

City of Greater Geelong

Comment re Geelong Regional Library Corporation's Request for Increased Funding

January 2005

*J.L. Management Services Pty. Ltd.,
17 Loyola Court, Watsonia 3087
Phone: (03)94343010 E-mail: jls@optusnet.com.au*

Table of Contents

Subject	Page No.
1.0 Introduction	1
2.0 Comparison with Industry Benchmarks	1
3.0 Comments re Operational Statistics	5
3.1 Branch Viability	5
3.2 Membership	5
3.3 Library Collections	6
3.4 Reservations	8
4.0 Comments re 2004-2005 Budget	9
4.1 Revenues from Library Operations	9
4.2 Member Contributions	10
4.3 Recurrent Expenditure	10
4.4 Capital Expenditure	12
5.0 Comments re GRLC Request for Increased Funding	12
5.1 Preliminary Advice on Library Budget 2005/06	12
5.2 Four Year Forward Strategies	14
6.0 Discussion of Alternative Approaches	16
7.0 Summation of Key Findings	18

Attachments:

1. Key Operational Statistics 2003-2004
2. GRLC Budget 2004-2005

1.0 Introduction:

The purpose of this paper is to facilitate the City of Greater Geelong's (CoGG) consideration of a request for increased funding from the Geelong Regional Library Corporation (GRLC) by way of commenting on materials provided by the CoGG and GRLC. These materials include:

- The GRLC Annual Budget for 2004-2005.
- A four year forward strategy showing three options.
- Key operational statistics for 2003-2004 and earlier periods.
- A paper prepared by the GRLC titled *Preliminary Advice on Library Budget 2005/06* which outlines the GRLC's arguments for increased funding.
- Extracts from the *Review of the Greater Geelong Branch Library Network* report undertaken by Library Consultancy Services Pty Ltd in July 1999 and associated Council minutes pertaining to this review.

Reference has also been made to the *Annual Survey of Victorian Public Libraries 2002-2003*, as well as drawing on general knowledge acquired from other engagements within the public library sector.

It should be understood that the comments made herein are informed by the above materials and that no independent research has been undertaken into the GRLC's operating and financial status. Similarly, no consideration has been given to the stakeholders' strategic objectives. Accordingly, this paper is intended to assist readers to clarify their positions rather than recommend specific actions.

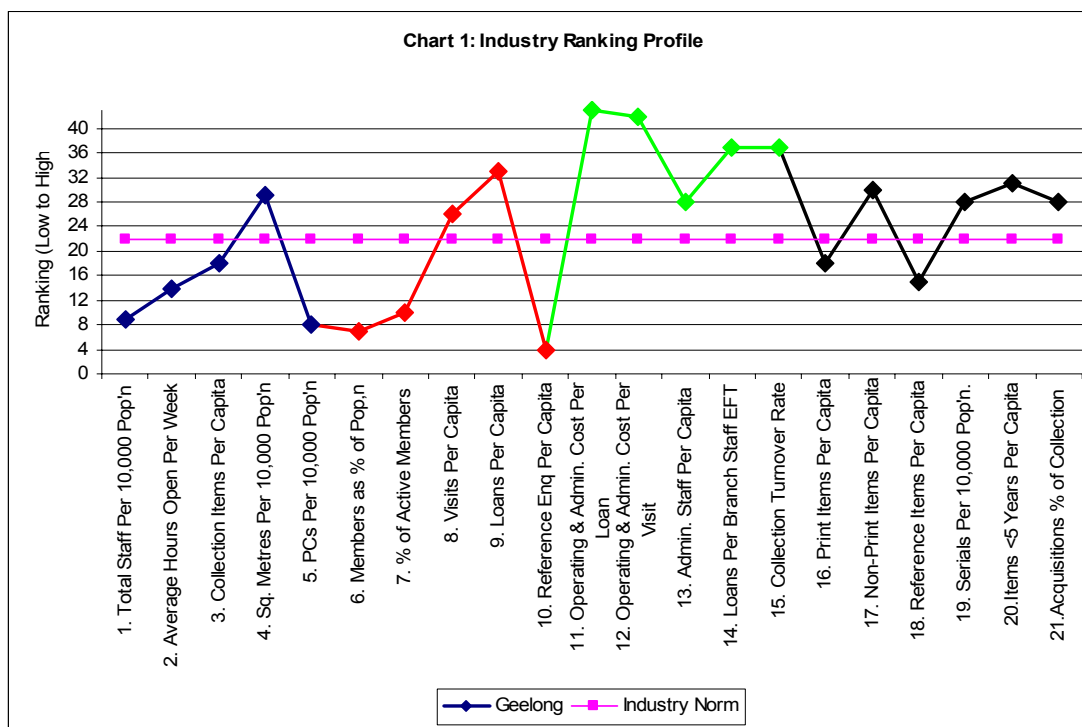
2.0 Comparison with Industry Benchmarks:

The GRLC is one of 43 public library services operating within Victoria, for which comprehensive statistics were most recently reported through the *Annual Survey of Victorian Public Libraries 2002-2003*. Such data enables key elements of the GRLC's performance to be benchmarked against its industry peers, thus providing stakeholders with a relevant and objective base against which to assess the request for increased funding and to assess whether the GRLC is positioned in accordance with their expectations.

Rather than select specific measures for the purpose of this exercise, I have utilised a series of standard measures which I use to benchmark library services. The measures yield insights into four distinct and related components of library operations, namely:

- The supply of library services to the community.
- The community's demand for library services.
- The productivity and cost effectiveness of the service provider.
- Management of the service's bookstock.

For each of 21 key measures, Chart 1 (below) ranks the GRLC in relation to other Victorian public library services. The line running horizontally through the middle of the chart denotes the median, hence positions above and below the median reflect favourable and unfavourable positions respectively.



A question typically posed is whether the profile is consistent with stakeholders' expectations of where the GRLC should be positioned. It is not the purpose of this paper to address this question, but readers may find it to be a useful tool in determining the GRLC's strategic objectives.

Similarly, it is not the role of this exercise to analyse the profile in depth, although the following comments are offered to facilitate readers' interpretations.

- Measures 1 to 5 relate to the supply of library services and show the GRLC to be a lean service, with total staffing levels (#1) and the supply of public access PCs (#5) falling within the bottom quartile of library services. I understand from the materials provided that the existing branch network impinges on the service's ability to expand its public PC network, yet it is interesting that the GRLC ranks above the median on floorspace (#4). However, this and the low ranking for average hours open (#2) is consistent with a service maintaining an over-supply of relatively small branch libraries and reinforces the identified need to rationalise the current branch structure.
- Measures 6 to 10 provide an insight into the community's demand for library services and highlight an interesting contrast. Although visits per capita (#8) and loans per capita (#9) are above the median, the GRLC is lowly ranked in relation to membership penetration (#6) and active

membership (#7). Whilst the relatively high visits suggest that the branch libraries are satisfying a broad range of community needs and the high loans per capita is indicative of an active core group of users, the low membership penetration is nevertheless cause for concern. Rather than speculate as to the reasons for the low penetration, it would appear that further research is required to better understand the causal factors. Possible explanations are that it reflects the community's lack of interest in library services and/ or that it is a consequence of the lean operations profiled at measures 1 to 5.

The low ranking for reference enquiries (#10) raises the question of whether the community is self-sufficient in this area or whether library use is more heavily weighted towards recreation.

Although there is a trend towards increased use of the Internet as an alternative to in-library reference enquiries, one should bear in mind that this is a global trend and can be discounted as an explanation of the GRLC's relative ranking on this measure.

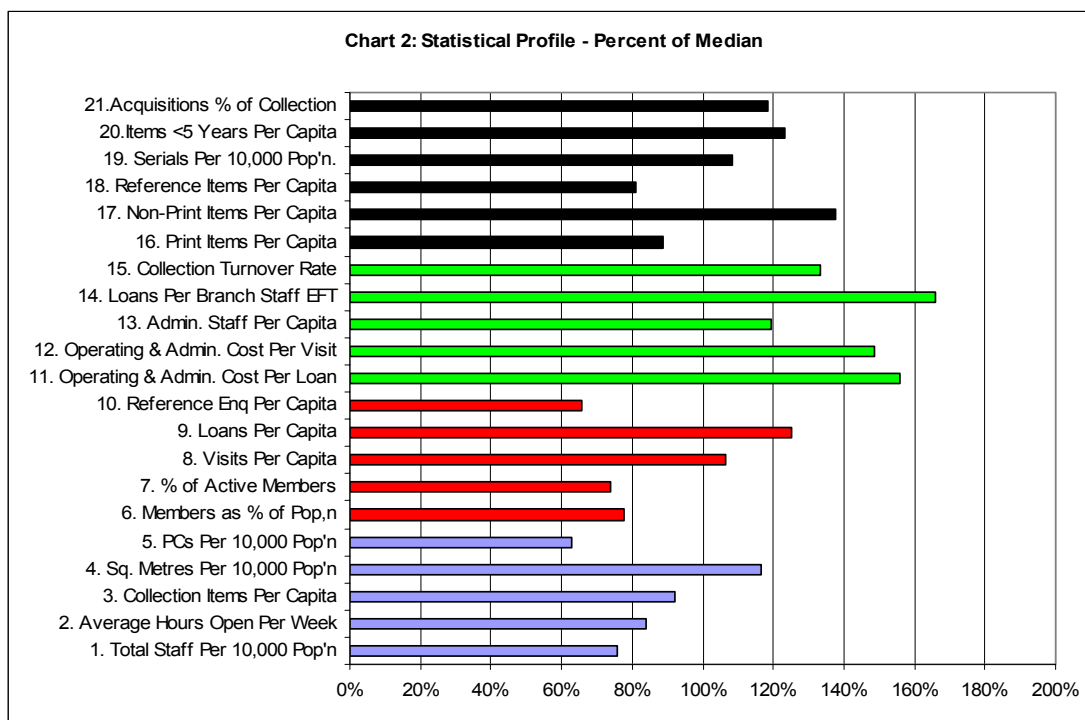
- Measures 11 to 15 may be viewed as productivity or cost-effectiveness measures and, as can be seen, the GRLC ranks within the upper-quartile for four of the five measures. Indeed, for cost per loan (#11) and cost per visit (#12), the GRLC ranks as the best and second-best respectively. Similarly, loans per branch staff EFT (#14) is highly ranked, as is the key measure of collection turnover (#15).

Taken at face value, these rankings confirm the GRLC as a lean operation and suggest that little scope exists for cost rationalisation.

- It may be argued that the key driver of a library service's quality is its collection, for which the profile at measures 16 to 21 reveals both strengths and weaknesses. The key strengths are the collection's relative age (#20) and the acquisition rate of new materials (#21). However, readers should note that the acquisitions measure reflects 2002-2003 expenditure, which was considerably higher than is budgeted for 2004-2005. One would, therefore, expect the GRLC to fall below the median on this measure for 2004-2005.

The primary cause for concern is the low ranking for collection items per capita (#3), a ranking that will be further threatened by reductions in the bookvote. It is also interesting that the non-print (#17) and serials (#19) collections rank more highly than those of print (#16) and reference (#18), which tends to confirm the earlier identification of the community's preference for recreational materials. (Readers should understand that the latter comment is made as an observation, rather than as a value judgment. A good public library service will identify and satisfy community preferences and analyses such as this present an opportunity to test whether such preferences are being met.)

Chart 1 was designed to profile the GRLC’s position relative to other Victorian public library services, but does not provide an indication of the change required to achieve a desired position. Chart 2 (below) enables such estimates to be made by showing the GRLC’s position for each measure as a percentage of the median. (Readers should note that the median is denoted by the line running vertically from 100% on the horizontal axis and that the measures have been constructed to denote positions less than and more than the median as unfavourable and favourable respectively.)



Again, it is not the role of this paper to suggest actions, but rather to comment on the implications of Charts 1 and 2 in relation to the GRLC’s request for increased funding. On balance, the above benchmarking exercise generally supports the GRLC’s request in that:

- ▀ There would seem to be limited scope to rationalise staffing levels and a good argument to increase staffing.
- ▀ Additional investment would be required to build the per capita collection levels to at least the median position and preferably higher as a means to improve the appeal of the library service to the community.
- ▀ In the medium-to long-term, one would reasonably expect a service of the GRLC’s stature to make more public access PCs available to the community. To maintain this position will require increased capital and/or recurrent funding.
- ▀ Addressing the low membership penetration will require programs to actively market the library service to the community, thus incurring additional staff and/or other promotional expenses.

Naturally, the stakeholders may elect to not pursue the above actions. However, this benchmarking exercise has identified a number of improvement opportunities, which, if targeted, would all require increased funding contributions from the member LGAs.

3.0 Comments re Operational Statistics:

An assessment of the GRLC's operational statistics highlighted a number of areas with implications for the ongoing funding support required from the member LGAs. These areas are outlined in the following sub-sections.

3.1 Branch Viability:

Analysis of each library branch against a number of key performance indicators revealed that four of the CoGG's eleven static branches can no longer be considered to be viable operations, as summarised by the following table..

Table 1: Non-Viable Branches

Branch	Visits Per Hour Open	Loans Per Hour Open	Items Per Member	Stock Turnover
Barwon Heads	12.4	28.4	12.5	2.1
Chilwell	11.2	21.4	14.9	2.2
Grovedale	15.2	36.3	9.2	3.3
Newtown	7.6	25.5	15.7	2.0
GRLC Average	49.7	97.5	5.1	6.6

Attachment 1 provides a more detailed listing of all branches and shows the derivation of the above indicators. Nevertheless, it is evident that the branches identified in Table 1 are performing at levels considerably below the GRLC average and are clearly non-viable. I am aware that changes to the branch structure are currently under consideration and from the operational and financial perspectives, the resources assigned to the above branches could be more effectively utilised elsewhere. It must, however, be noted that any financial savings may, in the longer-term, be absorbed within the operating costs of the redeveloped branch structure.

On a more controversial note, the need to operate the Geelong Mobile Library can be questioned on the grounds that most of the locations visited are and will remain within twenty to thirty minutes traveling time from a static library, thus falling within their catchment areas. There is, therefore, an opportunity to generate ongoing capital and recurrent cost savings by rationalizing mobile library services to operate from two vehicles.

3.2 Membership:

I note from the GRLC's *Annual Report 2002-2003* that an estimated 25% of visitors to the GRLC's libraries are non-members. Whilst it is commendable that the library service attracts such patronage,

the low membership of approximately 32% of the regional community should not be ignored. This compares with approximately 51% for Victoria's libraries, all of which attract non-member patronage – albeit, perhaps, at lower levels.

The only member LGA with acceptable membership levels is the Borough of Queenscliffe at approximately 64%, which would seem to reflect its small, geographically confined population and the presence of a branch library. Surf Coast Shire is approximately 27%, Golden Plains Shire is an astonishingly low 6.5% and the City of Greater Geelong is approximately 34%. Given the likelihood that the CoGG's membership includes residents from the other member LGAs, the low penetration becomes even more problematic, although it is evident that Surf Coast and Golden Plains residents are making less use of the Geelong facilities than may be expected.

In terms of financial implications, the significance of the current low membership level is dependent on the strategic objectives of the member LGAs. If the current levels are viewed as acceptable, then services can continue as at present with no financial implications. However, if membership levels are to be increased, additional funding will be required to initially finance the research to understand the current position and to more effectively promote the library service to its regional community. Subsequently, it is expected that the library service would have the capacity to absorb some additional usage, beyond which additional funding would be required to meet the needs of an expanded user group. (It is difficult to predict the service's ability to absorb additional usage without undertaking a detailed analysis. However, one would expect this point to be reached somewhere within a membership range of 40% to 45%.)

3.3 Library Collections:

The financial implications of maintaining the GRLC's collection predominantly hinges on the answers to the following questions:

1. How many items per capita should be maintained?
2. What is the effective shelf-life of the collection?
3. What collection mix should be maintained?

Naturally, other factors including unit costs will have an impact, but the influences of market forces and exchange rates etc is beyond the control of the GRLC and the member LGAs.

At 1.64 items per capita, the GRLC slightly lags the industry average of 1.76 items per capita and it would be desirable to build the collection to, at least the industry average and to preferably target the de-facto industry standard of two items per capita. Any such strategy would obviously require increased funds to be assigned for materials acquisition.

The second question regarding effective shelf-life naturally varies between titles and is, by its very nature, a highly subjective topic. The industry's preferred position would be to replace collections on average over a seven year period, although actual practice has seen the industry average progressively creep out to around ten years. Clearly, lower shelf-lives require increased funding levels and it is notable that the GRLC's acquisitions rate in recent years is equivalent to replacing its collection every seven to eight years.

Question three regarding collection mix is arguably the most subjective of all and is not addressed herein, except to comment that changes to the mix may impact on funding levels as a result of different average unit costs between sub-collections.

In order to assess a collection's performance, the most effective measure is annual turnover, which is summarised at Table 2 for 2003-2004.

Table 2: GRLC Collection Turnover 2003-2004

Sub-Collection	Circulation	Collection Items	Annual Turnover
Adult Recreation	967,783	128,296	7.54
Adult LOTE	21,697	8,296	2.62
Adult Non-Fiction	320,201	90,522	3.54
Adult Audio-Visual	640,572	37,448	17.11
Young Adult Recreation	46,011	14,372	3.20
Young Adult Audio-Visual	3,977	246	16.17
Junior Recreation	378,178	63,737	5.93
Junior Non-Fiction	76,346	31,963	2.39
Junior Audio-Visual	17,779	1,120	15.87
Lending Collection Total	2,450,847	367,704	6.67

Overall, the above statistics indicate that the GRLC collection is performing well. At 6.67 turns per annum, the lending collection is well above the industry average of 5.4. Variability between sub-collections is to be expected and the lower turnover collections could reflect low demand for LOTE materials and the result for young adult recreation materials is consistent with industry experience. Similarly, adult non-fiction is typically less popular than adult fiction and it is a strength of this collection that the community's preference is reflected in the relative sizes of these sub-collections. However, the dominant statistic is the popularity of the audio-visual collections, with 10.6% of the lending collection generating 27% of total circulation.

In terms of financial implications, what then is the significance of the 2003-2004 turnover statistics? Although the collection is under-sized in terms of items per capita, it has the inherent scale to accommodate the diversity of community needs and the low membership penetration enables the

collection to accommodate current demand. Accordingly, for the short-term at least, there would appear to be no pressing need to increase items per capita.

With respect to the collection's shelf-life, it would be desirable to maintain the recent practice of replacing the collection over a seven to eight year cycle, thereby maintaining the collection's freshness and currency.

The final question of collection mix can only be addressed by the stakeholders and it is evident that the popularity of audio-visual materials has reached the point where philosophic considerations should take precedence over economic considerations.

As will be appreciated from the above arguments, I am unable to endorse the decision to reduce the GRLC's bookvote in 2004-2005 from \$1,068,003 to \$749,289. Doing so will have the effect of further reducing the GRLC's standing in terms of items per capita (assuming no changes to weeding practices); interrupt the recent practice of maintaining a seven to eight year replacement cycle; and complicate the decision-making process regarding collection mix by emphasising the need to choose between long-term collection building and satisfying the trend for additional audio-visual titles.

3.4 Reservations:

I note from the GRLC's Annual Report 2002-2003 that approximately 5% of current loans originate from members' reservations, a practice that is forecast to increase in coming years. This forecast is consistent with general industry trends and it is apparent that borrowers view reservations as a worthwhile and valuable service. Nevertheless, reservations are considerably more expensive than loans generated from browsing due to the additional handling involved in moving reserved items from request to delivery. By electing not to charge for reservations, the GRLC is, in effect, making the reservation system more attractive to its members and, as reservations increase, placing an increased workload on GRLC staff.

The *Annual Report* recognises that increased use of reservations has the potential to impact adversely on the utility of the browsing experience of those preferring the more traditional selection method. However, one must also consider the point at which the added operational costs become a burden, not to mention the long-term impact on branch structures. It is, therefore, prudent to fully understand the costs associated with an expanded reservations service and give serious consideration to introducing charges to recover at least part of the costs incurred.

4.0 Comments re 2004-2005 Budget:

Making informed and confident comments on the specific budget items (refer Attachment 2) is difficult given the lack of a reference against which to compare services at this level. Furthermore, the variability in budgeting approaches makes direct comparisons across library services somewhat risky and unreliable.

At a general level, one must conclude from the industry benchmarking findings that the GRLC is a financially lean service, thus one would not expect to find significant rationalisation opportunities within the 2004-2005 budget. Nevertheless, the following observations can be made.

4.1 Revenues from Library Operations:

These include the budget categories of user charges and fees and charges, for which the total 2004-2005 budgeted amount is \$277,311.

- Fines and costs (\$134,364) is a volume related item and would seem to be constrained by the GRLC's low membership levels. However, increased revenue from higher activity levels would only translate into a net gain up to the point of the GRLC's capacity to absorb the higher activity, beyond which additional operating costs would be incurred.
- It is noted that the revenue earned from audio-visual rentals is projected to increase by approximately 35% to \$84,448 in accordance with increased turnover of these collections. Whilst rental fees seem to be accepted by the regional community, they contravene the free lending condition under which the State Government Grant is provided and it is assumed that the necessary agreements have been reached to allow this practice. This revenue stream would appear to be the primary explanation of the GRLC's other income per member of \$4.13 being higher than the state average of \$3.34.
- Business service fees (\$16,433) and photocopying (\$29,860) are also volume related items and an increase in library usage would be likely to generate increased revenue with only marginally increased expenditures.
- In addition to the budgeted revenue items, introducing charges for reservations and for the use of public access PCs for e-mail and Internet chat could be considered as further means to generate revenue from library operations. There would also appear to be minimal income earned from the rental of public meeting rooms.

4.2 Member Contributions:

The CoGG's share of member contributions is, at 88%, higher than its 83% share of the regional population, which, together with other key indicators (refer Table 3), cast doubt on the equity of the member contributions. Furthermore, if cross-usage of Geelong's libraries by the other member LGAs is considered, it is likely that the differences would be more pronounced.

Table 3: Member Contributions & other relevant Comparisons

LGA	Contribution	Population	Members	Circulation	Hours Open	Branch Staff Hours
Gold Plains	2.0%	6.5%	1.3%	1.6%	3.6%	3.7%
CoGG	88.0%	83.0%	88.3%	89.3%	84.1%	79.9%
Queenscliffe	3.1%	1.3%	2.8%	2.4%	3.9%	4.2%
Surf Coast	6.9%	9.2%	7.6%	6.7%	8.4%	12.2%

Whilst I consider the sharing of costs on a per capita basis to be fundamentally flawed, it would seem appropriate to review the funding formula to ensure that the CoGG is bearing an equitable share of regional costs. Notwithstanding the suggestion to review the funding formula, it is recognised that the CoGG may consider bearing a disproportionate share of expenses as consistent with its regional responsibility and as recognition of the economic benefits that accrue to CoGG residents and businesses from the neighbouring LGAs.

4.3 Recurrent Expenditure:

In the absence of a detailed review of recurrent expenditure, it is only possible to comment on the apparent reasonableness of the budgeted expenditure items. From a general perspective, there would appear to be no obvious anomalies and the following comments and observations are offered in support of this view.

- Salaries and related expenditures account for 60.5% of recurrent expenditure and given the GRLC's low staffing levels per capita, one must conclude that there is little scope for further rationalisation without impacting adversely on service delivery. The GRLC's lean status may be partly attributable to outsourcing the end processing of library materials, although this is not considered to have a significant impact. Furthermore, one would expect that the outsourcing has been evaluated and found to deliver a cost-benefit to the GRLC.
- The second highest expenditure is depreciation, which accounts for 17.8% of recurrent expenditure, with depreciation of library materials representing 71.4% of total depreciation. It is noted that the budgeted depreciation for library materials of \$564,437 is inadequate to maintain the currency of the collection and it is assumed that this reflects the use of historical costs and/or unreasonable shelf-life assumptions when calculating depreciation. Although this may be justified on financial accounting grounds, depreciation should be calculated on the basis of replacement

values and realistic shelf-life assumptions if it is to function as a reliable guide for the replacement of library collections.

- Taken together, computer support and communications costs are budgeted at \$298,698 or 6.7% of recurrent expenditure. Given the scale of the GRLC's operations and the recent upgrades made to the library management system and network infrastructure, the expense appears reasonable. Furthermore, one would assume that the technologies adopted were fully investigated and found to be those which best met the GRLC's technical, service delivery and financial criteria.

- The other major expense is contractors, which is budgeted at \$225,896 or 5.1% of recurrent expenditure. Given the reduction in the materials budget of approximately 30%, one would have expected a reduction in this expense item to reflect the corresponding reduction in the outsourced end processing of library materials. However, as indicated by the notes accompanying the budget, any saving could be offset by a combination of CPI increases payable to other contractors and funds budgeted to upgrade the GRLC website.

- Other observations in relation to recurrent expenditure are:
 - One would expect the administration budget to include a line item for insurances to cover the GRLC's assets, as well as public liability, professional indemnity and coverage for directors and officers. In the absence of such expenditure, it is assumed that coverage is acquired through CoGG policies. Nevertheless, it would be appropriate for the GRLC budget to reflect such expenditure in the interests of transparency and equitably sharing expenses between the member LGAs.

 - Recurrent library materials such as newspapers and periodicals are not separately identified and it is assumed that such expenditure is included under the capital budget for library materials.

 - The budgeted amount of \$53,067 for consumable materials appears high, although it is consistent with the prior year.

 - Corporate marketing and promotion (\$37,000) also appears high. However, as commented earlier in this paper, the low membership penetration suggests a need for more active and effective marketing of library services to the regional community.

 - Electricity expenditure (\$8,640) appears low and it is assumed that this applies to headquarters only, with branch costs borne directly by the member LGAs.

4.4 Capital Expenditure:

Given that several of the capital expenditures reflect strategic decisions made by the GRLC Board, it is appropriate that comment is restricted to the budgeted amount for lending materials, which, whilst capital by definition, is akin to a recurrent expenditure.

Reducing the materials budget by approximately 30% is, in my opinion, a retrograde step. This is compounded by the forward budgets for the three years to 2007-2008 also representing a reduction relative to recent years. This action has the potential to undo the positive work undertaken in collection development up to 2003-2004 and impede the GRLC's ability to build its collection to per capita industry levels.

Whilst the convenience of reducing the materials budget during periods of cost constraint is understood, such decisions are strategically unsound in that they impact adversely on the principal quality driver of a library service - the collection. Industry surveys have consistently shown that the main reason people attend libraries is to borrow from or use the collection, thus any action that compromises collection scale and quality should be avoided where possible.

5.0 Comments re GRLC Request for Increased Funding:

The following comments are made in relation to an undated paper from the GRLC's CEO titled *Preliminary Advice on Library Budget 2005/06* and a series of papers outlining alternative 4 year forward strategies. Each of the documents recognises that the depletion of the GRLC's capital reserves necessitates a reconsideration of the member LGAs' annual financial contributions.

5.1 Preliminary Advice on Library Budget 2005/06:

This paper utilises a series of statistical comparisons to justify increased municipal contributions and generally presents a compelling argument. However, to facilitate stakeholders' consideration of the arguments therein, the following comments are offered:

- Council's increased annual contribution of 18.1% over the period from 1997/98 to 2004/05 is compared with equivalent increases in population of 15.6% and CPI of 21.6%. Neither comparison is, in its own right, justification for additional Council funding. Whilst Council lags the CPI increase, the paper does not establish CPI as a relevant inflation indicator for public libraries. Similarly, Council could argue that its increase has exceeded that of population growth and that the marginal cost of an extra person is, in any case, less than the pre-existing average cost.

Nonetheless, to dismiss the comparison on the above grounds would be incorrect, as one must recognise the cumulative impact of population growth and CPI (or equivalent inflationary index). Accurately determining this impact is beyond the scope of this paper, but it is reasonable to conclude that it would have exceeded Council's increase of 18.1%.

- Council's increase of 2.1% in per capita terms over the past eight years is a more compelling indicator that funding has not kept pace with external pressures. Assuming everything else equal, one would expect per capita funding to increase by (say) CPI in order to maintain service levels. Whilst productivity improvements and the lower marginal cost associated with servicing population growth would act as offsets, one would nevertheless expect the net effect to be significantly greater than 2.1% over eight years.

- Comparing GRLC's municipal contribution of \$11.04 per capita with the state average of \$18.49 confirms the GRLC as a relatively low cost library service. Indeed, on this measure, the GRLC receives the fifth lowest contribution among Victoria's library services. Nevertheless, whilst I concur that the data imposes an obligation on the member LGAs to consider their position, it should be pointed out that:
 - a) One would expect a service of the GRLC's size to demonstrate economies of scale.
 - b) Comparisons with other services are complicated by variations in accounting arrangements. For example, the amounts may be inflated by circumstances such as services paying an imputed rental for branch libraries.
 - c) In absolute terms, it is likely that the CoGG's contribution to library services would rank 6th to 10th highest among all Victorian LGAs. (This data is not captured by the *Annual Survey of Victorian Public Libraries*, but the CoGG's estimated ranking can be quite accurately gleaned from the available data.)

The peer comparison is valid, but, as indicated above, should be carefully interpreted.

- The benchmarking comparison addressed earlier in this paper confirmed the GRLC's position as a low cost service in terms of the key measures of cost per loan and cost per visit. It may be reasonably concluded from the GRLC's position relative to its peers that the scope for further rationalisation is extremely limited.

As stated at the beginning of this section, the comparisons are quite compelling and confirm that the GRLC's request for increased funding is valid and based on rational grounds. It would appear that the member LGAs have benefited in recent times from the availability of a cash surplus, thus enabling services to be maintained with quite minimal increases to annual contributions. However, with the depletion of the cash surplus and the statutory need to cover long service leave entitlements, it would appear that contributions must be increased or service levels and/or infrastructure improvements curtailed.

5.2 Four Year Forward Strategies:

The following comments are based on the Cash Flow Statements accompanying each version of the Four Year Forward Strategies, for which the data provided is assumed to accurately depict the projected cash flows. The assumptions inherent in the strategies will not be repeated herein, except to acknowledge that the strategies aim to:

1. Maintain a cash balance of approximately \$450,000 to cover the GRLC's long service leave obligations.
2. Maintain the current branch structure, staffing levels and opening hours.
3. Provide for nominated capital improvements.
4. Achieve a balanced budget by treating member contributions and the capital materials budget as the key variables.

My observations and comments regarding each version follow:

Version 1:

This may be regarded as the base case whereby member contributions will increase by 10% in 2005-2006 and 8% for each of the next two years as proposed by the GRLC. This allows the materials budget to be restored to a more acceptable (but still reduced) level of \$907,000 in 2005-2006, increasing progressively to \$981,011 in 2007-2008.

However, the strategy does not meet the core objective of maintaining sufficient reserves to cover long service leave, as shown below:

	2005-2006	2006-2007	2007-2008
Cash @ year-end	\$200,003	\$(79,997)	\$(301,514)
LSL requirement	\$450,000	\$450,000	\$450,000
Over/(under) LSL req.	\$(249,997)	\$(529,997)	\$(751,514)

Clearly, the proposed increases in member contributions is insufficient to allow the GRLC to maintain the required cash reserve to cover long service leave. To address the above shortfalls, the strategy proposes that the CoGG will effectively lend the GRLC the amount required to maintain the requisite balance at the end of each quarter, with the amount to be repaid early the following quarter upon receipt of member contributions. Whilst such a strategy may be appropriate for small shortfalls, it would seem to be inadvisable for the above amounts.

Version 2:

This version maintains the increased member contributions inherent in Version 1 and reduces the materials budget by a total of \$724,934 over the three years from 2005-2006 to 2007-2008. As shown below, the strategy essentially achieves its objective.

	2005-2006	2006-2007	2007-2008
Cash @ year-end	\$439,103	\$471,767	\$430,420
LSL requirement	\$450,000	\$450,000	\$450,000
Over/(under) LSL req.	\$(10,897)	\$21,767	\$(19,580)

The shortfalls shown above are minor and could be accommodated through short-term loans from the CoGG or, preferably, minor adjustments to member contributions. However, the cost of achieving the above end is unacceptable in that it will severely hamper collection development; lead to reduced use of the library service over time; and require a significant injection of funds at a later date to restore the collection to an acceptable level.

Version 3:

This version maintains the materials budget at the Version 1 level and adjusts member contributions to ensure that the GRLC has sufficient cash reserves to cover its long service leave obligations. To achieve the required cover, member contributions would increase by 28% in 2005-2006, then 2% for each of the next two years.

	2005-2006	2006-2007	2007-2008
Cash @ year-end	\$453,559	\$452,549	\$467,193
LSL requirement	\$450,000	\$450,000	\$450,000
Over/(under) LSL req.	\$3,559	\$2,549	\$17,193

Of the three versions under consideration, version 3 is the only strategy that jointly achieves the required cash reserves and maintains the materials budget at an acceptable level. The primary consideration for the member LGAs is whether the 28% increase in 2005-2006 can be borne, although when viewed in the following contexts, the impost appears somewhat less severe.

- The per capita member contributions for 2005-2006 and 2007-2008 would be \$14.85 and \$15.45 respectively. When compared with the state average for 2002-2003 of \$18.49, the GRLC would remain a relatively low-cost library service.
- The overall increase in member contributions from 2004-2005 to 2007-2008 for versions 1 and 3 would be 28.3% and 33.1% respectively. Whilst the bulk of the increase for version 3 would be incurred in the 2005-2006 year, the member contributions for these two versions do converge over the period to 2007-2008.

If the member LGAs wish to achieve the objectives identified at the beginning of this section and restrict the consideration of options to the three versions discussed above, then version three is the appropriate strategy to follow.

6.0 Discussion of Alternative Approaches:

To date, this paper has explored the GRLC's standing relative to its industry peers; considered the financial implications of key operational indicators; appraised the reasonableness of the 2004-2005 budget; assessed the validity of the GRLC's request for increased funding; and evaluated the three funding options currently under consideration.

As is evident from the discussion thus far, the dominant findings are to concur that the library service cannot be maintained through annual increases in member contributions approximating 3%; that the GRLC is a lean, low-cost operation; and that there are limited opportunities to achieve further rationalisation without compromising service quality.

The above findings have been developed through a process of commenting on materials provided by the CoGG/GRLC and publicly available industry statistics. To conclude the evaluation, this section will generally discuss opportunities for cost reduction within public libraries.

Whilst there are many variables that impact on the success of a library service, such variables can be reduced to four when viewed in fundamental terms. They are:

1. Branch infrastructure.
2. Collections.
3. Staffing levels.
4. Accessibility to the community.

Accordingly, when considering cost reduction opportunities, one should commence by focusing on these fundamentals. Unfortunately, experience suggests that such exercises often go no further than to reduce spending on library collections, presumably due to collections being the most variable expenditure category and the relative invisibility of reductions in the short-term.

However, the folly of this approach can be appreciated by considering which of the above fundamentals primarily drives quality within library services. Naturally, this is a matter of opinion, but I am of the view that collections are the primary driver in that the branch infrastructure is essentially provided to house the collection; library staff administer the collection; and the main reason that users attend libraries is to access the collections. By taking the easy cost reduction option, decision-makers cut directly into the heart of their library services and a more logical and strategic approach would be to protect collections from such indiscriminate practices.

With respect to the GRLC's current position, what cost reduction alternatives exist within the other fundamental areas? There would seem to be a number of alternatives, such as:

Infrastructure:

- Immediately close the non-viable branches.
- Discontinue the mobile library service to locations that fall within the catchment area of static branches.
- Rationalise the branch structure to minimise overlapping catchments.
- Defer, reduce or cancel expenditures on key capital programs such as the IT communications upgrade.

Staffing levels:

- Reduce branch staffing levels to the minimum required to comply with workplace health and safety regulations.
- Review work practices to assign work to lower band personnel wherever possible.
- Explore automation opportunities.

Accessibility:

- Reduce branch opening hours.
- Withdraw the reservations service or introduce charges based on full cost recovery.
- Impose stricter lending limits (to reduce staff workload).

At this point I must emphasise that the above alternatives are not recommended, with the exception of those that have been discussed elsewhere in this paper.

However, if viewed objectively, readers will recognise that each is a valid means to reduce costs. It is also clear that they are generally unpalatable and highly visible, thus likely to encounter varying levels of community opposition. A key question to consider is whether they are more unpalatable than reducing materials expenditure....hopefully not!

The object of this exercise has been to demonstrate that there are limited options available to reduce operational expenditures without impacting adversely on service levels and quality. It is likely that many, if not all, of the above alternatives have been considered and duly dismissed by the GRLC and the member LGAs. If so, the logical action is to accept that higher member contributions will be required from 2005-2006 onwards to maintain the GRLC's existing service levels and to progressively upgrade its IT and communications infrastructure.

7.0 Summation of Key Findings:

As stated at the beginning of this paper, the objective has been to facilitate the CoGG's consideration of a request for increased funding from the GRLC. The approach adopted has been to comment on materials provided and, in so doing, to endorse or challenge the contents based on the writer's experience. In this sense, the paper is very much a personal opinion and it is recognised that the opinions expressed may conflict with those of individual stakeholders. This is an inevitable outcome of such exercises and it is suggested that readers approach this paper as an opportunity to more broadly consider their options or to reinforce their existing positions.

In conclusion, therefore, the key findings are listed below in summary form.

- ▀ Relative to industry norms, the GRLC is a lean, low-cost library service.
- ▀ Membership penetration is extremely low at 32% of the regional community.
- ▀ Usage by the community would appear to be predominantly of a recreational nature.
- ▀ The library collection performs well, but is under-resourced in terms of items per capita.
- ▀ The provision of public access PCs is low by industry standards, but is restricted by the current branch infrastructure.
- ▀ The Barwon Heads, Chilwell, Grovedale and Newtown branches exhibit clear indications of being non-viable.
- ▀ There is scope to rationalise mobile library services by eliminating locations within the catchment areas of static libraries.
- ▀ The growing popularity of the audio-visual collections may pose philosophic challenges with respect to the role of a public library.
- ▀ Reducing the bookvote in the 2004-2005 budget will impede collection development in the short- and longer-terms.
- ▀ Growth in reservations will increase staff workload and place further pressure on operational costs. Consideration should be given to introducing charges for this service.
- ▀ GRLC income is higher than industry norms as a result of charging for some audio-visual items.
- ▀ Based on disparity between the CoGG's share of regional expenses and potential allocation criteria, there is justification to review the regional funding formula.
- ▀ There would appear to be limited scope for rationalisation within the 2004-2005 budget.
- ▀ The GRLC's grounds for requesting a funding increase are logical and generally compelling.
- ▀ Current member contributions of \$11.04 per capita are significantly below the state average of \$18.49.
- ▀ The depletion of the cash surplus and the statutory requirement to cover long service leave obligations has created an imbalance that must be addressed by funding increases and/or a reduction in service levels.
- ▀ Of the three *Four Year Forward Strategies* under consideration, only Version 3 satisfies the criteria set by the GRLC and member LGAs.

- Adopting Version 3 would increase member contributions per capita from \$11.04 to \$14.85 in 2005-2006. This is still well below the state average of \$18.49 as at 2002-2003.
- There are other options available by which to avoid and/or delay funding increases. However, such options would generally involve a deterioration of service levels and quality and are not in the best current and long-term interests of the GRLC and the member LGAs.
- Member LGAs should resist the easy option to reduce costs by cutting back on the materials budget.

Please note that in accordance with our policy, I am obliged to advise that neither the Firm, nor any member or employee of the Firm, undertakes responsibility in any way whatsoever to any person or organisation, other than the City of Greater Geelong, in respect of the information set out in this report, including any errors or omissions therein, arising through negligence or otherwise however caused.

Thank you for the opportunity to undertake this engagement and should you wish to further discuss any of the content, please contact the undersigned on 94343010 or by e-mail at jlms@optusnet.com.au.

John A. Liddle

Director

J.L. Management Services Pty. Ltd.

January 3rd 2005

Attachments

Library Branch	Absolute Measures					Comparative Measures			
	Hours Open Per Annum	Annual Visits	Stock	Members	Loans	Visits Per Hour Open	Loans Per Hour Open	items Per Member	Stock Turnover
Barwon Heads	510	6,300	7,000	560	14,480	12.4	28.4	12.5	2.1
Belmont	2,500	229,000	61,000	12,600	541,800	91.6	216.7	4.8	8.9
Chilwell	1,350	15,100	13,000	870	28,850	11.2	21.4	14.9	2.2
Corio	2,300	124,800	41,000	8,050	217,400	54.3	94.5	5.1	5.3
Drysdale	1,900	145,700	18,000	3,900	166,800	76.7	87.8	4.6	9.3
Geelong	2,830	292,200	75,000	18,700	543,000	103.3	191.9	4.0	7.2
Geelong Mobile	950	16,800	9,500	1,970	58,800	17.7	61.9	4.8	6.2
Geelong West	2,100	110,300	32,300	5,300	206,300	52.5	98.2	6.1	6.4
Grovedale	810	12,300	9,000	980	29,400	15.2	36.3	9.2	3.3
Highton	1,370	43,100	12,000	1,970	66,500	31.5	48.5	6.1	5.5
Newcomb	2,040	82,200	21,000	5,850	188,000	40.3	92.2	3.6	9.0
Newtown	840	6,400	11,000	700	21,400	7.6	25.5	15.7	2.0
Ocean Grove	2,040	101,300	30,000	6,300	198,700	49.7	97.4	4.8	6.3
Queenscliff	1,100	29,100	16,000	2,100	61,300	26.5	55.7	7.6	3.8
Torquay	1,400	47,000	11,000	2,700	85,000	33.6	60.7	4.1	7.8
Surf Coast Mobile	950	17,300	9,000	2,090	52,800	18.2	55.6	4.3	5.9
Gold Mobile	950	11,000	8,000	1,000	39,800	11.6	41.9	8.0	5.0
other					8,000				
Total	25,940	1,289,900	383,800	75,640	2,528,330	49.7	97.5	5.1	6.6

Highlight denotes non-viable branches

	2003/04 Ann Bgt	2003/04 Forecast	2004/05 Ann Bgt	Variance Bgt to Bgt
RECURRENT INCOME:				
Government Grants:				
2080 State - Specific Purpose - Exempt	\$ 95,058	\$ 95,058	\$ 115,000	-\$ 19,942
Sub-Total Government Grants	\$ 95,058	\$ 95,058	\$ 115,000	-\$ 19,942
User Charges:				
2206 Activities and Program Fees - Taxa	\$ 1,200	\$ 1,200	\$ 1,300	-\$ 100
2210 Business Service Fees - Taxable GST	\$ 17,010	\$ 17,010	\$ 16,433	\$ 577
2211 Photocopying Revenue - Taxable GST	\$ 31,030	\$ 31,030	\$ 29,860	\$ 1,170
2245 Facilities - Casual Hire - Taxable	\$ 7,700	\$ 7,700	\$ 8,300	-\$ 600
2270 Memberships & Subscriptions - Taxa	\$ 1,120	\$ 1,120	\$ 2,605	-\$ 1,485
2271 Casual Subscriptions - Taxable GST	\$ 62,550	\$ 62,550	\$ 84,448	-\$ 21,898
Sub-Total User Charges	\$ 120,610	\$ 120,610	\$ 142,947	-\$ 22,337
Other Fees and Charges:				
2305 Fines and Costs - Input Taxed	\$ 117,630	\$ 117,630	\$ 134,364	-\$ 16,734
2480 Sundry Income - Taxable GST	\$ -	\$ -	\$ -	\$ -
Sub-Total Other Fees & Charges	\$ 117,630	\$ 117,630	\$ 134,364	-\$ 16,734
Income from Investments:				
2445 Interest Received - Investments -	\$ 90,000	\$ 90,000	\$ 70,000	\$ 20,000
2480 Sundry Income - Taxable GST	\$ -	\$ -	\$ -	\$ -
Sub-total Income from Investments	\$ 90,000	\$ 90,000	\$ 70,000	\$ 20,000
State Government Grants - Core:				
2971 Lib. Grant - Golden Plains - Exempt	\$ 94,595	\$ 94,595	\$ 98,379	-\$ 3,784
2972 Lib. Grant - Greater Geelong - Exempt	\$ 870,021	\$ 870,021	\$ 904,822	-\$ 34,801
2973 Lib. Grant - Queenscliff - Exempt	\$ 40,482	\$ 40,482	\$ 42,101	-\$ 1,619
2974 Lib. Grant - Surfcoast - Exempt	\$ 119,980	\$ 119,980	\$ 124,779	-\$ 4,799
Sub-Total State Gov't Grants - Core	\$ 1,125,078	\$ 1,125,078	\$ 1,170,081	-\$ 45,003
Member Contributions:				
2981 Lib. Contributions - Golden Plains	\$ 55,069	\$ 55,069	\$ 56,721	-\$ 1,652
2982 Lib. Contributions - Greater Geelong	\$ 2,389,883	\$ 2,389,883	\$ 2,461,580	-\$ 71,697
2983 Lib. Contributions - Queenscliff	\$ 84,727	\$ 84,727	\$ 87,269	-\$ 2,542
2984 Lib. Contributions - Surfcoast	\$ 186,373	\$ 186,373	\$ 191,964	-\$ 5,591
Sub-Total Member Contributions	\$ 2,716,052	\$ 2,716,052	\$ 2,797,534	-\$ 81,482
TOTAL RECURRENT INCOME	\$ 4,264,428	\$ 4,264,428	\$ 4,429,926	-\$ 165,498

**Geelong Regional Library Corporation
Operating Statement 2004-2005**

Attachment 2

	2003/04 Ann Bgt	2003/04 Forecast	2004/05 Ann Bgt	Variance Bgt to Bgt
RECURRENT EXPENDITURE:				
Salaries:				
3005 Salaries & Wages	\$ 2,062,529	\$ 2,062,529	\$ 2,134,598	-\$ 72,069
3008 Overtime	\$ 48,367	\$ 48,367	\$ 44,240	\$ 4,127
3010 Allowances	\$ 17,634	\$ 17,634	\$ 17,373	\$ 261
3015 On Costs - Long Service Leave	\$ 60,038	\$ 60,038	\$ 62,229	-\$ 2,191
3020 On Costs - Annual Leave	\$ 178,942	\$ 178,942	\$ 185,911	-\$ 6,969
Sub-Total Salaries	\$ 2,367,510	\$ 2,367,510	\$ 2,444,352	-\$ 76,842
Workcover/Superannuation:				
3055 Superannuation	\$ 221,101	\$ 221,101	\$ 214,503	\$ 6,598
3060 Workcover	\$ 20,670	\$ 20,670	\$ 21,271	-\$ 601
3065 Workcover Medicals	\$ 800	\$ 800	\$ 500	\$ 300
Sub-Total Workcover & Superannuation	\$ 242,571	\$ 242,571	\$ 236,274	\$ 6,297
General Works - Materials:				
4030 Health and Safety Provisions	\$ 4,160	\$ 4,160	\$ 4,000	\$ 160
4040 Food Supplies	\$ 3,500	\$ 3,500	\$ 3,500	\$ -
4050 Consumable Materials	\$ 50,836	\$ 50,836	\$ 53,067	-\$ 2,231
4095 Stores Issues	\$ 100	\$ 100	\$ 500	-\$ 400
Sub-Total Materials	\$ 58,596	\$ 58,596	\$ 61,067	-\$ 2,471
General Works - Plant / Equipment / MVE:				
4505 Minor Plant, Furniture and Equipment	\$ 6,500	\$ 6,500	\$ 15,036	-\$ 8,536
4510 External Plant & Equipment Hire	\$ 1,000	\$ 1,000	\$ 1,850	-\$ 850
4517 Fuel, Oils and Grease	\$ 18,600	\$ 18,600	\$ 15,330	\$ 3,270
4520 Motor Vehicle Administration and Maint.	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
4525 Repairs and Maintenance	\$ 24,880	\$ 24,880	\$ 17,800	\$ 7,080
Sub-Total Plant, Equipment & MVE	\$ 57,980	\$ 57,980	\$ 57,017	\$ 963
General Works - External Services:				
5005 Contractors	\$ 219,049	\$ 219,049	\$ 225,896	-\$ 6,847
5007 Security Services	\$ 987	\$ 987	\$ 906	\$ 81
5025 Insurance Premium	\$ 6,850	\$ 6,850	\$ 3,500	\$ 3,350
5035 Rental Expense	\$ 52,230	\$ 52,230	\$ 53,458	-\$ 1,228
5040 Corporate Marketing and Promotion	\$ 24,000	\$ 24,000	\$ 37,000	-\$ 13,000
5041 Corporate Advertising	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
5042 Corporate Web Services	\$ 2,000	\$ 2,000	\$ 6,000	-\$ 4,000
5044 Memberships & Subscriptions	\$ 5,740	\$ 5,740	\$ 5,825	-\$ 85
5055 Events & Functions	\$ 21,000	\$ 21,000	\$ 19,000	\$ 2,000
Sub-Total External Services	\$ 334,856	\$ 334,856	\$ 354,585	-\$ 19,729
Administration:				
5502 Corporate Printing	\$ 34,000	\$ 34,000	\$ 33,043	\$ 957
5505 Office Items and Stationery	\$ 10,850	\$ 10,850	\$ 8,861	\$ 1,989
5510 Corporate Costs	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
5515 Photocopying	\$ 39,351	\$ 39,351	\$ 36,000	\$ 3,351
5517 Computer Software	\$ 6,780	\$ 6,780	\$ 9,910	-\$ 3,130
5518 Computer Hardware	\$ -	\$ -	\$ -	\$ -
5520 Postage	\$ 8,100	\$ 8,100	\$ 9,240	-\$ 1,140
5525 Training and Development	\$ 23,665	\$ 23,665	\$ 23,731	-\$ 66
5530 Fringe-Benefits Tax	\$ 12,800	\$ 12,800	\$ 12,800	\$ -
5535 Travel and Accommodation	\$ 5,250	\$ 5,250	\$ 5,120	\$ 130
5545 Bank Fees	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
5565 Leases	\$ 23,646	\$ 23,646	\$ 24,486	-\$ 840
5580 Debt Collection	\$ -	\$ -	\$ -	\$ -
Sub-Total Administration	\$ 166,442	\$ 166,442	\$ 165,191	\$ 1,251

**Geelong Regional Library Corporation
Operating Statement 2004-2005**

Attachment 2

	2003/04 Ann Bgt	2003/04 Forecast	2004/05 Ann Bgt	Variance Bgt to Bgt
Professional Services:				
6005 Consultants	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
6010 Audit Services	\$ 5,000	\$ 5,000	\$ 7,000	-\$ 2,000
6015 Legal Expenses	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
6020 Computer Support	\$ 96,870	\$ 96,870	\$ 98,078	-\$ 1,208
Sub-Total Professional Services	\$ 106,370	\$ 106,370	\$ 109,578	-\$ 3,208
Utilities:				
6501 Utilities - Electricity	\$ 9,960	\$ 9,960	\$ 8,640	\$ 1,320
6503 Utilities - Water	\$ 580	\$ 580	\$ 440	\$ 140
6504 Utilities - Communications	\$ 163,944	\$ 163,944	\$ 200,620	-\$ 36,676
6510 Rates and Property Charges	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Sub-Total Utilities	\$ 176,884	\$ 176,884	\$ 212,100	-\$ 35,216
Depreciation:				
7003 Depreciation - Heavy Vehicle Plant	\$ 24,661	\$ 24,661	\$ 19,000	\$ 5,661
7004 Depreciation - Light Vehicles	\$ 11,030	\$ 11,030	\$ 9,000	\$ 2,030
7006 Depreciation - Furniture and Equip	\$ 94,733	\$ 94,733	\$ 197,200	-\$ 102,467
7010 Depreciation of Lending Materials	\$ 659,855	\$ 659,855	\$ 564,437	\$ 95,418
Sub-Total Depreciation	\$ 790,279	\$ 790,279	\$ 789,637	\$ 642
Gain/(Loss) on Sale of Plant & Equipment:				
2510 Proceeds of Asset Disposals - (P &	\$ 6,530	\$ 6,530	\$ -	\$ 6,530
Sub-Total Gain (Loss) from Asset Disposals	\$ 6,530	\$ 6,530	\$ -	\$ 6,530
TOTAL RECURRENT EXPENDITURE	\$ 4,294,958	\$ 4,294,958	\$ 4,429,800	-\$ 134,842
RECURRENT SURPLUS/(DEFICIT)	-\$ 30,530	-\$ 30,530	\$ 126	-\$ 30,656
NON-RECURRENT INCOME				
Capital Grants and Income	\$ -	\$ -	\$ -	\$ -
TOTAL NON-RECURRENT INCOME	\$ -	\$ -	\$ -	\$ -
NON-RECURRENT SURPLUS/(DEFICIT)	\$ -	\$ -	\$ -	\$ -
NET SURPLUS/(DEFICIT)	-\$ 30,530	-\$ 30,530	\$ 126	-\$ 30,656

**Geelong Regional Library Corporation
Capital Expenditure Budget 2004-2005**

Attachment 2

Expenditure Type	Actual 2002/2003	Projection 2003/04	Budget 2004/05	Plan 2005/06	Plan 2006/2007	Plan 2007/2008
Lending Material	\$ 1,086,431	\$ 1,068,000	\$ 749,000	\$ 850,000	\$ 895,000	\$ 945,000
Server	\$ 112,023	\$ 29,000	\$ 32,624			
Customer Survey	\$ 7,322	\$ 5,000	\$ 5,000			
Golden Plains site improvement	\$ 30,973	\$ 10,000				
Lribrary Branch Equipment	\$ 45,405	\$ 13,000	\$ 37,000			
IT Communications upgrade	\$ 199,288	\$ 400,000				
Refurbishment of Mobile Library		\$ 150,000				
Upgrade of Corio Branch		\$ -	\$ 140,000			
Security System		\$ 15,000				
Library Management System		\$ 35,000	\$ 102,417			
Vehicle Replacement		\$ 28,779				
Total Capital Expenditure	\$ 1,481,442	\$ 1,753,779	\$ 1,066,041	\$ 850,000	\$ 895,000	\$ 945,000