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# **Westchester Library System IT Finance Model**

**An in-depth review.**

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## Introduction

### Summary

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 columns are breakouts of existing column and 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.

For each column in the Model there will be a breakdown that contains:

- A snapshot of the column heading
- A definition of how the statistics that drive that column are derived and/or calculated
- An explanation of the reasoning behind using this column
- The IT operations and/or budget lines aligned with this column

### Transition and Implementation

When the 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 ladder designates that the Model first be calculated per the original specifications and 2010 budget figure, with the updated statistics, this is referred to as the Baseline Model. Then, the calculations are compared to the 2010 total invoices for each library. The difference is then calculated as the "transition figure".

The Model is then run again, this 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 sliding scale used during this period is as follows:

- 2011 – 20%
- 2012 – 50%
- 2013 – 75%
- 2014 – 100%

During this time the ILL Debit/Credit fee is also applied at a sliding scale ramping up to \$0.50 per item transfer. The scale is applied as follows:

- 2011 – \$0.25
- 2012 – \$0.35
- 2013 – \$0.45
- 2014 – \$0.50

### **Metrics**

The columns in the Model can be broken down into three sections separated by the type of metrics used as the basis for each column. The first section contains four columns (Base Membership, WLS-Supported PCs, Network Connectivity, Library-Supported PCs) and is based on physical objects. The second section contains four columns (Active Cardholders, Collection, Borrowing by This Library's Patrons, Digital Content) and is based on statistics from library operations in the Integrated Online Library System (ILS).

#### Physical Objects vs. Statistics

The physical objects accounted for in the Model are based on their inventory or standing order count as of January 1 of the Model year. Statistics-based columns are based on reports from the October 1 thru September 30 period prior to the Model year. For example, for the 2013 Model, the period of October 1, 2011 through September 30, 2012 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.

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# Model Breakdown

## Section 1

### Columns Based on Physical Objects

#### Base Membership

Base Memebership	
Outlets	Basic Membership
% Total Budget	Per Library
8.0%	\$

*Illustration 1: Base Membership Column Heading*

#### Definition

This column charges each library equally one unit of Base Membership. This metric represents 8.0% of the Model for a total of 38 units.

The reasoning behind this metric is to provide one column of equal distribution among all libraries.

This column does not directly fund any singular aspect of the IT operation. Generally, about 8% of the budget is allocated for depreciation of capital assets.

#### More about Depreciation

In every budget, there must be a cash allocation of depreciation. At the end of the year, cash allocated for depreciation is added to the capital budget to replenish funds used for capital purchases. This ensures a healthy capital fund so that large purchases, i.e. wide-scale equipment replacement or ILS implementations, do not have an unanticipated economic impact on member libraries.

## WLS Supported PCs

WLS-Supported PCs	
WLS PCs	WLS PCs
% Total Budget	Per PC
19.0%	\$

### History

This column previously represented 39% of the Model. In 2013, PLDA approved a change proposed by the PLDA Finance Committee, which broke the column into two columns. The first is the original WLS-Supported PC column at a reduced weight of 19%. The second is a new Network Connectivity column weighted at 20%. The number of WLS Supported PCs is the basis for both columns and the sum of the weight of both columns is 39%, as in the original configuration. Given that, the additional column has no net effect on the model. The purpose of the change was to more closely align the Model with expenses in the IT operation, thereby providing a more meaningful invoice to the member library.

### Definition

The WLS Supported PCs column represents 19% of the model. It is based on the number of PCs maintained by WLS at each of the member libraries. Each PC represents one unit.

Funds derived from this column help to fund the PC replacement program, Help Desk support operations, electronic content as well as efforts toward new innovations in technology.

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## Network Connectivity

Network Connectivity	
Network	Per PC
20.0%	\$

### Definition

The Network Connectivity column represents 20% of the model. It is also based on the number of PCs maintained by WLS at each of the member libraries. Each PC represents one unit.

Funds derived from this column directly fund network operations and support. This includes connectivity to the WLS Core

## Locally Supported PCs

Locally-Supported PCs	
Local PCs	Local PC Fee
% Total Budget	Per PC
1.0%	\$

### Definition

The Locally-Supported PCs column represents 1% of the Model. It is based on the number of PCs owned and maintained by each of the member libraries and connected to the WLS network. Each PC represents one unit.

The purpose of this line is to contribute to a portion of network costs and electronic content.

## Section 2

### Columns Based on Statistics

#### Active Cardholders

Active Cardholders	
Cardholders	Cardholders
% Total Budget	Per Cardholder
12.0%	\$

#### Definition

The Active Cardholders column represents 12% of the Model. It is based on the number of cardholders in the system on October 1 prior to the Model year. For example for the 2012 Model year, October 1, 2011 is used. Every patron account is one unit.

The funds derived from this line fund a portion of the ILS as well as well as the staff dedicated to its maintenance and support.

#### More on Cardholders

WLS disables and purges accounts on a specified schedule. A standard library card is issued for three years. A card based on a library services contract is issued for one year. Cards are renewed at the local library when nearing the expiration date. Cards that are allowed to expire for 18 months or more are purged at least quarterly.

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## Collection

Collection	
Materials	Collections
% Total Budget	Per Item
10.0%	\$

### Definition

The Collection column represents 10% of the Model. It is based on the number of items linked in the ILS on October 1 prior to the Model year. For example for the 2012 Model year, October 1, 2011 is used. Every item is one unit.

The funds derived from this line fund a portion of the ILS as well as well as the staff dedicated to its maintenance and support.

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## Borrowing By This Library's Patrons

Borrowing by This Lib's Patrons	
Transactions	Transactions
% Total Budget	Per Transaction
23.0%	\$

### History

The column previously reflected 30% of the Model. In 2013, PLDA approved a change proposed by the PLDA Finance Committee, which broke the column into two columns. The first is the original Borrowing By This Library's Patrons (Borrowing) column at a reduced weight of 23%. The second is a new Digital Content column weighted at 7%. The number of borrowing transactions previously used for the original Borrowing column is the basis for both columns and the sum of the weight of both columns is 30%, as in the original configuration. Given that, the additional column has no net effect on the model. The purpose of the change was to more closely align the Model with expenses in the IT operation, thereby providing a more meaningful invoice to the member library.

### Definition

The Borrowing column represents 23% of the Model. The figure used is based on that library's patron's borrowing transactions for the statistics period, regardless of where the transaction occurred. Each transaction represents one unit.

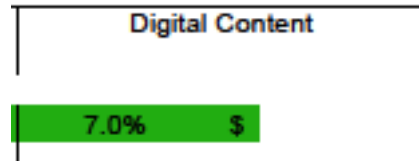
For example, Library A is charged for a transaction each time a cardholder of Library A:

- Checks out or renews an item out at Library A
- Checks out or renews an item out at Library B or C
- Renews an item online via the catalog or through the automated phone system

The funds derived from this line fund a portion of the ILS as well as well as the staff dedicated to its maintenance and support.

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## Digital Content



### Definition

The Digital Content column represents 7% of the Model. The figure used is also based on that library's patron's borrowing transactions for the statistics period, regardless of where the transaction occurred. Each transaction represents one unit.

### More on Borrowing Transactions

The thought behind using borrowing to calculate the cost of digital content is that borrowing of physical materials is a representation of potential patron activity and therefore a representation of their potential use of digital content. This cannot be represented from digital content usage figures because they are not represented consistently across platforms, i.e. tokens in Freeding, checkouts in Overdrive, and sessions in databases.

Funds derived from this column is used to support the acquisition of digital content, discovery of that content, support and deployment of that content as well as library staff and user advertisement and training of the resources necessary to use this content.

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## Section 3

### Intra-Library Loan Debits and Credits

#### Definition

The Intra-Library Loan Debits and Credits (ILL Fees) column represents 0% of the Model. The purpose of this section of the Model is to charge libraries for items received from other libraries and to credit libraries for sending items to other libraries. Each item received at another library represents one debit unit and one credit unit.

#### More on 0%

This is not a typographical error, this section of the Model contributes no money toward any aspect of the IT operation. Each transaction is in pairs and so the bottom line is zero. When calculating the Model, a bottom line of anything other than zero is an indicator of an error somewhere in the statistics spreadsheet.

Unlike the other columns, whose weighted percentage represents a portion of the IT budget, the per-transaction charges of this section can be changed more easily without any impact on the balance of the formulas that drive the Model.

#### Future

The PLDA Finance Committee has been charged with the task to evaluate the current state of the Model. Some of the outcomes of that review are already present here in this document. The ILL Fees section is one currently under discussion and therefore future changes are likely to be presented.