

# Policy on Financial Principles and Practices

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## VISION

The NEOS Library Consortium (NEOS) is financially self-sufficient.

- Avoiding deficits in the budget ensures our financial stability and organizational continuity.
- Annual budgets are prepared with realistic estimates.

## VALUES

NEOS financial principles are based on the NEOS values of collaboration, fairness and accountability.

## PRINCIPLES

### *Technical Costs*

- The University of Alberta (UA) operates the Integrated Library System (ILS) on behalf of the Consortium. The University pays its own share of the costs associated with the ILS (the technical costs). A portion of the technical costs is assigned to other NEOS Member Libraries.
- UA maintains an Integrated Library System Services Agreement with each of the Member Libraries that share the ILS.
- Technical costs are associated with the Integrated Library System, including salaries, software and hardware costs.
- Technical costs are based upon costs calculated annually by the University of Alberta for the Integrated Library System (ILS) to be shared by members.

### *Operating Costs*

- Operating costs are identified in the NEOS Consortium's operating budget including but not limited to, the salary of the NEOS Manager, staff time to sort items at the BARD, administrative costs, the NEOS Mini-Conference and Working Group expenses.

### *Cost Allocation Formula*

- The cost allocation formula is simple, transparent, predictable, and easily explained.
- It represents a consolidation of two sound principles:
  - Equal consortial value derived by members and an equal minimum cost of participation.
  - Equitable distribution of charges based on a number of factors reflecting individual Member Libraries' usage of and demands on the systems and services.
- There are two components in the cost allocation formula – technical costs and operating costs. Each of these components is based on 4 equally-weighted factors:
  - Number of items in the ILS – reflects storage requirements in the ILS
  - Number of transactions – reflects client usage of the ILS
  - Number of libraries within the ILS – reflects complexity in ILS functions, for example policy tables or reports
  - Member Library budget – reflects the level of activity (e.g. cataloguing) in the ILS

## **COST ALLOCATION FORMULA**

### *Technical costs*

- A minimum fee of \$XXXXX is assessed to each member for technical costs.
- The remaining technical costs are distributed according to the weighted formula.

### *Operating costs*

- Calculation of the formula for sharing operating costs is as follows:
  - 50% of operating costs are divided equally among Member Libraries to reflect the equal value libraries achieve through membership in the Consortium.
  - 50% of the operating costs are allocated according to the weighted formula to reflect differential use of the system.

Fees are calculated annually using the previous year's usage statistics generated by SirsiDynix Director's Station and on the previous fiscal year's actual expenditure figures provided by member libraries.

Expenditure figures are submitted annually and must include:

- Operating budget excluding major one-time capital funding.
- Collections budget (including collection costs handled through other segments of the organization).
- Staffing budget (including library staff salaries that are not included directly in the library budget).

## **NEW MEMBERS**

- Fees are assessed when a new member joins NEOS. These fees are calculated according to the approved cost allocation formula, as if they had been part of the original calculation. Existing members' fees are not recalculated when a new member joins the Consortium. Usage statistics are taken from the new member's former ILS or circulation system and online catalogue. Fees may be prorated.
- When a new member joins the Integrated Library System, it will begin paying the annual assessment fee (Technical and Operating costs) on April 1 of the year of go-live. It will pay a \$1000 monthly fee from the time the library is added to SirsiDynix Symphony until March of the year of go-live. This monthly fee will cover technical and administrative work towards bringing the new member into the consortium.
- Actual costs incurred (technical and operational) to bring on a new member are charged to the new member.

## **MEMBER CHANGE OF ORGANIZATIONAL STATUS**

- Fees are reassessed when a member library's status is changed through an amalgamation, merger, adding a branch or downsizing. These fees are calculated according to the approved cost allocation formula, as if the resultant entity had been part of the original calculation. Other members' fees are not recalculated. Revised fees may be prorated.
- Actual costs (technical and operational) incurred as a result of the change of organizational status are charged to the member library.

- In the event of a downsizing, no refund will be made on the current year's fees and charges.

#### **PAYMENT OF FEES**

- Annual fee assessments are sent to Member Libraries in January.
- Invoices for annual fees are sent to Member Libraries in April.
- Fees are to be paid in a single annual payment within 30 days of invoicing.

#### **REVIEW**

- The cost allocation formula will be reviewed annually by the Executive.
- Changes to the formula require the approval of member libraries, according to the requirements of the Governance Structure.
- The minimum technical assessment will be reviewed annually by the Executive.

#### **MISCELLANEOUS**

- The NEOS fiscal year is April 1 – March 31, inclusive.