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Proposed Expense-Based Funding Model
For WLS Services

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Introduction

A little history... In 2010 the Public Library Directors Association (PLDA) and Westchester Library System (WLS) adopted the WLS IT Finance Model, commonly referred to as “The Model”. Since its adoption, the Model has been reformatted to include additional columns. Those new columns were broken out of existing columns and therefore maintain the distribution and cost basis in order to not effect any actual change. This was done in an effort to make the invoice produced from the model a better reflection of services received and their costs.

From Fall 2015 through Spring 2016 the PLDA Finance Committee has been investigating various approaches to amend or replace the existing model with one that:

- Reflects the actual cost to provide services
- Produces invoices that more accurately represent expenses
- Improves the year-to-year stability of member fees

The result is the proposed Expense-Based Model. This new model features eight, metric-driven, expense-based columns. This document will outline the following for each column:

- A snapshot of the column heading
- The source of the expenses on which it is based
- An explanation of the metric driving the column and why it was chosen.

Transition and Implementation

When the original Model was implemented in 2011, a transition ladder was applied. The transition ladder allowed for the model to be implemented in phases while transitioning away from the former fee structure. The same methodology for implementation can be applied to this new model.

The ladder designates that the Model first be calculated per the original specifications and 2017 budget figure, with the updated statistics, this is referred to as the Baseline Model. Then, the calculations are compared to the 2017 total invoices for each library under the Expense-Based Model. The difference is then calculated as the “transition figure”.

In the years to follow the Model is run again, each time with the current budget. During the transition years (2011 – 2013) the transition figure is then applied as an adjustment until the Model is fully applied. The recommended ladder to be used during this period is as follows:

2017 – 10%, 2018 – 40%, 2019 – 80%, 2020 – 100%.

This methodology provides an end-loaded transition that gives libraries more opportunity to adjust budgets to the transition to the new model.

Metrics

The columns in the Model are driven by two kinds of metrics, statistics and subscriptions.

The subscription-driven columns in the Model are based on a library's inventory or standing order count as of January 1 of the Model year. Libraries may add to or subtract from their subscriptions for the following year at any time from January 1 to September 30 of the previous year. Library may also add to their subscriptions for the current year at any time from January 1 to September 30 of the current year. Current year subtractions are not permitted as it would de-stabilize the model.

Statistics-driven columns are driven by two sources. Integrated Library Management System (ILS) sourced data is sourced from reports from the October 1 thru September 30 period prior to the Model year. For example, for the 2017 Model, the period of October 1, 2015 through September 30, 2016 is used. If the statistic does not require a time period, but rather a point-in-time figure, October 1 prior to the Model year is used. For the remaining statistic-driven columns, the data is sourced from the most recently available Member Library Statistics document published annually by WLS.

For discussion purposes, all sample models and snapshots in this document are based on the 2016 IT Expense Budget. All metrics are from the current issue (2014) of Member Library Statistics and subscriptions in the 2016 IT Finance Model.

Expenses

The columns in the model are based on expenses directly from the WLS IT Budget (Appendix A). For each column, there are two kinds of expenses, Personnel Expenses and Other Than Personnel Expenses (OTPS) which are the goods and services purchased by WLS for the Member Libraries.

For discussion purposes, all expenses, sample models and snapshots in this document are based on the 2016 IT Expense Budget.

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Column: Base Membership

Base Membership	
	\$ 303,518.20
Per 100 Sqft	\$ 33.50

The Base Membership column is driven by the total square footage of a library (or libraries for libraries with branches) as reported in the current issue of Member Library Statistics. The consideration behind this is that this metric rarely changes from year to year and is generally congruent to the usage of basic services by the library.

The expense basis for this column is split 51% to 49% OTPS to Personnel, respectively and represents 11 % of the total expense budget. The OTPS expenses in this column are:

- 100% of Professional Fees
- 100% of Rent and Utilities
- 100% of Supplies
- 100% of Printing and Postage
- 100% Memberships
- 100% Insurance
- 100% Misc.

Column: Network Connectivity

Network Conn.	
	\$ 506,728.42
Per Net	\$ 6,255.90

The Network Connectivity column is driven by the total number of network units delivered to the library (sum of all locations for libraries with branches). WLS delivers three levels of connectivity to libraries, which can be categorized as “small”, “medium” and “large”. Each category is assigned a value, (1) small, (2) medium, (3) large and applied as the driver for the column.

For example: North Castle Public Library has two locations. The main location (ARM) has a medium connection (2) and the branch (AWP) has a small connection (1). The metric for this library is 3. Ardsley Public Library has one location and a medium connection (2). The metric for this library is 2.

The expense basis for this column is split 61% to 39% OTPS to Personnel, respectively and represents 18.5% of the total expense budget. The OTPS expenses in this column are:

- 5% of Repairs and Maintenance
- 75% Telephone and Internet
- 50% of Contractual Services
- 25% Depreciation

Column: WLS Device Support and Maintenance

WLS Device Sup. & Maint	
	\$ 534,049.75
Per Dev	\$ 541.64

The WLS Device Support and Maintenance column is driven by the total number of WLS supported devices to which the library current subscribes.

Currently, the only option for a WLS supported device is a workstation. For patron workstations, this includes use of Envisionware and all other patron-facing software. For staff workstations, this includes supported receipt printers and barcode scanners. As part of the transition to this new model, the IT department plans to expand beyond the traditional workstations with offerings to include mobile devices such as tablets

The expense basis for this column is split 40% to 60% OTPS to Personnel, respectively and represents 19.5% of the total expense budget. The OTPS expenses in this column are:

- 95% of Equipment
- 100% of Professional Development
- 100% of Travel, Conferences and Meetings
- 25% of Depreciation

Column: Library Supported Devices

Lib-Owned Devices	
	\$ 29,411.18
Per Dev	\$ 179.34

The Library Supported Devices column is driven by the number of library supported devices are connected to the WLS Network.

This column represents the costs incurred by WLS to add these additional PCs to the network, which may include larger switches in the library and a share of the cost of network services like DNS and DHCP.

The expense basis for this column is split 29% to 71% OTPS to Personnel, respectively and represents 1% of the total expense budget. The OTPS expenses in this column are:

- 5% Equipment

Column: ILS Maintenance and Support

ILS Maint
\$ 587,701.50
Per 1k ite \$ 144.90

The ILS Maintenance and Support column is driven by the number of items the library has in its collection, rounded up to the nearest thousand items. Using the “per thousand” metric increases the unit rate and stabilizes the rate. In the current model, this metric is used with its absolute value. It creates volatility year-to-year as the number of items is large compared to the number of dollars it drives the model to issue fractional currency which needs to be rounded to the nearest penny, causing large shifts in costs to libraries.

This column supports the cost of maintaining and supporting the ILS which includes in-house staff, equipment and services, training as well as the support contract with the ILS vendor.

The expense basis for this column is split 52% to 48% OTPS to Personnel, respectively and represents 21.5% of the total expense budget. The OTPS expenses in this column are:

- 15% of Library Materials (Novelist)
- 61% of Repairs and Maintenance
- 5% of Telephone and Internet
- 15% of Depreciation

Column: Digital Content

Digital Content
\$ 293,592.00
Per 100 Pop \$ 30.68

The Digital Content column is driven by the population served for each library. This idea behind this is that every person served by each library has an equal opportunity to access this content.

This column supports the purchase of the digital content subscriptions and purchases made on behalf of the member libraries is mostly comprised of Overdrive content and platform fees.

The expense basis for this column is split 97% to 3% OTPS to Personnel, respectively and represents 11% of the total expense budget. The OTPS expenses in this column are:

- 85% of Library Materials

Column: Wireless

	Wireless
	\$ 121,164.40
Per AP	\$ 1,091.58

The Wireless column is driven by the number of access points in place at each library (or sum of all access points across locations for libraries with branches).

This column supports the expenses of maintaining the wireless network, which is support to Cisco/Meraki the manufacturer of the wireless equipment in place as well as depreciation on the equipment as it was a capital purchase when installed as well as the personnel that support the service.

The expense basis for this column is split about 55% to 45% OTPS to Personnel, respectively and represents about 4.5% of the total expense budget. The OTPS expenses in this column are:

- 9% of Repairs and Maintenance
- 3% of Telephone and Internet
- 25% of Depreciation

Column: Mobility and Communication

	Mobility & Comm.
	\$ 362,934.55
Per FTE	\$ 500.60

The Mobility and Communication column is driven by the FTE count as reported in the current issue of Member Library Statistics.

This column supports those technologies that enable staff and libraries to communicate with each other and the outside world including the shared mobile app, the WLS data center, web presence, email support, the upcoming release of virtual desktop and basic communication infrastructure.

The expense basis for this column is split 50% to 50% OTPS to Personnel, respectively and represents 13% of the total expense budget. The OTPS expenses in this column are:

- 25% of Repairs and Maintenance
- 17% of Telephone and Internet
- 50% of Contractual Services
- 10% of Depreciation

Glossary of Terms

Contractual Services: Expenses for services from external firms to provide services that are not part of a specific line in the budget. For example: Contract with Tierpoint for colocation services, contract with Capira Mobile for the shared mobile app.

Equipment: Computer, network and other equipment. All workstations placed in libraries and network equipment not part of a capital project are purchased from this budget line.

Insurance: The IT department's share of the insurance policies held by Westchester Library System as part of its business operations. This DOES NOT include insurance as part of fringe benefits for staff.

Library Materials: Subscriptions and licensing for digital content. This includes eBooks purchased through Overdrive, digital content subscriptions for patron use and enhanced content subscriptions to be used in the online catalog.

Memberships: Memberships to professional organizations. For example: Library Information Technology Association (LITA)

Miscellaneous: For any expenses that are not categorized in existing budget lines. For example: contingency funds and automobile repair.

OTPS: Other Than Personnel Services. These are expenses in the budget not related to employment of personnel. For example: equipment, insurance and supplies.

Personnel Services: Expenses related to the employment of personnel.

Printing and Postage: Postage is for mailing payments to vendors, returning items that are unwanted, to be repaired or replaced. Printing is for promotional materials such as bookmarks, flyers and posters.

Professional Development: Continuing education, training and professional development for WLS IT staff.

Professional Fees: The IT department's share of fees paid to professional service firms. For example: Auditors and legal counsel.

Rent and Utilities: The IT department's share of rent and utility (i.e. electric) services.

Repairs and Maintenance: Service fees or expenses for service contracts for hardware and software. For example: Annual maintenance for the SirsiDynix ILS, Envisionware software and Cisco equipment.

Supplies: Supplies used by the IT department.

Telephone and Internet: Services for telephone lines, point-to-point and Internet connections.

Travel, Conferences and Meetings: Reimbursements for mileage in personal vehicles, gas for company vehicles, travel costs for attendance at professional conferences and food and supplies for locally-hosted meetings (e.g. PLDA monthly meetings) at WLS.

Appendix A: IT Budget Illustration

<u>Revenues</u>	
Erate	\$0
Member Library Fees	\$2,695,700
Enhanced Services	\$9,000
Total Revenues	\$2,704,700
<u>Expenses</u>	
Personnel	
Salaries	\$838,000
Hourly Wages	\$22,500
Employee Benefits	\$356,200
SubTotal Personnel Services	\$1,216,700
Other Than Personnel Services (OTPS):	
Professional Fees	\$7,000
Equipment	\$168,000
Library Materials	\$334,000
Rent & Utilities	\$106,600
Repairs & Maintenance	\$365,000
Supplies	\$3,000
Telephone & Internet	\$322,000
Printing and Postage	\$5,300
Professional Development	\$17,000
Travel, Conferences & Meetings	\$15,000
Memberships	\$2,000
Contractual Services	\$50,000
Insurance	\$10,000
Miscellaneous	\$20,500
Subtotal OTPS:	\$1,425,400
Total Expenses	\$2,642,100
Depreciation	\$97,000
Total Expenses with Dep.	\$2,739,100
Net Revenue	(\$34,400)

2016 IT Budget Illustration