below) 	
D.	Database License Investments	Allocation Methods Used in Analysis
1	<ul style="list-style-type: none"> Database licenses 	Method a) Proportional allocation based on population
E.	Contribution to Capital Assets	Allocation Methods Used in Analysis
1	<ul style="list-style-type: none"> Computer equipment 	Method a) Proportional allocation of amortization expense based on population Method b) Proportional allocation of amortization expense based on # of computers in each branch
2	<ul style="list-style-type: none"> Buildings, vehicles, shelving, carts, tables, chairs, electronics, book inventory 	Method a) Proportional allocation of amortization expense based on population
F.	Contribution to Reserve Funds	Allocation Methods Used in Analysis
1	<ul style="list-style-type: none"> Equipment, automation and CPU, books, headquarters building maintenance, strategic planning, photocopier, staff appreciation, info system, staff development, building 	Method a) Proportional allocation based on population
G.	Remaining Investments	Allocation Methods Used in Analysis
1	<ul style="list-style-type: none"> Delivery and transportation, children's programs 	Method a) Proportional allocation based on population

Scenarios

The analysis of the 10 scenarios yielded similar results. Therefore, for the purposes of reporting, we have profiled only three of the scenarios. Scenario 1 was selected to profile because it uses the least complex of the methodologies: allocation of expenses/investments by the proportion of population for each jurisdiction. Scenarios 2 and 3 were selected to give the reader a sense of the analysis results using more complex methodologies. The three scenarios profiled in the report are described below.

Scenario 1

Expenses/investments for all categories are allocated by proportion of population.

Scenario 2

Expenses/investments for all categories are allocated by proportion of population, with the exception of:

- Salaries and benefits for the Human Resources Department which are allocated by the number of employees in each branch;
- Salaries and benefits for the IT Department which are allocated by the number of computers in each branch;
- IT computer maintenance investments/expenses which are allocated by the number of computers in each branch; and,
- Contributions for capital assets for computer equipment which are allocated by the number of computers in each branch.

Scenario 3

Expenses/investments for all categories are allocated by proportion of population, with the exception of:

- Salaries and benefits for the IT Department which are allocated by the number of computers in each branch;
- IT computer maintenance investments/expenses which are allocated by the number of computers in each branch; and,
- Contributions for capital assets for computer equipment which are allocated by the number of computers in each branch.

Analysis results

The following four tables compare the variances generated by using the three different shared investment (expense) allocation methodologies discussed above. The variances derived from each scenario reflect the difference between the value (proportion of overall ORL investment) attributed to each jurisdiction and funding contributions made to ORL by each jurisdiction. If the variance is a positive figure, it shows that the jurisdiction is receiving more value than it contributes to ORL. If the variance is a negative figure, it indicates that the jurisdiction is contributing more funding to ORL than value received.

The average variances are also shown in the tables and calculated as a percentage of funding (including grants) attributed to each jurisdiction.

To help the reader understand the analysis, we provide a detailed description of how funding is attributed and value is received for the City of Enderby. This is presented in Exhibit 4.

Variance Comparisons for Scenarios 1 – 3

Tax Jurisdiction	Library Resource	Variance Comparison					
		Scenario 1	Scenario 2	Scenario 3	Average	2011 Taxpayer Funding Attributed	Average Variance as % of Funding
Columbia Shuswap Regional District							
Golden	Golden Branch	\$26,868	\$29,272	\$28,622	\$28,254	\$312,187	9%
Revelstoke	Revelstoke Branch	\$14,584	\$13,482	\$12,966	\$13,677	\$306,151	4%
Salmon Arm	Salmon Arm Branch	\$308,594	\$316,029	\$311,706	\$312,110	\$635,767	49%
Sicamous	Sicamous Branch	(\$13,341)	(\$9,903)	(\$10,936)	(\$11,393)	\$145,619	-8%
Unincorporated / Other CSRD		(\$23,217)	(\$1,953)	(\$6,256)	(\$10,475)	\$908,890	-1%
<i>List of Unincorporated/ Other CSRD</i>	<i>Revelstoke Branch</i>	<i>(\$5,348)</i>	<i>(\$5,433)</i>	<i>(\$5,473)</i>	<i>(\$5,418)</i>	<i>\$30,103</i>	<i>-18%</i>
	<i>Salmon Arm Branch</i>	<i>(\$2,528)</i>	<i>(\$604)</i>	<i>(\$1,723)</i>	<i>(\$1,618)</i>	<i>\$247,000</i>	<i>-1%</i>
	<i>Sicamous Branch</i>	<i>(\$592)</i>	<i>\$1,287</i>	<i>\$722</i>	<i>\$473</i>	<i>\$72,882</i>	<i>1%</i>
	<i>Falkland Branch</i>	<i>\$14,941</i>	<i>\$18,461</i>	<i>\$17,703</i>	<i>\$17,035</i>	<i>\$76,487</i>	<i>22%</i>
	<i>North Shuswap Branch</i>	<i>(\$1,541)</i>	<i>\$7,051</i>	<i>\$6,479</i>	<i>\$3,996</i>	<i>\$131,941</i>	<i>3%</i>
	<i>Silver Creek Branch</i>	<i>\$31,082</i>	<i>\$36,699</i>	<i>\$35,453</i>	<i>\$34,411</i>	<i>\$28,956</i>	<i>119%</i>
	<i>South Shuswap Branch</i>	<i>(\$59,232)</i>	<i>(\$59,413)</i>	<i>(\$59,418)</i>	<i>(\$59,354)</i>	<i>\$321,521</i>	<i>-18%</i>
Total		\$313,488	\$346,927	\$336,103	\$332,172	\$2,308,614	14%

Tax Jurisdiction	Library Resource	Variance Comparison					
		Scenario 1	Scenario 2	Scenario 3	Average	2011 Taxpayer Funding Attributed	Average Variance as % of Funding
Regional District of Central Okanagan							
Kelowna	3 Kelowna Branches	\$89,518	\$36,851	\$41,415	\$55,928	\$5,169,341	1%
Lake Country	2 Lake Country Branches	(\$15,179)	(\$21,278)	(\$19,671)	(\$18,709)	\$482,293	-4%
Peachland	Peachland Branch	\$74,665	\$84,112	\$82,883	\$80,553	\$220,049	37%
Westbank First Nation	Westbank Branch	(\$9,678)	(\$12,727)	(\$10,433)	(\$10,946)	\$233,688	-5%
Westbank (West kelowna)	Westbank Branch	(\$226,032)	(\$239,360)	(\$229,335)	(\$231,576)	\$1,205,110	-19%
Unincorporated / Other RDCCO		(\$133,278)	(\$136,889)	(\$135,752)	(\$135,306)	\$436,655	-31%
<i>List of Unincorporated/ Other RDCCO</i>	<i>Kelowna Branches</i>	<i>(\$34,479)</i>	<i>(\$35,747)</i>	<i>(\$35,637)</i>	<i>(\$35,288)</i>	<i>\$161,029</i>	<i>-22%</i>
	<i>Lake Country Branches</i>	<i>(\$49,497)</i>	<i>(\$51,001)</i>	<i>(\$50,605)</i>	<i>(\$50,367)</i>	<i>\$164,680</i>	<i>-31%</i>
	<i>Westbank Branch</i>	<i>(\$49,302)</i>	<i>(\$50,141)</i>	<i>(\$49,510)</i>	<i>(\$49,651)</i>	<i>\$110,946</i>	<i>-45%</i>
Total		(\$219,984)	(\$289,292)	(\$270,892)	(\$260,056)	\$7,747,136	-3%

Tax Jurisdiction	Library Resource	Variance Comparison					
		Scenario 1	Scenario 2	Scenario 3	Average	2011 Taxpayer Funding Attributed	Average Variance as % of Funding
Regional District of North Okanagan							
Armstrong	Armstrong Branch	\$31,919	\$31,226	\$31,712	\$31,619	\$159,422	20%
Enderby	Enderby Branch	\$29,176	\$29,630	\$29,514	\$29,440	\$98,440	30%
Lumby	Lumby Branch	\$15,823	\$17,044	\$16,665	\$16,510	\$63,926	26%
Vernon	Vernon Branch	(\$22,155)	(\$26,047)	(\$25,451)	(\$24,551)	\$1,586,231	-2%
Coldstream	Vernon Branch	\$19,419	\$18,366	\$18,528	\$18,771	\$403,435	5%
Spallumcheen	Armstrong Branch	\$2,135	\$1,408	\$1,918	\$1,821	\$198,743	1%
Unincorporated / Other RDNO		\$51,509	\$57,129	\$56,128	\$54,922	\$760,652	7%
<i>List of Unincorporated/ Other RDNO</i>	<i>Enderby Branch</i>	<i>\$8,560</i>	<i>\$9,231</i>	<i>\$9,059</i>	<i>\$8,950</i>	<i>\$179,818</i>	<i>5%</i>
	<i>Lumby Branch</i>	<i>\$12,886</i>	<i>\$14,896</i>	<i>\$14,273</i>	<i>\$14,018</i>	<i>\$118,369</i>	<i>12%</i>
	<i>Vernon Branch</i>	<i>(\$5,600)</i>	<i>(\$6,639)</i>	<i>(\$6,480)</i>	<i>(\$6,240)</i>	<i>\$423,411</i>	<i>-1%</i>
	<i>Cherryville Branch</i>	<i>\$35,663</i>	<i>\$39,642</i>	<i>\$39,276</i>	<i>\$38,194</i>	<i>\$39,055</i>	<i>98%</i>
Total		\$127,826	\$128,757	\$129,014	\$128,532	\$3,270,849	4%

Tax Jurisdiction	Library Resource	Variance Comparison					
		Scenario 1	Scenario 2	Scenario 3	Average	2011 Taxpayer Funding Attributed	Average Variance as % of Funding
Regional District of Okanagan Similkameen							
Penticton Indian Band	Penticton Resources	NA -Direct Fee for Service in 2011			\$0	\$55,168	0%
Keremeos	Keremeos Branch	\$21,591	\$23,029	\$22,398	\$22,339	\$51,412	43%
Oliver	Oliver Branch	\$89,693	\$94,662	\$93,302	\$92,552	\$173,598	53%
Osoyoos	Osoyoos Branch	(\$35,612)	(\$33,638)	(\$34,311)	(\$34,520)	\$257,597	-13%
Princeton	Princeton Branch	\$70,335	\$77,213	\$75,997	\$74,515	\$93,032	80%
Summerland	Summerland Branch	(\$17,726)	(\$24,778)	(\$23,886)	(\$22,130)	\$445,473	-5%
Unincorporated / Other RDOS		\$208,225	\$234,955	\$230,111	\$224,431	\$843,075	27%
<i>List of Unincorporated/ Other RDOS</i>	<i>Keremeos Branch</i>	<i>\$45,091</i>	<i>\$48,364</i>	<i>\$46,929</i>	<i>\$46,795</i>	<i>\$120,948</i>	<i>39%</i>
	<i>Oliver Branch</i>	<i>\$59,861</i>	<i>\$64,085</i>	<i>\$62,929</i>	<i>\$62,292</i>	<i>\$163,969</i>	<i>38%</i>
	<i>Osoyoos Branch</i>	<i>\$11,027</i>	<i>\$11,798</i>	<i>\$11,535</i>	<i>\$11,453</i>	<i>\$75,567</i>	<i>15%</i>
	<i>Summerland Branch</i>	<i>(\$7,763)</i>	<i>(\$10,117)</i>	<i>(\$9,819)</i>	<i>(\$9,233)</i>	<i>\$150,535</i>	<i>-6%</i>
	<i>Hedley Branch</i>	<i>\$1,384</i>	<i>\$5,490</i>	<i>\$5,358</i>	<i>\$4,077</i>	<i>\$29,787</i>	<i>14%</i>
	<i>Kaleden Branch</i>	<i>\$17,115</i>	<i>\$20,520</i>	<i>\$20,051</i>	<i>\$19,229</i>	<i>\$90,761</i>	<i>21%</i>
	<i>Naramata Branch</i>	<i>\$25,944</i>	<i>\$32,062</i>	<i>\$31,450</i>	<i>\$29,819</i>	<i>\$73,768</i>	<i>40%</i>
	<i>Okanagan Falls Branch</i>	<i>\$55,565</i>	<i>\$62,753</i>	<i>\$61,679</i>	<i>\$59,999</i>	<i>\$137,740</i>	<i>44%</i>
Total		\$336,506	\$371,444	\$363,612	\$357,187	\$1,919,354	19%

Key observations about the variance analysis for the three scenarios are as follows.

- With regard to the comparison of the variances between the three scenarios, they are all similar with the exception of Kelowna. The variance for Scenario 1 for Kelowna is \$89,500, while the variances for Scenarios 2 and 3 are considerably lower, at \$36,900 and \$41,400 respectively.
- With regard to the comparison of average variances by jurisdiction, some jurisdictions are receiving more in investment than they are contributing in levies, while others are contributing more than they are receiving, as shown below. However, it is more meaningful to review the average variance as a percentage of funding provided to the ORL. As shown below, there are ten jurisdictions with positive variances that are equal to or greater than 30% of the funding they are contributing.

Jurisdiction	Average Variance as % of Funding ($\geq 30\%$)	Average Variance
Silver Creek (unincorporated)	119%	\$34,411
Cherryville (unincorporated)	98%	\$38,194
Princeton	80%	\$74,515
Oliver	53%	\$92,552
Salmon Arm	49%	\$312,110
Okanagan Falls (unincorporated)	44%	\$59,999
Keremeos	43%	\$22,339
Naramata (unincorporated)	40%	\$29,819
Peachland	37%	\$80,553
Enderby	30%	\$29,440

- There are two jurisdictions with negative variances that are equal to or greater than -30% of the funding they are contributing.

Jurisdiction	Average Variance as % of Funding ($\geq -30\%$)	Average Variance
Westbank (unincorporated)	-45%	(\$49,651)
Lake Country (unincorporated)	-31%	(\$50,367)

Average Variance with Levy Calculated on Population Only

As discussed earlier in the report, the levy is currently calculated based on population data and the value of real property. To understand how the average variance could change using a different method of determining the levy, we calculated the levy on a “population only” basis. We then determined the variance by jurisdiction to see how this would differ from the average variance of the three scenarios. The results of this analysis are presented in the tables below.

Tax Jurisdiction	Library Resource	Variance Comparison				Average Variance with Levy Calculated on Population Only
		Scenario 1	Scenario 2	Scenario 3	Average	
Columbia Shuswap Regional District						
Golden	Golden Branch	\$26,868	\$29,272	\$28,622	\$28,254	\$41,720
Revelstoke	Revelstoke Branch	\$14,584	\$13,482	\$12,966	\$13,677	\$20,011
Salmon Arm	Salmon Arm Branch	\$308,594	\$316,029	\$311,706	\$312,110	\$236,344
Sicamous	Sicamous Branch	(\$13,341)	(\$9,903)	(\$10,936)	(\$11,393)	\$12,488
Unincorporated / Other CSRD		(\$23,217)	(\$1,953)	(\$6,256)	(\$10,475)	\$89,580
<i>List of Unincorporated/ Other CSRD</i>	<i>Revelstoke Branch</i>	<i>(\$5,348)</i>	<i>(\$5,433)</i>	<i>(\$5,473)</i>	<i>(\$5,418)</i>	<i>(\$2,104)</i>
	<i>Salmon Arm Branch</i>	<i>(\$2,528)</i>	<i>(\$604)</i>	<i>(\$1,723)</i>	<i>(\$1,618)</i>	<i>\$25,573</i>
	<i>Sicamous Branch</i>	<i>(\$592)</i>	<i>\$1,287</i>	<i>\$722</i>	<i>\$473</i>	<i>\$8,496</i>
	<i>Falkland Branch</i>	<i>\$14,941</i>	<i>\$18,461</i>	<i>\$17,703</i>	<i>\$17,035</i>	<i>\$25,455</i>
	<i>North Shuswap Branch</i>	<i>(\$1,541)</i>	<i>\$7,051</i>	<i>\$6,479</i>	<i>\$3,996</i>	<i>\$18,521</i>
	<i>Silver Creek Branch</i>	<i>\$31,082</i>	<i>\$36,699</i>	<i>\$35,453</i>	<i>\$34,411</i>	<i>\$37,599</i>
	<i>South Shuswap Branch</i>	<i>(\$59,232)</i>	<i>(\$59,413)</i>	<i>(\$59,418)</i>	<i>(\$59,354)</i>	<i>(\$23,960)</i>
Total		\$313,488	\$346,927	\$336,103	\$332,172	\$400,142

Tax Jurisdiction	Library Resource	Variance Comparison				Average Variance with Levy Calculated on Population Only
		Scenario 1	Scenario 2	Scenario 3	Average	
Regional District of Central Okanagan						
Kelowna	3 Kelowna Branches	\$89,518	\$36,851	\$41,415	\$55,928	\$208,199
Lake Country	2 Lake Country Branches	(\$15,179)	(\$21,278)	(\$19,671)	(\$18,709)	(\$2,031)
Peachland	Peachland Branch	\$74,665	\$84,112	\$82,883	\$80,553	\$86,829
Westbank First Nation	Westbank Branch	(\$9,678)	(\$12,727)	(\$10,433)	(\$10,946)	\$3,238
Westbank (West Kelowna)	Westbank Branch	(\$226,032)	(\$239,360)	(\$229,335)	(\$231,576)	(\$166,961)
Unincorporated / Other RDCO		(\$133,278)	(\$136,889)	(\$135,752)	(\$135,306)	(\$188,558)
<i>List of Unincorporated/ Other RDCO</i>	<i>Kelowna Branches</i>	<i>(\$34,479)</i>	<i>(\$35,747)</i>	<i>(\$35,637)</i>	<i>(\$35,288)</i>	<i>(\$54,926)</i>
	<i>Lake Country Branches</i>	<i>(\$49,497)</i>	<i>(\$51,001)</i>	<i>(\$50,605)</i>	<i>(\$50,367)</i>	<i>(\$70,451)</i>
	<i>Westbank Branch</i>	<i>(\$49,302)</i>	<i>(\$50,141)</i>	<i>(\$49,510)</i>	<i>(\$49,651)</i>	<i>(\$63,182)</i>
Total		(\$219,984)	(\$289,292)	(\$270,892)	(\$260,056)	(\$59,285)

Tax Jurisdiction	Library Resource	Variance Comparison				Average Variance with Levy Calculated on Population Only
		Scenario 1	Scenario 2	Scenario 3	Average	
Regional District of North Okanagan						
Armstrong	Armstrong Branch	\$31,919	\$31,226	\$31,712	\$31,619	\$11,810
Enderby	Enderby Branch	\$29,176	\$29,630	\$29,514	\$29,440	\$7,945
Lumby	Lumby Branch	\$15,823	\$17,044	\$16,665	\$16,510	\$5,982
Vernon	Vernon Branch	(\$22,155)	(\$26,047)	(\$25,451)	(\$24,551)	(\$65,154)
Coldstream	Vernon Branch	\$19,419	\$18,366	\$18,528	\$18,771	\$13,234
Spallumcheen	Armstrong Branch	\$2,135	\$1,408	\$1,918	\$1,821	(\$18,797)
Unincorporated / Other RDNO		\$51,509	\$57,129	\$56,128	\$54,922	(\$29,128)
<i>List of Unincorporated/ Other RDNO</i>	<i>Enderby Branch</i>	<i>\$8,560</i>	<i>\$9,231</i>	<i>\$9,059</i>	<i>\$8,950</i>	<i>(\$10,919)</i>
	<i>Lumby Branch</i>	<i>\$12,886</i>	<i>\$14,896</i>	<i>\$14,273</i>	<i>\$14,018</i>	<i>\$939</i>
	<i>Vernon Branch</i>	<i>(\$5,600)</i>	<i>(\$6,639)</i>	<i>(\$6,480)</i>	<i>(\$6,240)</i>	<i>(\$53,025)</i>
	<i>Cherryville Branch</i>	<i>\$35,663</i>	<i>\$39,642</i>	<i>\$39,276</i>	<i>\$38,194</i>	<i>\$33,878</i>
Total		\$127,826	\$128,757	\$129,014	\$128,532	(\$74,107)

Tax Jurisdiction	Library Resource	Variance Comparison				Average Variance with Levy Calculated on Population Only
		Scenario 1	Scenario 2	Scenario 3	Average	
Regional District of Okanagan Similkameen						
Penticton Indian Band	Penticton Resources	NA -Direct Fee for Service in 2011			\$0	(\$9,461)
Keremeos	Keremeos Branch	\$21,591	\$23,029	\$22,398	\$22,339	\$12,639
Oliver	Oliver Branch	\$89,693	\$94,662	\$93,302	\$92,552	\$69,399
Osoyoos	Osoyoos Branch	(\$35,612)	(\$33,638)	(\$34,311)	(\$34,520)	\$8,964
Princeton	Princeton Branch	\$70,335	\$77,213	\$75,997	\$74,515	\$53,215
Summerland	Summerland Branch	(\$17,726)	(\$24,778)	(\$23,886)	(\$22,130)	(\$39,912)
Unincorporated / Other RDOS		\$208,225	\$234,955	\$230,111	\$224,431	\$201,722
<i>List of Unincorporated/ Other RDOS</i>	<i>Keremeos Branch</i>	<i>\$45,091</i>	<i>\$48,364</i>	<i>\$46,929</i>	<i>\$46,795</i>	<i>\$42,750</i>
	<i>Oliver Branch</i>	<i>\$59,861</i>	<i>\$64,085</i>	<i>\$62,929</i>	<i>\$62,292</i>	<i>\$62,292</i>
	<i>Osoyoos Branch</i>	<i>\$11,027</i>	<i>\$11,798</i>	<i>\$11,535</i>	<i>\$11,453</i>	<i>\$8,926</i>
	<i>Summerland Branch</i>	<i>(\$7,763)</i>	<i>(\$10,117)</i>	<i>(\$9,819)</i>	<i>(\$9,233)</i>	<i>(\$14,267)</i>
	<i>Hedley Branch</i>	<i>\$1,384</i>	<i>\$5,490</i>	<i>\$5,358</i>	<i>\$4,077</i>	<i>\$3,081</i>
	<i>Kaleden Branch</i>	<i>\$17,115</i>	<i>\$20,520</i>	<i>\$20,051</i>	<i>\$19,229</i>	<i>\$16,194</i>
	<i>Naramata Branch</i>	<i>\$25,944</i>	<i>\$32,062</i>	<i>\$31,450</i>	<i>\$29,819</i>	<i>\$27,352</i>
	<i>Okanagan Falls Branch</i>	<i>\$55,565</i>	<i>\$62,753</i>	<i>\$61,679</i>	<i>\$59,999</i>	<i>\$55,393</i>
Total		\$336,506	\$371,444	\$363,612	\$357,187	\$296,567

Conclusions

The analysis conducted indicates that in 2011 there were several jurisdictions that were contributing considerably more or less to the ORL than they received in investment. Based on the analysis:

- Silver Creek, Cherryville, Princeton, Oliver, Salmon Arm, Okanagan Falls, Keremeos, Naramata, Peachland and Enderby are receiving considerably more than they are contributing, as a percentage of their funding provided to ORL; and,
- Two jurisdictions – Westbank (unincorporated) and Lake Country (unincorporated) are receiving considerably less than they are contributing, as a percentage of their funding provided to the ORL.

In considering these conclusions, readers should be aware that this represents a snapshot in time (2011). Significant expenditures/investments in that year or in subsequent years, such as the addition of the Westbank First Nation population and tax contributions in 2011 and significant expansions of Westbank and Vernon library branches and staff in 2012 and 2013, would change the allocation amounts.

Benchmarking against comparable libraries

Introduction

To gain an understanding of how the revenues and expenses of ORL libraries compare to those of independent libraries, we grouped the ORL libraries into four strata determined by population size and compared their average revenues and expenses per capita to independent libraries that serve a similarly-sized population. This section presents the results of the benchmarking analysis.

Branch stratification

The stratification of the ORL libraries by population “served” is shown below.

Stratum A (population < 2,000)

Branches	Population
Silver Creek	530
Hedley	745
Cherryville	940
Falkland	1,400
Oyama	1,420
Naramata	1,845

Stratum B (population 2,000 – 7,999)

Branches	Population
Kaleden	2,270
North Shuswap	2,415
Princeton	2,725
Okanagan Falls	3,445
Sicamous	3,775
Keremeos	4,355
Lumby	4,580
Peachland	5,200
South Shuswap	5,885
Osoyoos	6,735
Golden	6,765
Enderby	7,260
Revelstoke	7,690

Stratum C (population 8,000 – 19,999)

Branches	Population
Oliver	8,925
Armstrong	9,870
Lake Country	13,175
Summerland	15,045

Stratum D (population 20,000 – 60,000)

Branches	Population
Salmon Arm	21,985
Mission	31,610
Rutland	39,215
Westbank	39,905
Kelowna	49,310
Vernon	58,655

Benchmarking against comparable independent libraries

We benchmarked the results of Scenario 1 – investments/expenses allocated by proportion of population served – to three comparable independent libraries for each of the four strata. The libraries selected are located in BC and are comparable in terms of the population bases they serve. The results of this analysis are presented in the table below. Statistics for the independent libraries are 2011 figures and were sourced from the Ministry of Education.

2011	Population	Total Revenue Per Capita	Total Expenses Per Capita	Difference
STRATUM A (< 2,000)				
ORL Average	1,147	\$44.62	\$61.37	(\$16.75)
Comparables Average	1,101	\$65.12	\$70.12	(\$5.00)
Comparable 1	792	\$79.02	\$95.51	(\$16.49)
Comparable 2	1,015	\$64.50	\$63.18	\$1.31
Comparable 3	1,497	\$51.85	\$51.68	\$0.17
STRATUM B (2,000-7,999)				
ORL Average	4,854	\$43.62	\$49.38	(\$5.76)
Comparables Average	5,115	\$55.97	\$52.71	\$3.26
Comparable 1	3,678	\$60.53	\$57.86	\$2.68
Comparable 2	3,820	\$67.89	\$61.35	\$6.54
Comparable 3	7,848	\$39.48	\$38.93	\$0.55
STRATUM C (8,000-19,999)				
ORL Average	11,754	\$39.98	\$41.83	(\$1.85)
Comparables Average	14,258	\$39.42	\$39.76	(\$0.35)
Comparable 1	8,976	\$25.01	\$25.18	(\$0.17)
Comparable 2	14,896	\$42.42	\$42.12	\$0.31
Comparable 3	18,901	\$50.81	\$51.99	(\$1.18)
STRATUM D (20,000-60,000)				
ORL Average	40,113	\$42.28	\$42.56	(\$0.28)
Comparables Average	35,103	\$54.72	\$54.05	\$0.67
Comparable 1	20,082	\$47.03	\$46.94	\$0.09
Comparable 2	33,933	\$49.54	\$48.55	\$0.99
Comparable 3	51,294	\$67.59	\$66.67	\$0.93

The two highlighted rows under each strata heading show the average population and the average revenues and expenses (investments) for 2011 on a per capita basis for:

- The ORL libraries in the specific population strata; and,
- The three comparable independent libraries for the specific population strata.

Conclusion

The ORL libraries had a lower expense/investment per capita than the average of the three independent libraries in each stratum in 2011, with the exception of Stratum C, where the ORL libraries exceed the average of the three independent libraries by \$2.07, a minor amount.

When comparing revenue per capita to expenses per capita, these amounts are similar for both the ORL libraries and the independent libraries, with the exception of libraries that serve a smaller population (Stratum A) and for the ORL libraries in Stratum B.

For the libraries in Stratum A (< 2,000 people):

- The average expense per capita for the ORL libraries exceeds the revenue per capita by \$16.75; and,
- The average expense per capita for the independent libraries exceeds the revenue per capita by \$5.00.

For the ORL libraries in Stratum B (2,000 – 7,000 people):

- The average expense per capita for the ORL libraries exceeds the revenue per capita by \$5.76.

Conclusions

Conclusions

Equity

Our analysis of ORL financial operations in 2011 indicates that ORL management and the ORL Board have, overall, worked to ensure an equitable distribution of taxpayer funds to the jurisdictions that it serves through policies in place. As with any larger regional system, there are inequities that are implicit within the model. It is also important to note that data relating to smaller areas of service are subject to significant fluctuations from year-to-year given the impact that relatively small investments in such areas can have on the analysis. Large changes, such as the addition of new library members (as with Westbank First Nation) or large service changes (such as the Vernon Branch), will have an impact.

Our analysis presents information to help the ORL Board and the broader municipal and regional district governments understand the overall financial value received from their investments in ORL services. While our analysis demonstrates that, overall, there is equity with regard to contributions made to the ORL in relation to financial value received, there are a small number of significant variances between investments in service delivery and the funds contributed by taxpayers in those areas in 2011.

However, it should be noted that these results may change from one year to the next. The variances may be different in future years.

Comparability to independent libraries

Our analysis of the ORL libraries relative to the comparable independent libraries indicates that the ORL libraries' expenses per capita were similar to those of the independent libraries in 2011. For both the ORL libraries and the independent libraries researched through this study, the libraries that serve smaller populations (e.g., under 2,000 people) had higher expenses than revenues on a per capita basis in 2011.

Advantages and disadvantages of a regional library system

In addition to the results of the quantitative financial allocation analysis, which is the primary focus of this study, there are a number of advantages and disadvantages associated with the regional library model that should be factored into the overall conclusions. These are highlighted below.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Access to over 0.75 million physical items • Access to e-collections • Access to support team of professionals² • Provincial and national presence • ORL brand • Consistent, reliable service • Risk management³ • Ability to provide newer/better equipment • Economies of scale: <ul style="list-style-type: none"> ○ Shared administration ○ Cost-effective purchasing 	<ul style="list-style-type: none"> • Increased bureaucracy (slower decision-making) • Less flexibility as a result of certain policies • Decreased ability to respond to local needs • Complex governance (due to large board) • Geographic size results in some challenges, e.g.,: <ul style="list-style-type: none"> ○ Communication ○ Transportation

Moving forward

There is an ability to adjust current methods and/or policies to address the identified inequities going forward. Potential options are discussed briefly below with the understanding that they will be more fully discussed by the ORL Board.

Revise the Method for Generating Revenue

As noted earlier, the three regional library districts in BC utilize the direction provided in the *Library Act* for generating levies from their member jurisdictions, namely through a progressive taxation system that factors in population (50%) and an assessment of real property values (50%). However, the *Library Act* indicates that regional library districts can use a different method for generating revenue from their member jurisdictions, if at least 2/3 of the jurisdictions adopt a proposal for a different method.

At this point, only one other method for generating revenue has been analysed – a population-only method. The ORL Board and stakeholders will need to examine the results of this method to determine if this may be appropriate now or in the future.

The ORL may wish to explore other methods for generating the levy– for example those used by certain regional districts, school districts and/or other regional systems – to ensure that the method used by the ORL is the most appropriate for its stakeholders. Other funding models may or may not result in more equitable results. Research into other potential funding models was not included in the scope of this study.

Continue to Utilize the Progressing Taxation System and Make Policy Adjustments as Needed

Using the analytical model developed through this study, the ORL can monitor the variances annually. If the variances for specific jurisdictions are consistent over time, the ORL may wish to make adjustments for specific jurisdictions to ensure there is equity amongst all jurisdictions within the ORL. As long as the jurisdictional governments are supportive of a progressive taxation system, we believe that such ongoing analysis and possible adjustments can help ensure there is equity within the system under the current governance of the ORL Board.

² Librarians, IT professionals, accounting professionals, human resources professionals, etc.

³ Insurance, legal professionals, etc.

Exhibits

- Exhibit 1: Member Levy Assessment Analysis
- Exhibit 2: Funding Allocation Analysis
- Exhibit 3: Funding and Investments Models
- Exhibit 4: Funding and Investment Allocation Example- City of Enderby

Exhibit 1- Member Levy Assessment Analysis

Member Levy Assessment Analysis									
Jurisdictions	Population			Per Capita Levy			Percentage Deviation From Average		
	2012	2011	2006	2012	2011	2006	2012	2011	2006
Armstrong	4,514	4,533	4,492	\$33.71	\$32.69	\$26.17	-12%	-12%	-13%
Coldstream	10,289	10,388	9,896	\$37.04	\$36.38	\$30.11	-3%	-2%	0.5%
Enderby	2,924	2,906	3,015	\$31.97	\$31.37	\$24.66	-17%	-16%	-18%
Golden + E.Area A	7,263	7,056	7,508	\$40.83	\$40.68	\$33.94	6%	9%	13%
Kelowna	123,458	122,964	107,600	\$41.28	\$40.01	\$34.84	8%	7%	16%
Keremeos	1,517	1,479	1,271	\$32.84	\$32.21	\$27.23	-14%	-13%	-9%
Lake Country	11,512	11,409	10,064	\$41.04	\$40.23	\$32.48	7%	8%	8%
Lumby	1,815	1,804	1,699	\$34.05	\$32.94	\$26.37	-11%	-12%	-12%
Oliver	4,551	4,783	4,367	\$35.40	\$33.93	\$29.35	-8%	-9%	-2%
Osoyoos	5,203	5,189	4,599	\$47.73	\$47.15	\$36.77	24%	27%	23%
Peachland	5,172	5,244	5,077	\$41.24	\$39.97	\$32.76	8%	7%	9%
Princeton	2,994	2,757	2,684	\$31.84	\$31.05	\$25.92	-17%	-17%	-13%
Revelstoke	7,271	7,267	7,911	\$39.90	\$39.64	\$26.16	4%	7%	-13%
Salmon Arm	17,150	17,242	16,466	\$35.71	\$34.38	\$28.41	-7%	-8%	-5%
Sicamous	2,963	2,950	3,014	\$47.52	\$46.87	\$31.85	24%	26%	6%
Spallumcheen	5,153	5,128	5,633	\$36.66	\$36.26	\$28.82	-4%	-3%	-4%
Summerland	11,007	11,243	11,776	\$38.44	\$37.19	\$29.15	0%	0%	-3%
Vernon	38,895	38,968	35,548	\$39.32	\$38.23	\$30.97	3%	3%	3%
West Kelowna	27,195	27,303		\$43.25	\$41.66		13%	12%	
CORD I,J	11,899	11,284		\$33.99	\$34.05	\$31.76	-11%	-9%	6%
CSRD B,C,D,E,F	18,444	18,608		\$45.19	\$44.15	\$34.73	18%	19%	16%
RDNO B,C,D,E,F	19,549	19,452		\$35.37	\$34.45	\$27.72	-8%	-7%	-7%
OSRD A,B,C,D,E,F,G	19,822	20,027		\$38.75	\$37.36	\$29.08	1%	0%	-3%
Penticton Band	1,470	1,470		\$32.76	\$32.34		-15%	-13%	
Westbank FN	6,207	6,207		\$42.99	\$35.30		12%	-5%	

Exhibit 2- Funding Allocation Analysis

Library Branches	Municipality Population (2011 Federal Census)	Population Served by the Library Branch (2011 Federal Census)	Population Over Municipality Population	2011 Tax Assessment	2011 Provincial Grants (direct and indirect)	Total Funding Attributed by Municipality	Proportion of Funding Attributed by Regional District	Total 2011 Taxpayer Funding Attributed to the Library Branch
Columbia Shuswap Regional District				\$821,514	\$87,376	\$908,890		
Falkland		1,400	1,400				\$76,487	\$76,487
Golden	6,765	6,765	-	\$287,037	\$25,150	\$312,187	\$0	\$312,187
North Shuswap		2,415	2,415				\$131,941	\$131,941
Revelstoke	7,139	7,690	551	\$288,086	\$18,065	\$306,151	\$30,103	\$336,255
Salmon Arm	17,464	21,985	4,521	\$592,731	\$43,036	\$635,767	\$247,000	\$882,767
Sicamous	2,441	3,775	1,334	\$138,257	\$7,362	\$145,619	\$72,882	\$218,501
Silver Creek		530	530				\$28,956	\$28,956
South Shuswap		5,885	5,885				\$321,521	\$321,521
Total	33,809	50,445	16,636	\$2,127,625	\$180,989	\$2,308,614	\$908,890	\$2,308,614
Regional District of Central Okanagan				\$384,245	\$52,410	\$436,655		
Kelowna	48,151	49,310	1,159	\$2,019,340	\$102,441	\$2,121,781	\$66,095	\$2,187,877
Mission	30,867	31,610	743	\$1,294,491	\$65,669	\$1,360,160	\$42,370	\$1,402,530
Rutland	38,294	39,215	921	\$1,605,931	\$81,469	\$1,687,399	\$52,564	\$1,739,963
Lake Country	10,288	13,175	2,887	\$403,342	\$19,947	\$423,289	\$164,680	\$587,968
Peachland	5,200	5,200	-	\$209,593	\$10,456	\$220,049	\$0	\$220,049
Oyama	1,420	1,420	-	\$55,679	\$3,325	\$59,004	\$0	\$59,004
Westbank / Westbank FN	37,960	39,905	1,945	\$1,356,483	\$82,315	\$1,438,798	\$110,946	\$1,549,744
Total		179,835	7,655	\$7,329,104	\$418,032	\$7,747,136	\$436,655	\$7,747,136
Regional District of North Okanagan				\$670,132	\$90,520	\$760,652		
Armstrong / Spallumcheen	9,870	9,870	-	\$334,145	\$24,019	\$358,164	\$0	\$358,164
Cherryville		940	940				\$39,055	\$39,055
Enderby	2,932	7,260	4,328	\$91,175	\$7,265	\$98,440	\$179,818	\$278,258
Lumby	1,731	4,580	2,849	\$59,416	\$4,510	\$63,926	\$118,369	\$182,294
Vernon / Coldstream	48,464	58,655	10,191	\$1,867,463	\$122,203	\$1,989,666	\$423,411	\$2,413,077
Total		81,305	18,308	\$3,022,331	\$248,518	\$3,270,849	\$760,652	\$3,270,849
Regional District of Okanagan Similkameen				\$748,285	\$94,790	\$843,075		
Hedley		745	745				\$29,787	\$29,787
Kaleden		2,270	2,270				\$90,761	\$90,761
Keremeos	1,330	4,355	3,025	\$47,643	\$3,769	\$51,412	\$120,948	\$172,359
Naramata		1,845	1,845				\$73,768	\$73,768
Okanagan Falls		3,445	3,445				\$137,740	\$137,740
Oliver	4,824	8,925	4,101	\$162,291	\$11,307	\$173,598	\$163,969	\$337,567
Osoyoos	4,845	6,735	1,890	\$244,669	\$12,928	\$257,597	\$75,567	\$333,164
Princeton	2,725	2,725	-	\$85,593	\$7,439	\$93,032	\$0	\$93,032
Summerland	11,280	15,045	3,765	\$418,125	\$27,348	\$445,473	\$150,535	\$596,008
Penticton Library Services (PIB)		-	-	\$47,533	\$7,635	\$55,168	\$0	\$55,168
Total		46,090	21,086	\$1,754,139	\$165,215	\$1,919,354	\$843,075	\$1,919,354
TOTAL		357,675	63,685	\$14,233,199	\$1,012,754	\$15,245,953	\$2,949,272	\$15,245,953

Exhibit 3- Funding and Investments Models

Methodology for shared investments/expenses allocation in 2011 (Scenario 1):

Investments/expenses are allocated to each branch based on its % of total population.

Tax Jurisdiction	Library Resource	Direct Local Branch Expenses	Shared ORL Expenses (Scenario 1)	Total Expenses/ Investments	Proportion of Participation (population availability)	Proportion of Value Attributed	2011 Taxpayer Funding Attributed (Including Grants)	Variance
Columbia Shuswap Regional District								
Golden	Golden Branch	\$189,290	\$149,765	\$339,055	100%	\$339,055	\$312,187	\$26,868
Revelstoke	Revelstoke Branch	\$175,800	\$169,690	\$345,490	93%	\$320,735	\$306,151	\$14,584
Salmon Arm	Salmon Arm Branch	\$687,672	\$501,161	\$1,188,833	79%	\$944,361	\$635,767	\$308,594
Sicamous	Sicamous Branch	\$119,209	\$85,360	\$204,569	65%	\$132,279	\$145,619	(\$13,341)
Unincorporated / Other CSRD						\$885,673	\$908,890	(\$23,217)
<i>List of Unincorporated/ Other CSRD</i>								
	Revelstoke Branch	\$175,800	\$169,690	\$345,490	7%	\$24,755	\$30,103	(\$5,348)
	Salmon Arm Branch	\$687,672	\$501,161	\$1,188,833	21%	\$244,472	\$247,000	(\$2,528)
	Sicamous Branch	\$119,209	\$85,360	\$204,569	35%	\$72,290	\$72,882	(\$592)
	Falkland Branch	\$60,014	\$31,415	\$91,429	100%	\$91,429	\$76,487	\$14,941
	North Shuswap Branch	\$77,122	\$53,278	\$130,400	100%	\$130,400	\$131,941	(\$1,541)
	Silver Creek Branch	\$47,363	\$12,675	\$60,038	100%	\$60,038	\$28,956	\$31,082
	South Shuswap Branch	\$134,266	\$128,023	\$262,289	100%	\$262,289	\$321,521	(\$59,232)
Total						\$2,622,102	\$2,308,614	\$313,488
Regional District of Central Okanagan								
Kelowna	3 Kelowna Branches	\$2,731,704	\$2,653,704	\$5,385,408	98%	\$5,258,859	\$5,169,341	\$89,518
Lake Country	2 Lake Country Branches	\$262,613	\$319,684	\$582,297	80%	\$467,114	\$482,293	(\$15,179)
Peachland	Peachland Branch	\$171,935	\$122,779	\$294,714	100%	\$294,714	\$220,049	\$74,665
Westbank First Nation	Westbank Branch	\$394,399	\$870,334	\$1,264,733	18%	\$224,010	\$233,688	(\$9,678)
Westbank (West kelowna)	Westbank Branch	\$394,399	\$870,334	\$1,264,733	77%	\$979,078	\$1,205,110	(\$226,032)
Unincorporated / Other RDCO						\$303,376	\$436,655	(\$133,278)
<i>List of Unincorporated/ Other RDCO</i>								
	Kelowna Branches	\$2,731,704	\$2,653,704	\$5,385,408	2%	\$126,549	\$161,029	(\$34,479)
	Lake Country Branches	\$262,613	\$319,684	\$582,297	20%	\$115,183	\$164,680	(\$49,497)
	Westbank Branch	\$394,399	\$870,334	\$1,264,733	5%	\$61,644	\$110,946	(\$49,302)
Total						\$7,527,152	\$7,747,136	(\$219,984)
Regional District of North Okanagan								
Armstrong	Armstrong Branch	\$175,571	\$216,648	\$392,219	49%	\$191,341	\$159,422	\$31,919
Enderby	Enderby Branch	\$158,353	\$157,641	\$315,994	40%	\$127,616	\$98,440	\$29,176
Lumby	Lumby Branch	\$105,247	\$105,756	\$211,003	38%	\$79,748	\$63,926	\$15,823
Vernon	Vernon Branch	\$1,113,699	\$1,291,042	\$2,404,741	65%	\$1,564,076	\$1,586,231	(\$22,155)
Coldstream (Outskirts of Vernon)	Vernon Branch	\$1,113,699	\$1,291,042	\$2,404,741	18%	\$422,854	\$403,435	\$19,419
Spallumcheen (Outskirts of Armstrong)	Armstrong Branch	\$175,571	\$216,648	\$392,219	51%	\$200,878	\$198,743	\$2,135
Unincorporated / Other RDNO						\$812,162	\$760,652	\$51,509
<i>List of Unincorporated/ Other RDNO</i>								
	Enderby Branch	\$158,353	\$157,641	\$315,994	60%	\$188,378	\$179,818	\$8,560
	Lumby Branch	\$105,247	\$105,756	\$211,003	62%	\$131,255	\$118,369	\$12,886
	Vernon Branch	\$1,113,699	\$1,291,042	\$2,404,741	17%	\$417,811	\$423,411	(\$5,600)
	Cherryville Branch	\$38,019	\$36,699	\$74,718	100%	\$74,718	\$39,055	\$35,663
Total						\$3,398,674	\$3,270,849	\$127,826
Regional District of Okanagan Similkameen								
Penticton Indian Band	Penticton Resources	\$55,168		\$55,168	100%	\$55,168	\$55,168	\$0
Keremeos	Keremeos Branch	\$141,188	\$97,853	\$239,041	31%	\$73,002	\$51,412	\$21,591
Oliver	Oliver Branch	\$290,829	\$196,292	\$487,121	54%	\$263,291	\$173,598	\$89,693
Osoyoos	Osoyoos Branch	\$152,736	\$155,843	\$308,579	72%	\$221,985	\$257,597	(\$35,612)
Princeton	Princeton Branch	\$100,625	\$62,743	\$163,368	100%	\$163,368	\$93,032	\$70,335
Summerland	Summerland Branch	\$235,676	\$334,843	\$570,519	75%	\$427,747	\$445,473	(\$17,726)
Unincorporated / Other RDOS						\$1,051,300	\$843,075	\$208,225
<i>List of Unincorporated/ Other RDOS</i>								
	Keremeos Branch	\$141,188	\$97,853	\$239,041	69%	\$166,039	\$120,948	\$45,091
	Oliver Branch	\$290,829	\$196,292	\$487,121	46%	\$223,830	\$163,969	\$59,861
	Osoyoos Branch	\$152,736	\$155,843	\$308,579	28%	\$86,595	\$75,567	\$11,027
	Summerland Branch	\$235,676	\$334,843	\$570,519	25%	\$142,772	\$150,535	(\$7,763)
	Hedley Branch	\$13,865	\$17,306	\$31,171	100%	\$31,171	\$29,787	\$1,384
	Kaleden Branch	\$57,721	\$50,155	\$107,876	100%	\$107,876	\$90,761	\$17,115
	Naramata Branch	\$58,712	\$41,000	\$99,712	100%	\$99,712	\$73,768	\$25,944
	Okanagan Falls Branch	\$117,841	\$75,465	\$193,306	100%	\$193,306	\$137,740	\$55,565
Total						\$2,255,861	\$1,919,354	\$336,506
TOTAL						\$15,803,789	\$15,245,953	\$557,836

Exhibit 3 cont'd

Methodology for shared investments/expenses allocation in 2011 (Scenario 2):

Investments/expenses are allocated to each branch based on its % of total population, except for the following:

- Salaries & Benefits- HR Department # of Employees
- Salaries & Benefits- IT Department # of Computers
- IT Expenses- Computer Maintenance # of Computers
- Contribution to Capital Assets- Computer Equipment # of Computers

Tax Jurisdiction	Library Resource	Direct Local Branch Expenses	Shared ORL Expenses (Scenario 2)	Total Expenses/ Investments	Proportion of Participation (population availability)	Proportion of Value Attributed	2011 Taxpayer Funding Attributed (Including Grants)	Variance
Columbia Shuswap Regional District								
Golden	Golden Branch	\$189,290	\$152,169	\$341,459	100%	\$341,459	\$312,187	\$29,272
Revelstoke	Revelstoke Branch	\$175,800	\$168,503	\$344,303	93%	\$319,633	\$306,151	\$13,482
Salmon Arm	Salmon Arm Branch	\$687,672	\$510,520	\$1,198,192	79%	\$951,796	\$635,767	\$316,029
Sicamous	Sicamous Branch	\$119,209	\$90,676	\$209,885	65%	\$135,716	\$145,619	(\$9,903)
Unincorporated / Other CSRD						\$906,937	\$908,890	(\$1,953)
<i>List of Unincorporated/ Other CSRD</i>								
	<i>Revelstoke Branch</i>	<i>\$175,800</i>	<i>\$168,503</i>	<i>\$344,303</i>	<i>7%</i>	<i>\$24,670</i>	<i>\$30,103</i>	<i>(\$5,433)</i>
	<i>Salmon Arm Branch</i>	<i>\$687,672</i>	<i>\$510,520</i>	<i>\$1,198,192</i>	<i>21%</i>	<i>\$246,396</i>	<i>\$247,000</i>	<i>(\$604)</i>
	<i>Sicamous Branch</i>	<i>\$119,209</i>	<i>\$90,676</i>	<i>\$209,885</i>	<i>35%</i>	<i>\$74,169</i>	<i>\$72,882</i>	<i>\$1,287</i>
	<i>Falkland Branch</i>	<i>\$60,014</i>	<i>\$34,935</i>	<i>\$94,949</i>	<i>100%</i>	<i>\$94,949</i>	<i>\$76,487</i>	<i>\$18,461</i>
	<i>North Shuswap Branch</i>	<i>\$77,122</i>	<i>\$61,870</i>	<i>\$138,992</i>	<i>100%</i>	<i>\$138,992</i>	<i>\$131,941</i>	<i>\$7,051</i>
	<i>Silver Creek Branch</i>	<i>\$47,363</i>	<i>\$18,292</i>	<i>\$65,655</i>	<i>100%</i>	<i>\$65,655</i>	<i>\$28,956</i>	<i>\$36,699</i>
	<i>South Shuswap Branch</i>	<i>\$134,266</i>	<i>\$127,841</i>	<i>\$262,107</i>	<i>100%</i>	<i>\$262,107</i>	<i>\$321,521</i>	<i>(\$59,413)</i>
Total						\$2,655,541	\$2,308,614	\$346,927
Regional District of Central Okanagan								
Kelowna	3 Kelowna Branches	\$2,731,704	\$2,599,770	\$5,331,474	98%	\$5,206,192	\$5,169,341	\$36,851
Lake Country	2 Lake Country Branches	\$262,613	\$312,080	\$574,693	80%	\$461,014	\$482,293	(\$21,278)
Peachland	Peachland Branch	\$171,935	\$132,226	\$304,161	100%	\$304,161	\$220,049	\$84,112
Westbank First Nation	Westbank Branch	\$394,399	\$853,118	\$1,247,517	18%	\$220,961	\$233,688	(\$12,727)
Westbank (West kelowna)	Westbank Branch	\$394,399	\$853,118	\$1,247,517	77%	\$965,751	\$1,205,110	(\$239,360)
Unincorporated / Other RDCO						\$299,765	\$436,655	(\$136,889)
<i>List of Unincorporated/ Other RDCO</i>								
	<i>Kelowna Branches</i>	<i>\$2,731,704</i>	<i>\$2,599,770</i>	<i>\$5,331,474</i>	<i>2%</i>	<i>\$125,282</i>	<i>\$161,029</i>	<i>(\$35,747)</i>
	<i>Lake Country Branches</i>	<i>\$262,613</i>	<i>\$312,080</i>	<i>\$574,693</i>	<i>20%</i>	<i>\$113,679</i>	<i>\$164,680</i>	<i>(\$51,001)</i>
	<i>Westbank Branch</i>	<i>\$394,399</i>	<i>\$853,118</i>	<i>\$1,247,517</i>	<i>5%</i>	<i>\$60,805</i>	<i>\$110,946</i>	<i>(\$50,141)</i>
Total						\$7,457,844	\$7,747,136	(\$289,292)
Regional District of North Okanagan								
Armstrong	Armstrong Branch	\$175,571	\$215,228	\$390,799	49%	\$190,648	\$159,422	\$31,226
Enderby	Enderby Branch	\$158,353	\$158,766	\$317,119	40%	\$128,071	\$98,440	\$29,630
Lumby	Lumby Branch	\$105,247	\$108,987	\$214,234	38%	\$80,969	\$63,926	\$17,044
Vernon	Vernon Branch	\$1,113,699	\$1,285,058	\$2,398,757	65%	\$1,560,184	\$1,586,231	(\$26,047)
Coldstream (Outskirts of Vernon)	Vernon Branch	\$1,113,699	\$1,285,058	\$2,398,757	18%	\$421,802	\$403,435	\$18,366
Spallumcheen (Outskirts of Armstrong)	Armstrong Branch	\$175,571	\$215,228	\$390,799	51%	\$200,151	\$198,743	\$1,408
Unincorporated / Other RDNO						\$817,782	\$760,652	\$57,129
<i>List of Unincorporated/ Other RDNO</i>								
	<i>Enderby Branch</i>	<i>\$158,353</i>	<i>\$158,766</i>	<i>\$317,119</i>	<i>60%</i>	<i>\$189,048</i>	<i>\$179,818</i>	<i>\$9,231</i>
	<i>Lumby Branch</i>	<i>\$105,247</i>	<i>\$108,987</i>	<i>\$214,234</i>	<i>62%</i>	<i>\$133,265</i>	<i>\$118,369</i>	<i>\$14,896</i>
	<i>Vernon Branch</i>	<i>\$1,113,699</i>	<i>\$1,285,058</i>	<i>\$2,398,757</i>	<i>17%</i>	<i>\$416,771</i>	<i>\$423,411</i>	<i>(\$6,639)</i>
	<i>Cherryville Branch</i>	<i>\$38,019</i>	<i>\$40,678</i>	<i>\$78,697</i>	<i>100%</i>	<i>\$78,697</i>	<i>\$39,055</i>	<i>\$39,642</i>
Total						\$3,399,606	\$3,270,849	\$128,757
Regional District of Okanagan Similkameen								
Penticton Indian Band	Penticton Resources	\$55,168		\$55,168	100%	\$55,168	\$55,168	\$0
Keremeos	Keremeos Branch	\$141,188	\$102,565	\$243,753	31%	\$74,441	\$51,412	\$23,029
Oliver	Oliver Branch	\$290,829	\$205,486	\$496,315	54%	\$268,260	\$173,598	\$94,662
Osoyoos	Osoyoos Branch	\$152,736	\$158,588	\$311,324	72%	\$223,959	\$257,597	(\$33,638)
Princeton	Princeton Branch	\$100,625	\$69,620	\$170,245	100%	\$170,245	\$93,032	\$77,213
Summerland	Summerland Branch	\$235,676	\$325,436	\$561,112	75%	\$420,694	\$445,473	(\$24,778)
Unincorporated / Other RDOS						\$1,078,030	\$843,075	\$234,955
<i>List of Unincorporated/ Other RDOS</i>								
	<i>Keremeos Branch</i>	<i>\$141,188</i>	<i>\$102,565</i>	<i>\$243,753</i>	<i>69%</i>	<i>\$169,312</i>	<i>\$120,948</i>	<i>\$48,364</i>
	<i>Oliver Branch</i>	<i>\$290,829</i>	<i>\$205,486</i>	<i>\$496,315</i>	<i>46%</i>	<i>\$228,055</i>	<i>\$163,969</i>	<i>\$64,085</i>
	<i>Osoyoos Branch</i>	<i>\$152,736</i>	<i>\$158,588</i>	<i>\$311,324</i>	<i>28%</i>	<i>\$87,365</i>	<i>\$75,567</i>	<i>\$11,798</i>
	<i>Summerland Branch</i>	<i>\$235,676</i>	<i>\$325,436</i>	<i>\$561,112</i>	<i>25%</i>	<i>\$140,418</i>	<i>\$150,535</i>	<i>(\$10,117)</i>
	<i>Hedley Branch</i>	<i>\$13,865</i>	<i>\$21,412</i>	<i>\$35,277</i>	<i>100%</i>	<i>\$35,277</i>	<i>\$29,787</i>	<i>\$5,490</i>
	<i>Kaleden Branch</i>	<i>\$57,721</i>	<i>\$53,559</i>	<i>\$111,280</i>	<i>100%</i>	<i>\$111,280</i>	<i>\$90,761</i>	<i>\$20,520</i>
	<i>Naramata Branch</i>	<i>\$58,712</i>	<i>\$47,119</i>	<i>\$105,831</i>	<i>100%</i>	<i>\$105,831</i>	<i>\$73,768</i>	<i>\$32,062</i>
	<i>Okanagan Falls Branch</i>	<i>\$117,841</i>	<i>\$82,653</i>	<i>\$200,494</i>	<i>100%</i>	<i>\$200,494</i>	<i>\$137,740</i>	<i>\$62,753</i>
Total						\$2,290,798	\$1,919,354	\$371,444
TOTAL						\$15,803,789	\$15,245,953	\$557,836

Exhibit 3 cont'd

Methodology for shared investments/expenses allocation in 2011 (Scenario 3):

Investments/expenses are allocated to each branch based on its % of total population, except for the following:

- Salaries & Benefits- IT Department # of Computers
- IT Expenses- Computer Maintenance # of Computers
- Contribution to Capital Assets- Computer Equipment # of Computers

Tax Jurisdiction	Library Resource	Direct Local Branch Expenses	Shared ORL Expenses (Scenario 3)	Total Expenses/ Investments	Proportion of Participation (population availability)	Proportion of Value Attributed	2011 Taxpayer Funding Attributed (Including Grants)	Variance
Columbia Shuswap Regional District								
Golden	Golden Branch	\$189,290	\$151,519	\$340,809	100%	\$340,809	\$312,187	\$28,622
Revelstoke	Revelstoke Branch	\$175,800	\$167,948	\$343,748	93%	\$319,118	\$306,151	\$12,966
Salmon Arm	Salmon Arm Branch	\$687,672	\$505,078	\$1,192,750	79%	\$947,473	\$635,767	\$311,706
Sicamous	Sicamous Branch	\$119,209	\$89,078	\$208,287	65%	\$134,683	\$145,619	(\$10,936)
Unincorporated / Other CSRD						\$902,634	\$908,890	(\$6,256)
<i>List of Unincorporated/ Other CSRD</i>	<i>Revelstoke Branch</i>	<i>\$175,800</i>	<i>\$167,948</i>	<i>\$343,748</i>	<i>7%</i>	<i>\$24,630</i>	<i>\$30,103</i>	<i>(\$5,473)</i>
	<i>Salmon Arm Branch</i>	<i>\$687,672</i>	<i>\$505,078</i>	<i>\$1,192,750</i>	<i>21%</i>	<i>\$245,277</i>	<i>\$247,000</i>	<i>(\$1,723)</i>
	<i>Sicamous Branch</i>	<i>\$119,209</i>	<i>\$89,078</i>	<i>\$208,287</i>	<i>35%</i>	<i>\$73,604</i>	<i>\$72,882</i>	<i>\$722</i>
	<i>Falkland Branch</i>	<i>\$60,014</i>	<i>\$34,176</i>	<i>\$94,190</i>	<i>100%</i>	<i>\$94,190</i>	<i>\$76,487</i>	<i>\$17,703</i>
	<i>North Shuswap Branch</i>	<i>\$77,122</i>	<i>\$61,298</i>	<i>\$138,420</i>	<i>100%</i>	<i>\$138,420</i>	<i>\$131,941</i>	<i>\$6,479</i>
	<i>Silver Creek Branch</i>	<i>\$47,363</i>	<i>\$17,046</i>	<i>\$64,409</i>	<i>100%</i>	<i>\$64,409</i>	<i>\$28,956</i>	<i>\$35,453</i>
	<i>South Shuswap Branch</i>	<i>\$134,266</i>	<i>\$127,837</i>	<i>\$262,103</i>	<i>100%</i>	<i>\$262,103</i>	<i>\$321,521</i>	<i>(\$59,418)</i>
Total						\$2,644,717	\$2,308,614	\$336,103
Regional District of Central Okanagan								
Kelowna	3 Kelowna Branches	\$2,731,704	\$2,604,444	\$5,336,148	98%	\$5,210,757	\$5,169,341	\$41,415
Lake Country	2 Lake Country Branches	\$262,613	\$314,084	\$576,697	80%	\$462,622	\$482,293	(\$19,671)
Peachland	Peachland Branch	\$171,935	\$130,997	\$302,932	100%	\$302,932	\$220,049	\$82,883
Westbank First Nation	Westbank Branch	\$394,399	\$866,067	\$1,260,466	18%	\$223,255	\$233,688	(\$10,433)
Westbank (West kelowna)	Westbank Branch	\$394,399	\$866,067	\$1,260,466	77%	\$975,775	\$1,205,110	(\$229,335)
Unincorporated / Other RDCCO						\$300,903	\$436,655	(\$135,752)
<i>List of Unincorporated/ Other RDCCO</i>	<i>Kelowna Branches</i>	<i>\$2,731,704</i>	<i>\$2,604,444</i>	<i>\$5,336,148</i>	<i>2%</i>	<i>\$125,392</i>	<i>\$161,029</i>	<i>(\$35,637)</i>
	<i>Lake Country Branches</i>	<i>\$262,613</i>	<i>\$314,084</i>	<i>\$576,697</i>	<i>20%</i>	<i>\$114,075</i>	<i>\$164,680</i>	<i>(\$50,605)</i>
	<i>Westbank Branch</i>	<i>\$394,399</i>	<i>\$866,067</i>	<i>\$1,260,466</i>	<i>5%</i>	<i>\$61,436</i>	<i>\$110,946</i>	<i>(\$49,510)</i>
Total						\$7,476,243	\$7,747,136	(\$270,892)
Regional District of North Okanagan								
Armstrong	Armstrong Branch	\$175,571	\$216,224	\$391,795	49%	\$191,134	\$159,422	\$31,712
Enderby	Enderby Branch	\$158,353	\$158,479	\$316,832	40%	\$127,955	\$98,440	\$29,514
Lumby	Lumby Branch	\$105,247	\$107,985	\$213,232	38%	\$80,591	\$63,926	\$16,665
Vernon	Vernon Branch	\$1,113,699	\$1,285,975	\$2,399,674	65%	\$1,560,780	\$1,586,231	(\$25,451)
Coldstream (Outskirts of Vernon)	Vernon Branch	\$1,113,699	\$1,285,975	\$2,399,674	18%	\$421,963	\$403,435	\$18,528
Spallumcheen (Outskirts of Armstrong)	Armstrong Branch	\$175,571	\$216,224	\$391,795	51%	\$200,661	\$198,743	\$1,918
Unincorporated / Other RDNO						\$816,780	\$760,652	\$56,128
<i>List of Unincorporated/ Other RDNO</i>	<i>Enderby Branch</i>	<i>\$158,353</i>	<i>\$158,479</i>	<i>\$316,832</i>	<i>60%</i>	<i>\$188,877</i>	<i>\$179,818</i>	<i>\$9,059</i>
	<i>Lumby Branch</i>	<i>\$105,247</i>	<i>\$107,985</i>	<i>\$213,232</i>	<i>62%</i>	<i>\$132,642</i>	<i>\$118,369</i>	<i>\$14,273</i>
	<i>Vernon Branch</i>	<i>\$1,113,699</i>	<i>\$1,285,975</i>	<i>\$2,399,674</i>	<i>17%</i>	<i>\$416,931</i>	<i>\$423,411</i>	<i>(\$6,480)</i>
	<i>Cherryville Branch</i>	<i>\$38,019</i>	<i>\$40,312</i>	<i>\$78,331</i>	<i>100%</i>	<i>\$78,331</i>	<i>\$39,055</i>	<i>\$39,276</i>
Total						\$3,399,862	\$3,270,849	\$129,014
Regional District of Okanagan Similkameen								
Penticton Indian Band	Penticton Resources	\$55,168		\$55,168	100%	\$55,168	\$55,168	\$0
Keremeos	Keremeos Branch	\$141,188	\$100,499	\$241,687	31%	\$73,810	\$51,412	\$22,398
Oliver	Oliver Branch	\$290,829	\$202,969	\$493,798	54%	\$266,900	\$173,598	\$93,302
Osoyoos	Osoyoos Branch	\$152,736	\$157,652	\$310,388	72%	\$223,286	\$257,597	(\$34,311)
Princeton	Princeton Branch	\$100,625	\$68,404	\$169,029	100%	\$169,029	\$93,032	\$75,997
Summerland	Summerland Branch	\$235,676	\$326,626	\$562,302	75%	\$421,586	\$445,473	(\$23,886)
Unincorporated / Other RDOS						\$1,073,186	\$843,075	\$230,111
<i>List of Unincorporated/ Other RDOS</i>	<i>Keremeos Branch</i>	<i>\$141,188</i>	<i>\$100,499</i>	<i>\$241,687</i>	<i>69%</i>	<i>\$167,876</i>	<i>\$120,948</i>	<i>\$46,929</i>
	<i>Oliver Branch</i>	<i>\$290,829</i>	<i>\$202,969</i>	<i>\$493,798</i>	<i>46%</i>	<i>\$226,898</i>	<i>\$163,969</i>	<i>\$62,929</i>
	<i>Osoyoos Branch</i>	<i>\$152,736</i>	<i>\$157,652</i>	<i>\$310,388</i>	<i>28%</i>	<i>\$87,102</i>	<i>\$75,567</i>	<i>\$11,535</i>
	<i>Summerland Branch</i>	<i>\$235,676</i>	<i>\$326,626</i>	<i>\$562,302</i>	<i>25%</i>	<i>\$140,716</i>	<i>\$150,535</i>	<i>(\$9,819)</i>
	<i>Hedley Branch</i>	<i>\$13,865</i>	<i>\$21,280</i>	<i>\$35,145</i>	<i>100%</i>	<i>\$35,145</i>	<i>\$29,787</i>	<i>\$5,358</i>
	<i>Kaleden Branch</i>	<i>\$57,721</i>	<i>\$53,091</i>	<i>\$110,812</i>	<i>100%</i>	<i>\$110,812</i>	<i>\$90,761</i>	<i>\$20,051</i>
	<i>Naramata Branch</i>	<i>\$58,712</i>	<i>\$46,507</i>	<i>\$105,219</i>	<i>100%</i>	<i>\$105,219</i>	<i>\$73,768</i>	<i>\$31,450</i>
	<i>Okanagan Falls Branch</i>	<i>\$117,841</i>	<i>\$81,578</i>	<i>\$199,419</i>	<i>100%</i>	<i>\$199,419</i>	<i>\$137,740</i>	<i>\$61,679</i>
Total						\$2,282,966	\$1,919,354	\$363,612
TOTAL						\$15,803,789	\$15,245,953	\$557,836

Exhibit 4: Funding and Investment Allocation Example- City of Enderby

The following analysis provides a walkthrough for funding and investment allocation using Enderby as an example. The table below depicts how funding is attributed by the municipality and Regional District of North Okanagan to ORL as well as the value attributed to Enderby by ORL. The total variance is \$37,736, indicating that Enderby received excess value over its contribution made to ORL in 2011.

Example- City of Enderby

In 2011, the City of Enderby's contribution to the ORL in levies and attributable grants was \$98,440, which accounted for the municipal population of 2,932 based on the 2011 Census. In the same year, the Regional District of North Okanagan's contribution to the ORL in levies and attributable grants was \$760,652, which accounted for approximately 18,308 people who reside outside of municipal taxation jurisdictions within the regional district.

The total population within the City of Enderby being served by the Enderby library branch was 7,260, indicating that library services made available to the 4,328 people (7,260 – 2,932) were funded by the regional district. Therefore, the proportion of regional district contributions attributable to the population that would be served by the Enderby library branch amounted to \$179,818 (4,328/18,308 x \$760,652). In order to determine the total funding contributed for services provided by the Enderby library branch, the regional district contribution of \$179,818 is combined with the City of Enderby's contribution of \$98,440, totaling \$278,258.

From the expenditure and allocation model with the Scenario 1 expense allocation method, total funding provided by the ORL attributable to the Enderby library branch was \$315,994 in 2011. Based on population, the City of Enderby accounted for 40% (2,932/7,260) of library service availability and as such would have 40% of the ORL funding attributed to its population, totaling \$127,616 (with minor differences relating to rounding).

Based on the assumptions implicit within our analysis, the City of Enderby contributed \$98,440 for library services offered by the Enderby library branch and received \$127,616 as their proportion of investments relating to the Enderby library branch made by the ORL.

Jurisdiction	City of Enderby
Funding Allocation	
Municipality Population (2011 Federal Census)	2,932
Population Served by the	7,260
Population Over Municipality Population	4,328
Population Outside Municipal Jurisdictions in RDNO	18,308
Total Funding Attributed by Municipality (Including Grants)	\$98,440
Total Funding Attributed by RDNO	\$760,652
Proportion of Funding Attributed by RDNO	\$179,818
Total Taxpayer Funding Attributed (2011)	\$278,258
Investments Allocation (Scenario 1)	
Proportion of Value Attributed for Enderby	\$127,616
Proportion of Value Attributed for Unincorporated Area Served by Enderby Library Branch	\$188,378
Total Value Attributed (2011)	\$315,994
Variance for Enderby	\$29,176
Variance for Unincorporated Area Served by Enderby Library Branch	\$8,560
Total Variance	\$37,736

Appendix

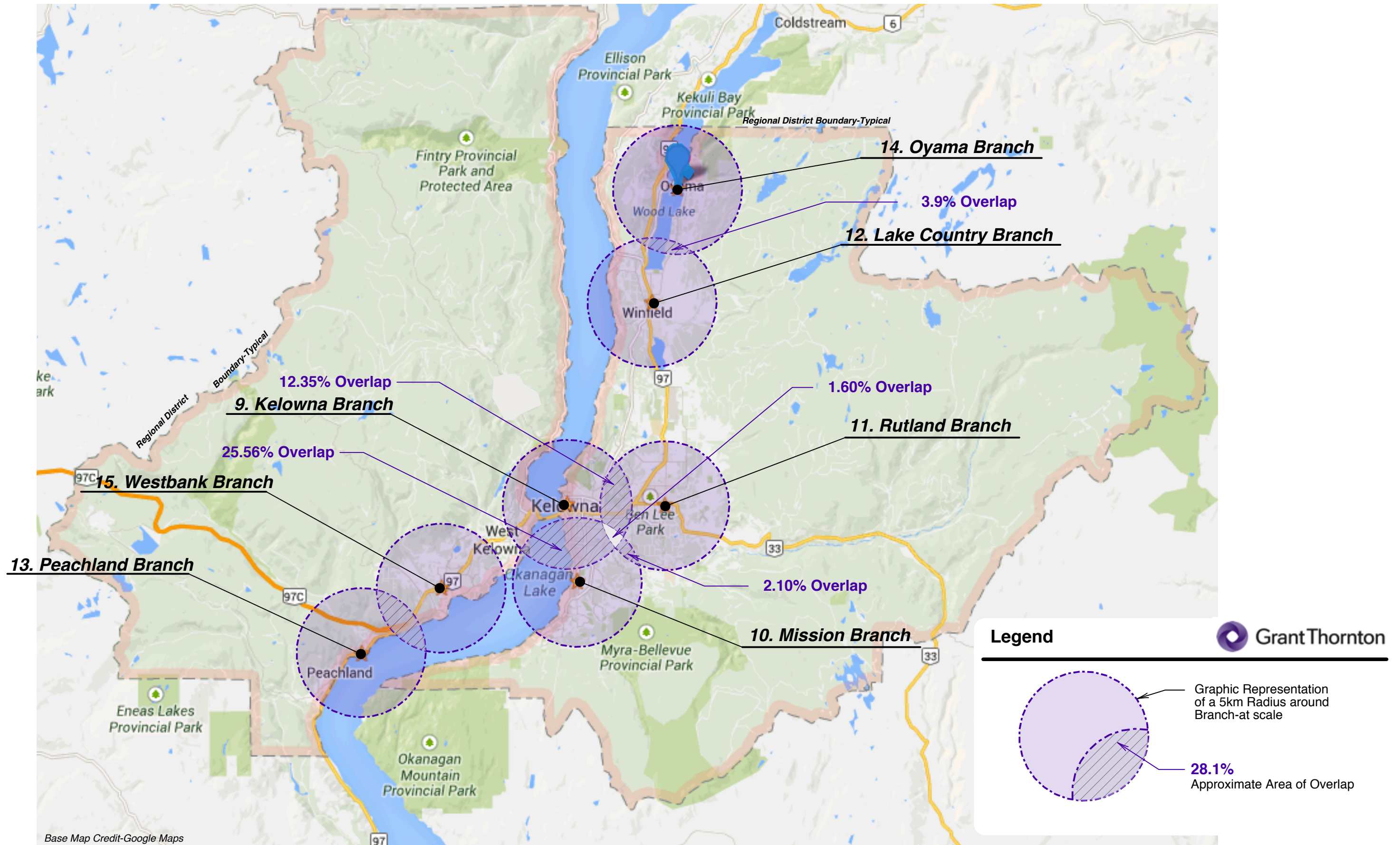
Appendix A-1: Maps Showing 5-kilometre Radius Overlap

Appendix A-2: Maps Showing 10-kilometre Radius Overlap

Appendix A-1: Maps Showing 5-kilometre Radius Overlap

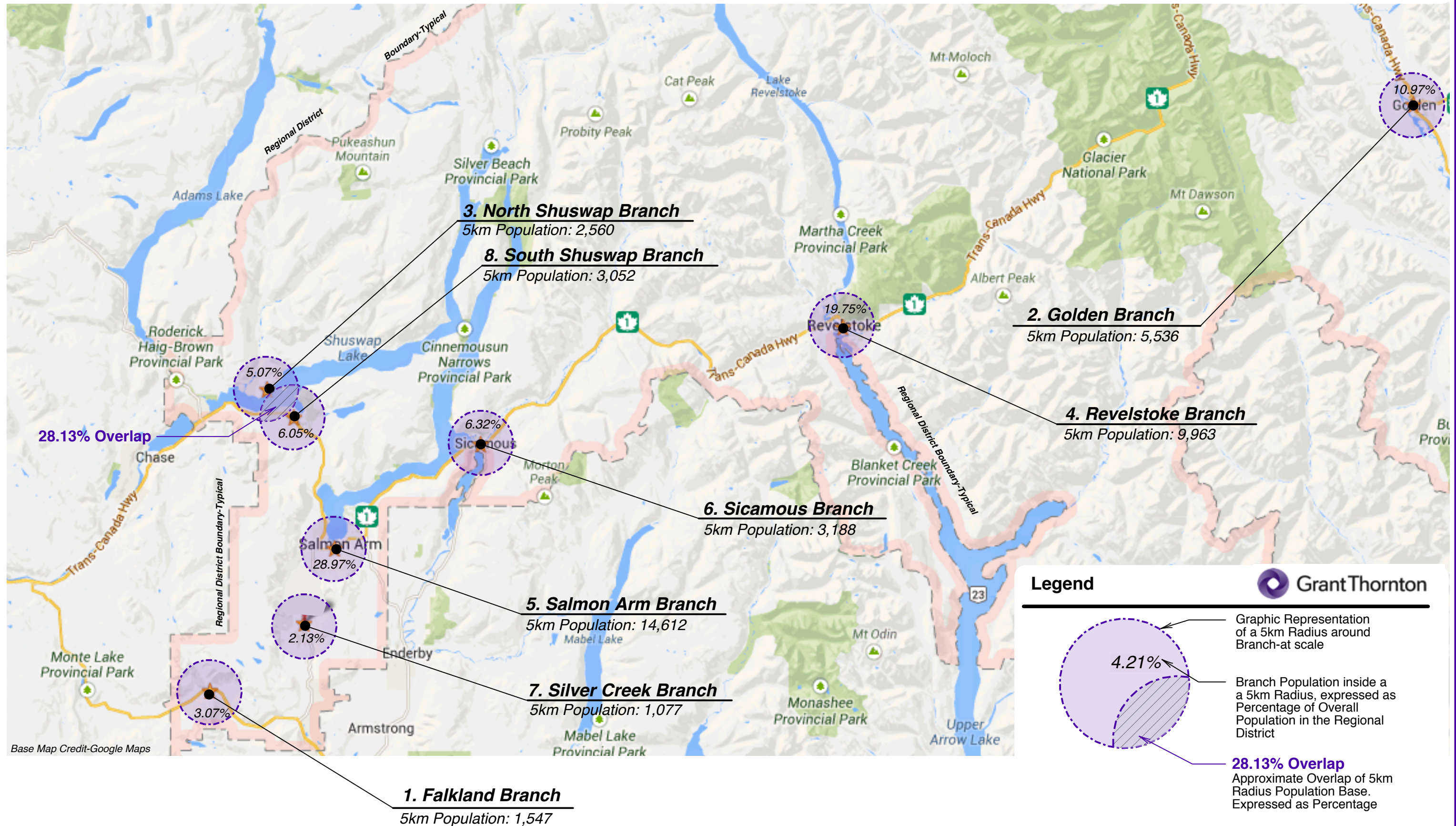
Central Okanagan Regional District

7 Okanagan Regional Library Branches



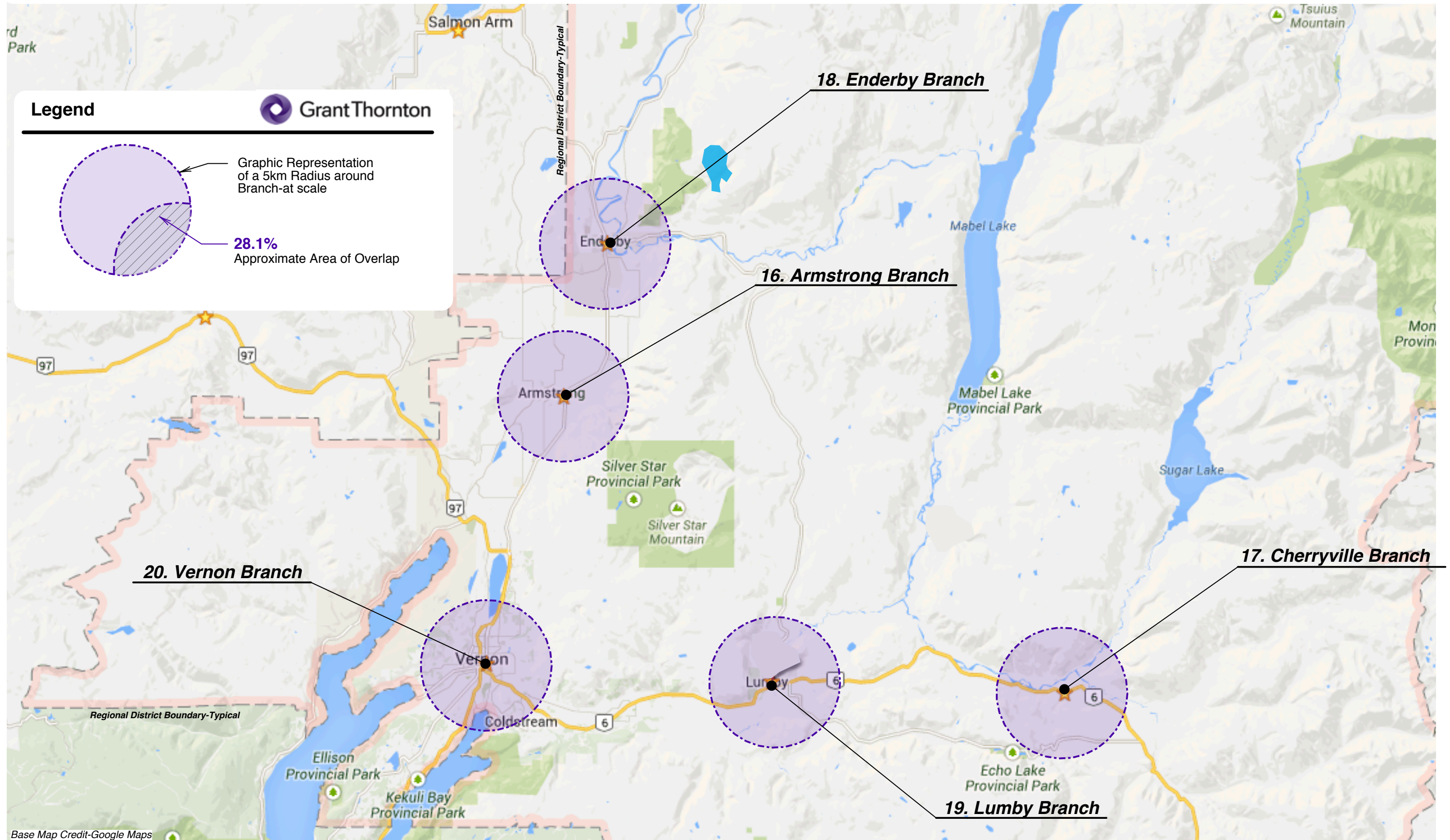
Columbia-Shuswap Regional District

8 Okanagan Regional Library Branches



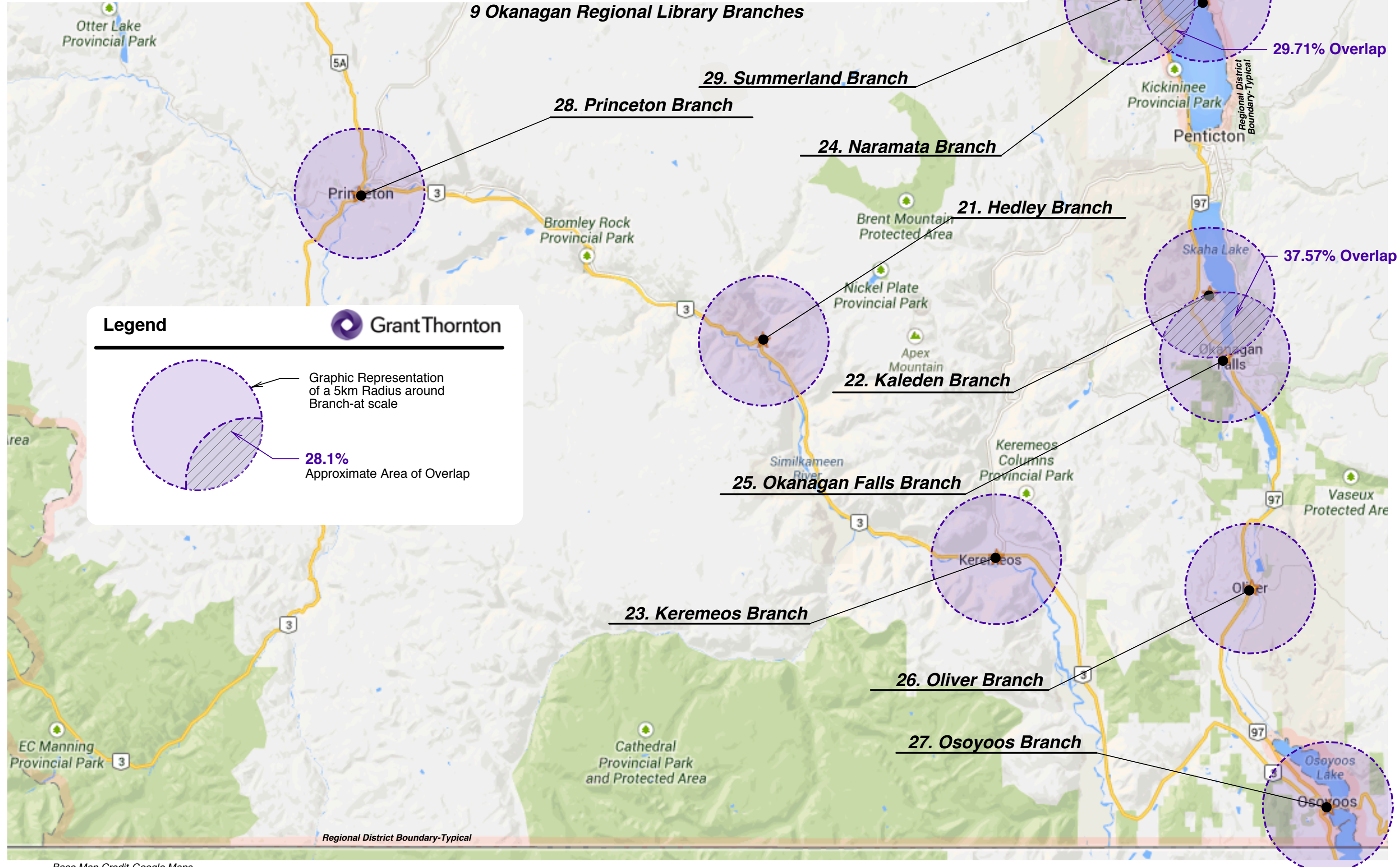
North Okanagan Regional District

5 Okanagan Regional Library Branches




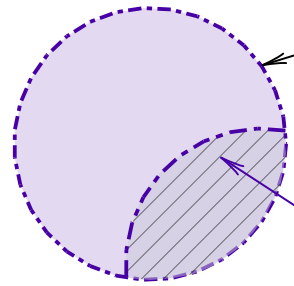
Okanagan-Similkameen Regional District

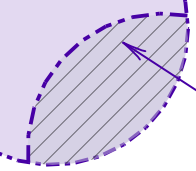
9 Okanagan Regional Library Branches



Legend

 Grant Thornton

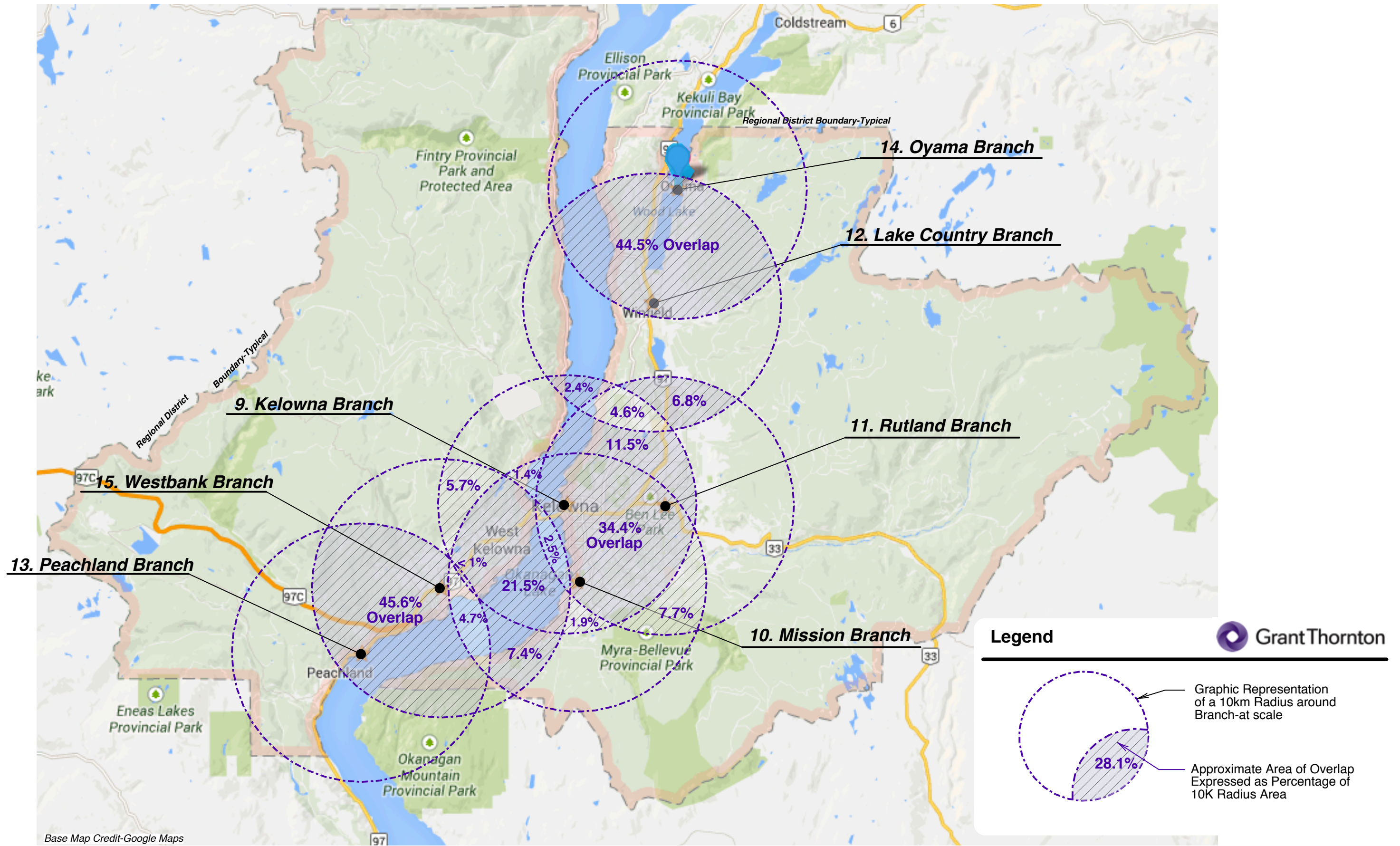
 Graphic Representation of a 5km Radius around Branch-at scale

 28.1% Approximate Area of Overlap

Appendix A-2: Maps Showing 10-kilometre Radius Overlap

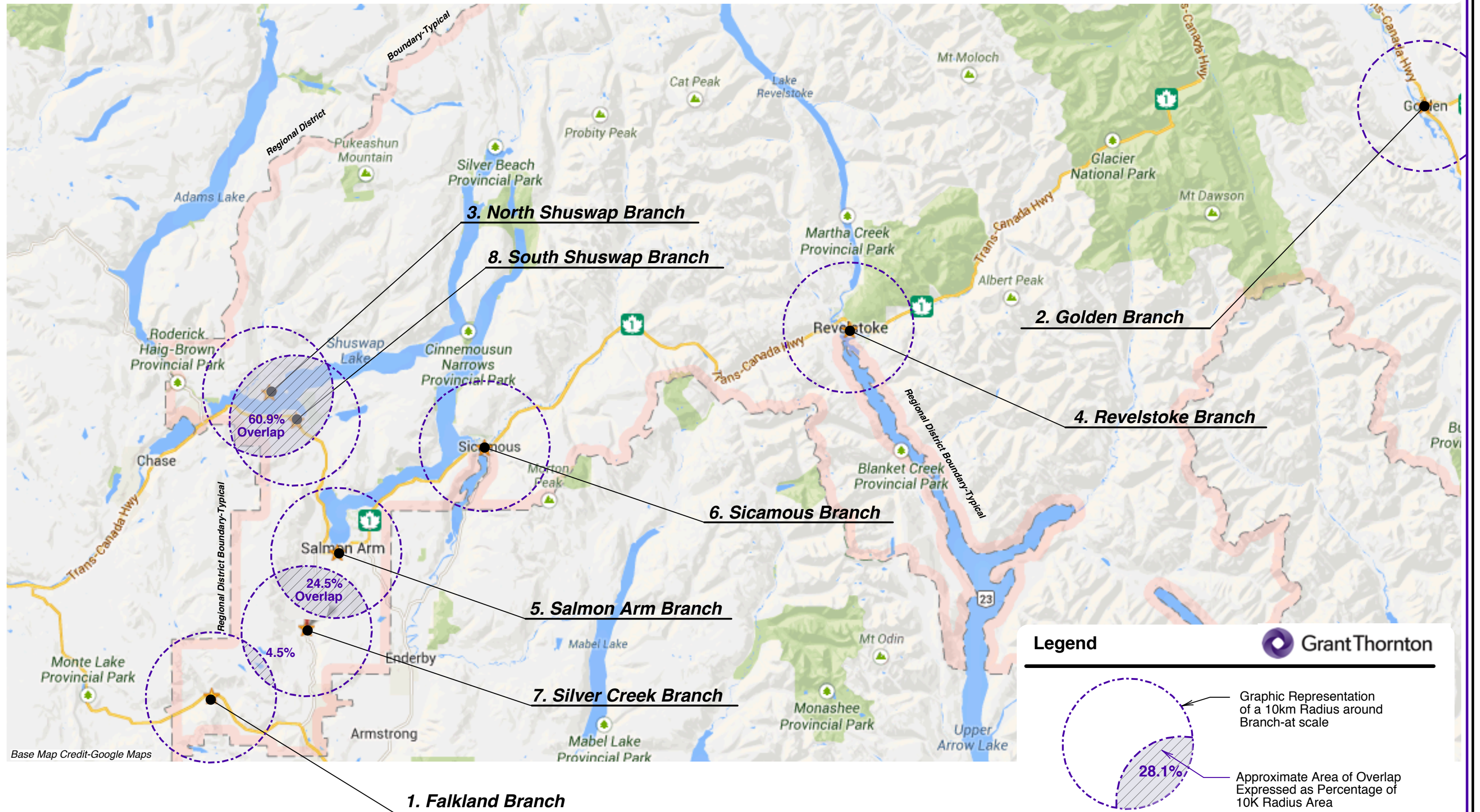
Central Okanagan Regional District


7 Okanagan Regional Library Branches




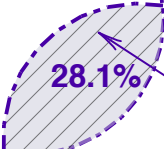
Columbia-Shuswap Regional District

8 Okanagan Regional Library Branches



Legend  Grant Thornton

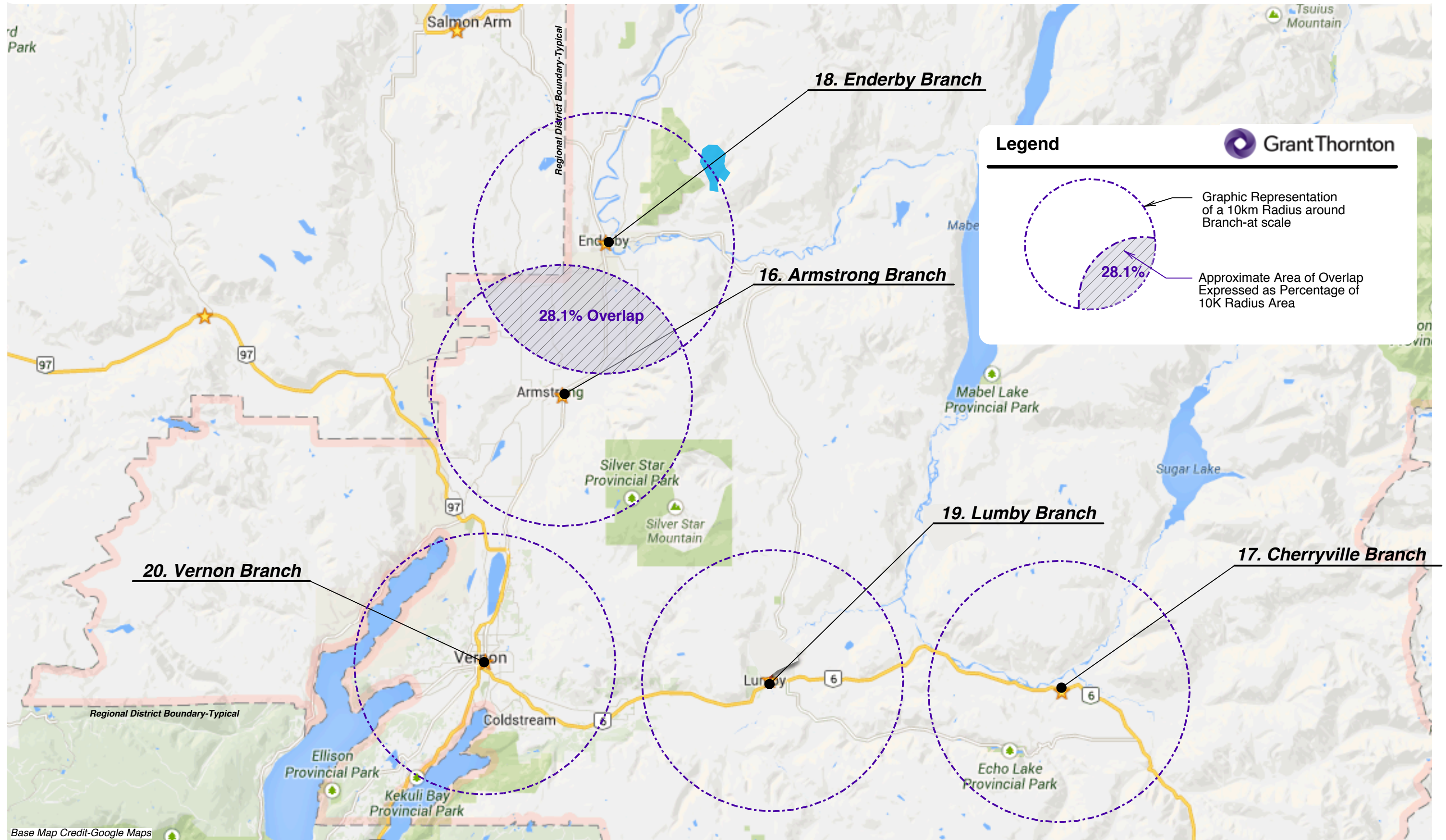
 Graphic Representation of a 10km Radius around Branch-at scale

 Approximate Area of Overlap Expressed as Percentage of 10K Radius Area

Base Map Credit-Google Maps

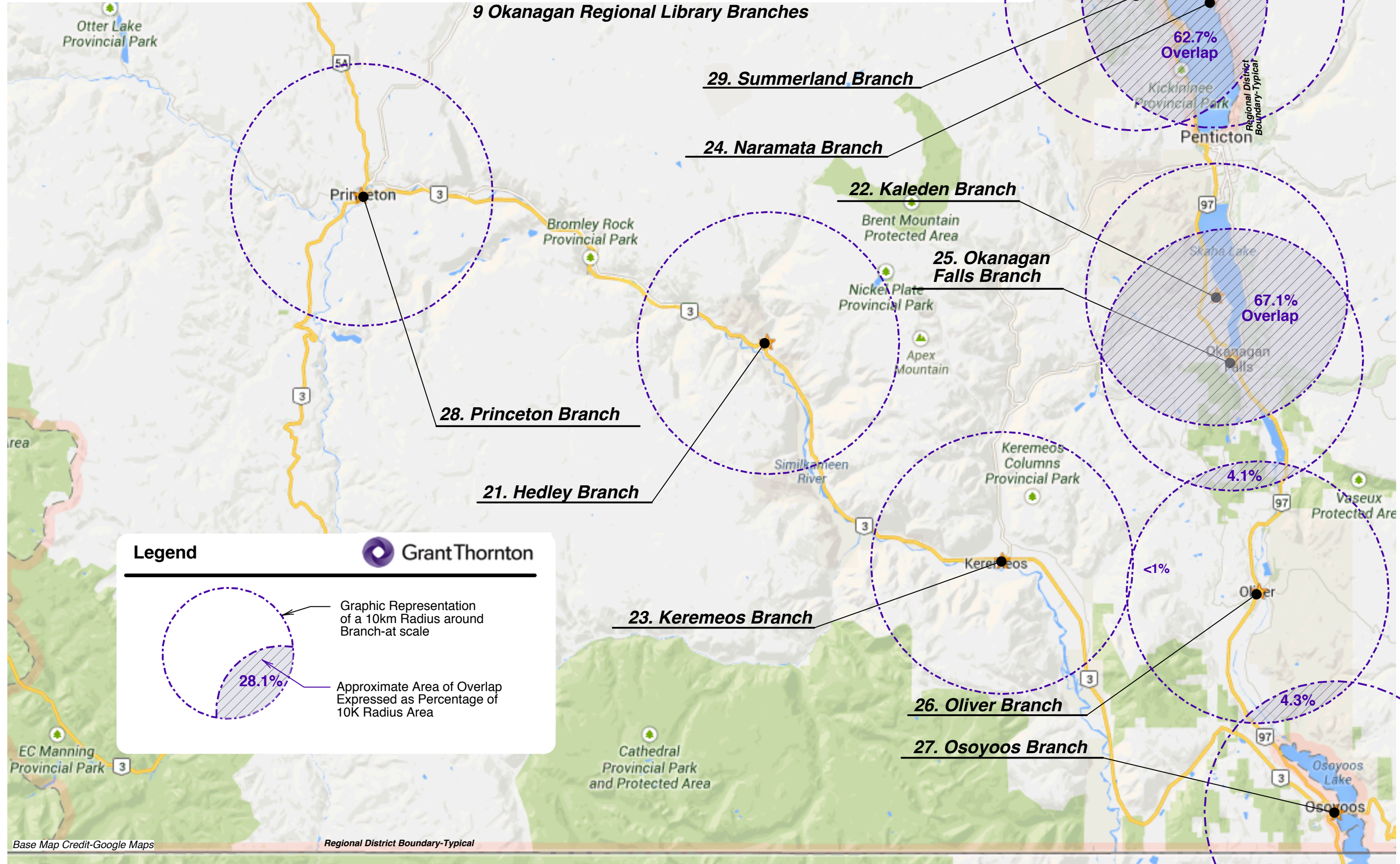
North Okanagan Regional District


5 Okanagan Regional Library Branches





Okanagan-Similkameen Regional District

9 Okanagan Regional Library Branches



Legend  Grant Thornton

 Graphic Representation of a 10km Radius around Branch-at scale

 Approximate Area of Overlap Expressed as Percentage of 10K Radius Area

Base Map Credit-Google Maps

Regional District Boundary-Typical