



Report on Service Fees Paid to MHLS – MHLS Board – March 2015

- ✓ Library Directors have reported concerns about the payment of service fees to MHLS for resource sharing services (e.g., Sierra/ILP, Delivery) and eResources (e.g., databases).
- ✓ The MHLS Board has requested a report from the Directors Association (DA) regarding DA concerns.
- ✓ The DA conducted March “Table Talks” to review information association with services fees and to identify the specific concerns the DA wishes to report to the MHLS Board.
- ✓ The System Services Advisory Committee will consider the information presented and the concerns expressed and draft a report to the MHLS Board for DA review and approval.

A. Based on the findings of the MHLS 2013 & 2014 Annual Surveys, the MHLS Board of Trustees identified as a priority the review of service fees paid to MHLS by MHLS member libraries.

1. Service Fees - MHLS Member Libraries pay service fees to MHLS for: (1) ILP/Cataloging/Delivery Services via the Member Assessment Fees, and (2) Databases/eBook-eAudio/Catalog Enhancements via eResources Fees. These service fees 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 determined 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	\$533,985	\$532,397

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.



d. Funding Sources & Actual Costs - Sierra (ILS), Cataloging, and Delivery Services (2013)

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+

3. e-Resources Fees

a. e-Resources² 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. 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%

² eResources are Databases, eBook/eAudio, and Catalog Enhancements annual approved by the Directors Association for funding by member fees and Central Library Aid.



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 ³)	\$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%

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 ⁴	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).

³State 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

⁴ County funds at \$1 Million (16%)



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 ⁵ as Reported in Annual Report	MHLS % Decrease -Increase	Member Libraries Total Operating Funds ⁶ 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 2014⁷)

⁵State 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

⁶ 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

⁷ Rate of Inflation has increased 11.24% for the period of January 2008 to December 2014. <http://inflationdata.com/>



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%	