



Service Fees Paid to MHLS – Revised Report to the DA – April 2015
Executive Summary

- A. Background
 - 1. Library Directors have reported concerns about the payment of service fees to MHLS. These fees are calculated based on resource sharing services (e.g., Sierra/ILP, Delivery) and eResources (e.g., databases).
 - 2. The MHLS Board has requested a report from the DA regarding DA concerns.
 - 3. The DA conducted March table talks to review information association with services fees.
 - 4. The SSAC has considered the table talk discussions and are proceeding on reviewing issues regarding service fees.
- B. Member Assessment & e-Resources Service Fees Paid by Members to MHLS
 - 1. In 2014, Members paid \$584,902 in Member Assessment and eResources fees.
 - 2. Attachment A provides additional information
- C. What percent of the MHLS budget is represented by member service fees?
 - 1. In 2014, 18.58% of MHLS Total Operating Fund Receipts were provided by Member Assessment and eResources fees.
 - 2. Attachment B provides additional information
- D. How does the percentage of the MHLS budget represented by member service fees compare with similar systems?
 - 1. Based on the 4 systems larger and the 4 system smaller than MHLS, 5 of the systems have larger percentages and 3 of the systems have smaller percentages.
 - 2. Attachment C provides additional information
- E. How does increases and decreases to MHLS funding compare to increases and decreased in member libraries funding?
 - 1. Based on the period of 2008-2013, MHLS funding has decreased 12.34% and the total funding for member libraries has increased 24.3%.
 - 2. Rate of Inflation increased 11.24% for the period of January 2008 to December 2014.
 - 3. Attachment D provides additional information.
- F. What percent of the Member Libraries Operating Funds does Member Libraries Service Fees paid to MHLS represent?
 - 1. In 2013, Members Libraries Services Fees represented 1.93% of Member Library Operating Funds.
 - 2. Attachment E provides additional information.
- G. Requested information being compiled:
 - 1. What percent of Operating Funds of each Member Library does Member Library Service Fees represent?
 - 2. What percent of Cash Grants and what percent of Local Funds does Member Library Service Fees represent?



Attachment A

1. Service Fees – The calculations of MHLS Member Assessment Fees are based on: (1) the elements listed in the Member Assessment Table, and (2) the cost of selected eResources. All fees and eResources are annually approved by the Directors Association.
2. Member Assessment Fees
 - a. Background - Due to: (1) the lack of full funding for Chapter 917; (2) the Great Recession leading to a 22% reduction in NY State Aid to MHLS during the period of 2008-2011; and (3) the need to use MHLS reserve funds for MHLS annual operating expenses; member libraries considered how to ensure the continuation of key MHLS services. The original projected amount of the Member Assessment was \$707,000. The Member Assessment amount was changed to a target of \$600,151, recognizing the amount may be adjusted based on State Aid and the overall condition of the MHLS budget.
 - b. The Member Assessment is calculated by combining a General Fee with assessments based on system holds activity and Sierra usage. Member Assessment service fees are associated with: (1) Holds Delivery; (2) Sierra Fee General; (3) Sierra Hosting Fee (3) Sierra Licenses; and (4) Sierra Fee Capital.

c. Member Assessment Fees¹ by Year:

| 2012 | 2013 | 2014 |
|------------------------|-----------|-----------|
| \$445,678 ² | \$533,985 | \$532,397 |

- d. Based on the Moving Forward Assessment Project, a relationship between Member Assessment Fees and the actual cost of ILP/Cataloging/Deliver Services can be considered:
 - i) Funding Sources
 - a) Member Assessment = \$532,374 (59%)
 - b) MHLS General Operating Funds = \$329,673+ (36%+)
 - c) Central Library Aid = \$47,755 (5%)
 - ii) MHLS Actual Cost for Services in Member Assessment Table
 - a) ILP Services = \$271,175+
 - b) Cataloging Services = \$135,202+
 - c) Deliver Services = \$503,425+

¹ A “Member Assessment” based on the current formula was first implemented in 2012. In 2011, an Automation Maintenance License Service Fee (\$101,236), a Circulation Service Fee (\$109,240), and a Delivery Service Fee (\$220,000) were charged for a total amount of \$430,476.

² Final 2012 Assessments included a \$56,000 reduction in the delivery fee, distributed proportionately as well a credit for the loans provided. The adjustments will be issued on MHLS billing after July 15, 2012. This is a one-time credit and member libraries were advised that the draft 2013 Assessments will not include either the CLDA Delivery Subsidy (\$40,000) nor the 2012 credits/adjustments (\$116,000).



Attachment A - continued

3. e-Resources Fees

a. e-Resources³ fees paid by members libraries

| 2012 | 2013 | 2014 |
|----------|----------|----------|
| \$55,188 | \$60,813 | \$52,505 |

b. Member library fees for e-Resources are pass-through payments to vendors. MHLS uses NONE of these fees for MHLS operations.

c. Based on the Moving Forward Assessment Project, a relationship between Member Fees paid for eResources and the actual cost of eResources Services can be considered:

d. Cost & Funding Sources for eResources - 2013

i) Cost = \$154,832

a) Licenses = \$131,186 (85%)

b) Staff/Administration = \$23,646+ (15%)

ii) Funding Sources

a) Central Library = \$70,373 (45%)

b) Member Service Fees = \$60,813 (40%)

c) MHLS General Operating Funds = \$23,646+ (15%)

4. Summary - Member Assessment & e-Resources Service Fees Paid by Members to MHLS

| | 2012 | 2013 | 2014 | Amount of Change 2012-2014 | Percent of Change 2012-2014 |
|-------------|-----------|-----------|-----------|-------------------------------|--------------------------------|
| ASSESSMENT | \$445,678 | \$533,985 | \$532,397 | +\$86,719 | |
| E-RESOURCES | \$55,188 | \$60,813 | \$52,505 | -\$2,683 | |
| TOTAL | \$500,866 | \$594,798 | 584,902 | +\$84,036 | +16.77% |

³ eResources are Databases, eBook/eAudio, and Catalog Enhancements annual approved by the Directors Association for funding by member fees and Central Library Aid.



Attachment B

Based on the Directors Association reviewing/discussing member service fees, the question was asked what percent of the MHLS budget is represented by member service fees.

| | 2012 | 2013 | 2014 |
|---|-------------|-------------|-------------|
| Member Assessment for ILP/Delivery Services | \$445,678 | \$533,985 | \$532,397 |
| Member Fees for eResource Services | \$55,188 | \$60,813 | \$52,505 |
| MEMBERS TOTAL (Assessment + eResources) | \$500,866 | \$594,798 | 584,902 |
| MHLS TOTAL (Operating Fund Receipts ⁴) | \$2,941,371 | \$3,140,877 | \$3,148,431 |
| % of Members Assessment/Fees Compared to MHLS Total Operating Fund Receipts | 17.03% | 18.94% | 18.58% |

⁴State Annual Report – Total Operating Fund Receipts (Total Local Public Funds, Total State Aid, Total Federal Aid, Total Contracts) includes Local Library Services Aid Distributed to Members, Member Library Assessments & e-Resource Service Fees, Central Library Development Aid, Central Book Aid, Correctional Facilities Library Aid, County Jails Library Aid, Literacy Grants, Special Legislative Grants, Construction Grants to MHLS, Library Services and Technology Act Grants



Attachment C

Based on the Directors Association reviewing/discussing member service fees, the question was asked about the percentage of the MHLS budget represented by member service fees compare with similar systems. The table below reports the 4 systems larger and the 4 system smaller than MHLS.

| Cooperative System | % of Total System Aid Compared to MHLS | What percentage of your system's total budget is funded by state aid? | What percentage of your system's total budget is generated by member fees? |
|---|---|--|---|
| Suffolk Cooperative | 183% | 32% | 64% |
| Nassau Library System | 164% | 68% | 30% |
| Westchester Library System ⁵ | 120% | 36% | 41% |
| Ramapo Catskill Library System | 112% | 57% | 35% |
| North Country Library System | 79% | 90% | 7% |
| Four County Library System | 73% | 56% | 17% |
| Upper Hudson Library System | 70% | 77% | 15% |
| Southern Adirondack Library System | 68% | 65% | 22% |

Source: Informal and unpublished survey conducted in 2014 by PULISDO to assess what percentage of systems total budgets are generated by member fees using the description of fees paid annually by all member libraries (as per question 5.92 in your 2013 system annual report).

⁵ County funds at \$1 Million (16%)



Attachment D

Discussions by the MHLS Board and the Directors Association have raised the question of how MHLS funding compares to member libraries funding.

| YEAR | State Aid Operating Funds to MHLS | MHLS % Decrease -Increase | MHLS Total Operating Funds ⁶ as Reported in Annual Report | MHLS % Decrease -Increase | Member Libraries Total Operating Funds ⁷ as Reported in Annual Report | Member Libraries % Decrease-Increase |
|--|-----------------------------------|---------------------------|--|---------------------------|--|--------------------------------------|
| 2008 | \$1,735,832 | | \$3,211,293 | | \$24,782,364 | |
| 2009 | \$1,535,881 | -11.51% | \$2,867,177 | -10.71% | \$25,334,685 | +2.22% |
| 2010 | \$1,476,230 | -3.88% | \$2,394,824 | -16.47% | \$27,317,015 | +7.82% |
| 2011 | \$1,383,072 | -6.31% | \$3,634,069 | +51.74% | \$28,372,514 | +3.86% |
| 2012 | \$1,450,422 | +4.87% | \$2,941,371 | -19.06% | \$28,749,975 | +1.33% |
| 2013 | \$1,521,566 | +4.90% | \$3,140,877 | +6.78% | \$30,806,331 | +7.15% |
| Difference for the Period of 2008-2013 | -\$214,266 | -12.34% | -\$70,416 | -2.19% | +\$6,023,967 | +24.3% |
| | | | | | | |
| 2014 | \$1,537,315 | +1.04% | \$3,148,431 | +0.24% | | |
| Difference for the Period of 2008-2014 | -\$198,517 | -11.44% | -\$62,962 | -2.00% | | |

(Rate of Inflation increased 11.24% for the period of January 2008 to December 2014⁸)

⁶State Annual Report for Systems – Total Operating Fund Receipts (Total Local Public Funds, Total State Aid, Total Federal Aid, Total Contracts) includes Local Library Services Aid Distributed to Members, Member Library Assessments & e-Resource Service Fees, Central Library Development Aid, Central Book Aid, Correctional Facilities Library Aid, County Jails Library Aid, Literacy Grants, Special Legislative Grants, Construction Grants to MHLS, Library Services and Technology Act Grants

⁷ State Annual Report for Public and Association Libraries – Total Operating Fund Receipts - Sum of Total Local Public Funds, Total System Cash Grants, Other State Aid, Total Federal Aid, Contracts and Total Other Receipts

⁸ Rate of Inflation has increased 11.24% for the period of January 2008 to December 2014. <http://inflationdata.com/>



Attachment E

Discussions by MHLS Board members has raised the question of how what percent of the Member Libraries Operating Funds does Member Libraries Service Fees paid to MHLS represent.

| | 2012 | 2013 | 2014 |
|--|--------------|--------------|-------------|
| Member Libraries Total Service Fees Paid to MHLS (Assessment + eResources) | \$500,866 | \$594,798 | 584,902 |
| Member Libraries Total Operating Funds as Reported in Annual Report | \$28,749,975 | \$30,806,331 | |
| % of Members Assessment/Fees Compared to Members Total Operating Fund Receipts | 1.75% | 1.93% | |