

NLS Executive Committee Meeting

Friday, August 18, 2017
10:00 a.m. to 12:00 Noon

Colusa County Library
738 Market St, Colusa, CA 95932

- | | | |
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| 1. Welcome and Roll Call | Lightbody, Chair | |
| 2. Public Invited to Comment | Lightbody | |
| 3. Adoption of Agenda (Action Item) | Lightbody | |
| 4. Consent Calendar: Approve Minutes of 5/16/2017
(Action Item) | Brinkley | Attachment 1, pg. 3 |
| 5. Old Business | Brinkley | |
| A. Appoint Ad Hoc Committee to develop RFP for
NLS Fiscal and Administrative Services (Action Item) | | Attachment 2, pg. 5 |
| B. Review Draft NLS Operating Reserve Policy and Recommend
Approval to Administrative Council (Action Item) | Brinkley/Yon | Attachment 3, pg. 10 |
| C. CalPERS Legal Research- Memo from Attorney to be distributed separately | | |
| D. Approve Revision of NLS Bylaws (Action Item) | Brinkley | Attachment 4, pg. 12 |
| E. Update on NLS ILL/Link + Study | Frost/Brinkley | |
| F. PLS Draft Study on Administrative Fees | Frost | Attachment 5, pg. 18 |
| 6. New Business | | |
| A. Review and Approve Allocation of NLS CLSA Funds
(Action Item) | Frost | Attachment 6, pg. 29 |

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| B. Approve Allocation of NLS funds for Staff Development (Action Item) | Brinkley | Attachment 7, pg. 31 |
| C. Approve Resolution: Authorizing Investment of Monies in the Local Agency Investment Fund (Action Item) | Frost/Yon | Attachment 8, pg. 32 |

7. Next Meeting

A. **Executive Committee Meeting: November 15, 2017 – Virtual Meeting**

8. Adjournment

Brown Act: The legislative body of a local agency may use teleconferencing in connection with any meeting or proceeding authorized by law. Cal. Gov't Code § 54953(b)(1). A "teleconference" is "a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both." Cal. Gov't Code § 54953(b)(4). A local agency may provide the public with additional teleconference locations. Cal. Gov't Code § 54953(b)(4).

The teleconferenced meeting must meet the following requirements:

- (1) it must comply with all of the Act's requirements applicable to other meetings;
- (2) all votes must be taken by roll call;
- (3) agendas must be posted at all teleconference locations and the meeting must be conducted in a manner that protects the statutory and constitutional rights of the parties or public appearing before the body;
- (4) each teleconference location must be identified in the notice and agenda and each location must be accessible to the public;
- (5) during the teleconferenced meeting, at least a quorum of the members of the legislative body must participate from locations within the boundaries of the body's jurisdiction; and
- (6) the agenda must provide the public with an opportunity to address the legislative body at each teleconference location. Cal. Gov't Code § 54953(b).

Meeting Locations

Colusa County Library, 738 Market Street, Colusa, CA 95932
 Siskiyou County Library, 719 4th Street, Yreka, CA 96097-3381

Conference Information

Join from PC, Mac, Linux, iOS or Android: <https://zoom.us/j/954226558>



2471 Flores Street, San Mateo, CA 94403
650-349-5538 Fax: 650-349-5089

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DRAFT MINUTES

NLS Executive Committee Meeting

May 16, 2017

1. **Welcome and Roll Call** –Chair, Brett Lear, Sonoma County, called the meeting to order at 10:30 a.m. Also present were NLS Executive Committee Members Mel Lightbody, Butte County, Ana Danielson, Mono County; Danis Kreimeier, Napa County, Suzanne Olawski, Solano County; James Ochsner, Sutter County, and Stacey Costello, Colusa County. Also attending, Todd Deck, Tehama County, Carol Frost, CEO, PLP and Jacquie Brinkley, System Coordinator, NorthNet Library System.
2. **Public Invited to Comment** – None
3. **Adoption of Agenda** – Motion to approve Agenda. Moved by Olawski; Seconded by Ochsner. Motion approved.
4. **Consent Calendar** - Motion to Approve Draft Minutes of EC Meeting of 4/21/2017. Frost noted edit needed on Page 6, Item D. Correction to be made – should read “State Library will issue the certified numbers” not “funds.” Motion to approve with correction. Moved by Olawski. Seconded by Danielson. Motion approved.
5. **Old Business**
 - A. Frost noted that only change from budget document presented at 4/21/2017 EC meeting is comment added under Administration to clarify Membership Fees that are estimated until State Library certifies population numbers. Frost also noted that legal fees for attorney retained for CalPERS work would be used from line item under Contractual Service.
Motion to Approve NLS FY 2017/18 Tentative Budget. Moved by Lightbody; Seconded by Olawski. Motion approved.
 - B. Motion to Approve NLS FY 2017/18 Plan of Service. Moved by Ochsner; Seconded by Danielson. Motion approved.
 - C. Lear reported that due to his resignation from Sonoma County Library effective 5/19/2017, he is unable to accept nomination for second year of NLS Chair. Lear thanked Lightbody for accepting nomination as Chair.

Motion to approve nomination of Executive Committee and Officers for FY 2017/18.
Moved by Olawski; Seconded by Kreimeier. Motion approved.

6. New Business

- A. Brinkley presented letter of agreement received from law firm Best, Best & Krieger re: Scope of Work for legacy systems on CalPERS issues. Brinkley reported that ad hoc committee member, Michael Perry, had reviewed most recent agreement and concurred with Scope of Work as presented.

Motion to approve NLS Chair and PLP CEO to sign letter of agreement for legal representation in CalPERS issues. Moved by Lightbody; Seconded by Olawski. Motion approved.

- B. Motion to approve up to \$16,000 in funds to come from unrestricted NLS fund balance to contract for legal representation for NLS and legacy systems in CalPERS issues.

Moved by Danielson; Seconded by Ochsner. Motion approved.

- C. Motion to approve NLS FY 2015/18 Financial Audit. Brinkley noted that agency providing audit would be notified of required edits to the template document to reflect PLP as fiscal administrator of NLS and other typo errors. Lear reported that he had read report in full and was pleased with clean audit.

Moved by Olawski; Seconded by Danielson. Motion approved.

- D. Brinkley asked Exec Committee about scheduling of 2017/18 EC meetings. Olawski commented that while she liked advance scheduling, she preferred flexibility with advance scheduling. Group discussed and suggested that we identify tentative dates and locations, and agreed that dates will be changed, if needed.

Brinkley offered to set tentative quarterly schedule and identify locations to present to the EC. These communications will be coordinated via email.

7. Brinkley reviewed agenda for NLS Annual Meeting of June 16, 2017 at Fairfield Cordelia Library. Speakers and Harwood facilitators are being contacted and to be confirmed this week. Postcards will be mailed to NLS AC to Save the Date and encourage attendance.

8. Other Reports

Kreimeier acknowledged that she was terming out of her position on EC and thanked members for the work accomplished over the last year.

Lear echoed his thanks and enjoyment at working with this group. Group wished Lear well in future endeavors.

Meeting Adjourned at 11:02 a.m.

**NORTHNET LIBRARY SYSTEM
c/o Peninsula Library System
2471 Flores St.
San Mateo, CA 94403**

REQUEST FOR PROPOSAL

**ADMINISTRATIVE AND FISCAL SERVICES
EFFECTIVE JULY 1, 2015**

I. INTRODUCTION

A. Purpose

The NorthNet Library System hereafter referred to as NorthNet, is seeking proposals from qualified contractors for administrative and fiscal services. Proposals will be judged on the ability to maintain service standards, staff qualifications, costs, and contracting experience. All responses should address experience in delivering the service as well as how the service will be delivered. NorthNet reserves the right to accept or reject all or part of any proposals. Proposals may be submitted for all services or for either the administrative support services or the fiscal services separately.

B. Submission of responses

Prospective contractors should submit proposals by 4:00 p.m., Friday, April 13, 2015, to:

NorthNet Library System
Attn: Mel Lightbody, Chair
Butte County Library Administration
1820 Mitchell Ave
Phone: (530)538-7525, select option 1
E-mail: milightbody@buttecounty.net
cc: hmitchell@buttecounty.net, ldale@folsom.ca.us

Proposals may be hand-delivered, mailed, or sent as an e-mail attachment in MS Word or Adobe pdf format. The responsibility for timely delivery is wholly on the sender.

II. BACKGROUND

The NorthNet Library System consists of 41 public library members. There is an affiliated group of 14 academic and institutional libraries. This makes it the largest cooperative system in the State of California by number. A complete list can be found here: <http://northnetlibs.org/about-nls/council-member-roster/>. These libraries participate fully in all aspects of NorthNet services and programs. NorthNet is presently headquartered at the Peninsula Library System (PLS) in San Mateo, California, though this arrangement will end June 30, 2015. There are no dedicated staff members employed by NorthNet.

NorthNet policies and financial matters are controlled by a Council of Librarians consisting of the director (or delegated representative) of each member library. These directors govern NorthNet, authorized by a Joint Powers Agreement (JPA). A Executive Committee is responsible for policy and oversight in between meetings of the Council of Librarians. The Peninsula Library System currently serves as the NorthNet fiscal and administrative agent, but has asked to withdraw from that role effective July 1, 2015.

The contractor will be reporting directly to the position of Chair of the NorthNet Council of Librarians.

NorthNet services and programs are funded from three primary sources: State funds authorized by the California Library Services Act (CLSA); member fees from NorthNet; and fees for delivery services or other contracts performed for member and non-member libraries. Total revenue expected in FY 2015/16 is approximately \$650,000-700,000.

III. SCOPE

Administrative

1. Prepare Plan of Service and Annual Report in compliance with the requirements of CLSA as administered by the California State Library
2. Maintain and report records in compliance with CLSA and other applicable State and Federal requirements.
3. Coordinate Council of Librarians and Executive Committee meetings and maintain regular communications with NLS Chair and Executive Committee. These meeting may be in person or via conference call.
4. Coordinate and schedule legacyⁱ systems meetings (Please see end-note for explanation of legacy systems).
5. Prepare and distribute Council agenda packets and minutes. Make arrangements for Council meetings.
6. Provide staff support for Council, Executive Committee, and Legacy System meetings
7. Distribute legislative, CLSA, and other State Library correspondence.
8. Respond to communications and requests from members.
9. Track CalPERS information, communicate with legacy systems as needed. Communicate with the California Public Employees Retirement System (CalPERS) regarding NLS legacy system employees.
10. Administer and evaluate system contracts.
11. Maintain all rosters, listservs, directories, electronic records and archives.
12. Maintain NLS website.
13. Pursue new funding opportunities.
14. Represent and advocate for NLS regionally and statewide.
15. Negotiate necessary purchasing/contracting opportunities with vendors, consultants, other systems or regions including services authorized and funded by CLSA
16. Support special projects and activities not mandated by CLSA as determined by NLS Council.
17. Prepare, distribute and compile Statement of Economic Interests (CA State form 700)
18. For additional fees as negotiated Administrative or Fiscal services contractor offer program, grant development or other services for sub-groups of member libraries or for individual members.
19. Provide coordination between member libraries and CENIC (Corporation for Education Network Initiatives in California) as appropriate. Communicate regularly with member libraries and CENIC.

Fiscal

1. Prepare the System Uniform Budget , Annual report and Expenditure Report
2. Act as system's financial manager establishing separate accounts for all NLS funds
3. Develop an annual budget in collaboration with NLS Executive Committee and approved by Council of Librarians for programs or services to be provided in the subsequent fiscal year.
4. Monitor budget and prepared monthly status reports.
5. Arrange for the receipt and deposit of State funds, member fee funds and other fees or revenues whether by grant application, invoice or other means.
6. Prepare claim forms for member libraries to submit

7. Prepare quarterly budget updates showing revenues, expenditures and reserves to be submitted to Council of Librarians.
8. Prepare and execute payments on behalf of NLS to approved vendors, contractors, consultants, member libraries and others for services rendered, in compliance with budget
9. Invoice members and other customers for services
10. Prepare 1099s for contractors.
11. Provide comprehensive revenue expenditure and reserve financial reports in accordance with requirements of CLSA or other State Library legislation and generally accepted accounting principles.
12. Maintain fiscal files and records as required by State and Federal laws and retention policies.
13. Prepare annual reports for Special Districts to State Controller.
14. Arrange for annual independent financial audit.
15. Prepare annual statements of LAIF (Local Agency Investment Fund) interest earned

B. Time line

Applicants should submit a written proposal that includes a resume or resumes of the principal(s) involved, references from past projects, proposed methodology, and all charges and explanations thereof by 4:00 p.m., Friday, [April 13, 2015](#).

If necessary, oral interviews may be convened for some or all applicants. The Council will select a contractor and notify all applicants no later than April 15, 2015. The contractor should be available for preliminary discussions with the NorthNet Chair and Vice-Chair and current fiscal/administrative agent no later than [April 18, 2015](#). Please see Attachment #1 for further information.

Questions regarding the project will be accepted until [March 15, 2015](#), and must be submitted in writing via mail or e-mail to:

NorthNet Library System
Attn: Mel Lightbody, Chair
Butte County Library Administration
1820 Mitchell Ave
Phone: (530)538-7525, select option 1
E-mail: mlightbody@buttecounty.net
cc: hmitchell@buttecounty.net, ldale@folsom.ca.us

IV. PROPOSAL REQUIREMENTS

A. General Instructions

Individuals or organizations may submit for administrative services only, fiscal services only or both. The proposal should be concise and demonstrate the contractor's qualifications and applicable experience. The written proposal must include a discussion of the contractor's approach to the project, a breakdown and explanation of tasks, and an estimate of costs. Organizations submitting proposals should also include documentation including proof of legal status, structure, and a copy of the last annual report.

B. Contents shall include:

1. Executive summary.
2. Identification of the contractor, including addresses of office(s) and the name, title, address, and phone number of a contact person.
3. Experience and technical competence.

4. References to similar projects, with contact information of the organization(s) for which work was performed.
5. Proposed method to accomplish the work.
6. Project organization and key personnel. Include resumes and/or job descriptions of key personnel.
7. Cost details. As appropriate, outline all additional costs such as materials, photocopies, printing, and other related expenses.
8. Names and qualifications of subcontractors.

V. OTHER CONSIDERATIONS

A. Compensation

Upon contract award, contractor will invoice NorthNet quarterly for services provided.

B. Ownership of materials

All materials developed, data collected, and reports prepared under the terms of this agreement will become the property of the NorthNet Library System.

C. Eligible applicants

Public corporations, libraries, agencies, organizations, associations, and individuals may submit proposals in response to this Request for Proposal for provision of Administrative and Fiscal Services or Administrative and Fiscal Services separately.

VI. EVALUATION OF PROPOSALS

A. Evaluation process

Each proposal will be evaluated to determine its responsiveness to the criteria, requirements, and standards as described in this Request for Proposal. NorthNet reserves the right to reject any or all proposals. Nothing herein requires the awarding of a contract in response to this Request for Proposal.

NorthNet may request clarifying documentation and information from any applicant after the responses have been submitted. Such documentation and/or information will be used to assist interpretation of the response and must be received within one week after it is requested. If necessary, oral interviews may be convened for some or all applicants.

B. Evaluation criteria

Proposals will be evaluated using the following criteria, which are not in priority order:

1. Clear understanding of the purpose and scope of the contract.
2. Experience, expertise, and professional credentials of proposed staff in the design and conduct of similar contracts.
3. Ability, capacity, and skills of the applicant to perform the service.
4. Reputation, judgment, and quality of performance of the applicant in performing tasks of a similar nature.
5. Appropriateness of the methodology proposed to the desired outcomes of the project.
6. Clear and feasible work plan that is responsive to the requirements and time lines of the Request for Proposal.
7. Organization's willingness to do both Administrative and Fiscal Services
8. Cost.

ATTACHMENT #1 – Proposed transition time line

**Administrative and fiscal Management services-Transition
May-June 2015 – August 2016**

TASK	Date	By
New fiscal and administrative agent(s) selected		Council/Exec Committee
Contract sign		Chair
JPA needs to change regarding the fiscal agent	April/May	Council -- check JPA language
Need resolution to have new fiscal agent as authorized signers	April/May	Council/Exec Committee
Meet with current Administrator	May	
Set up accounting system	May	
Review current contracts/vendors	May	
Review financial statements for FY 14/15	May	
Open checking account	June	
Apply credit card	May	
Enter FY 15/16 budget	June	
Prepare all contracts for FY 15/16	June	
Order checks/invoices with new address	June	
Notify the State Library regarding changes in administration	June	
Notify all NorthNet members regarding changes in Administrative and Fiscal Services	June	
Move admin files to new office	June	
Prepare membership and other invoices for FY 15/16	June	
Notify vendors regarding new address	June	
Transfer balance from current fiscal agent to new account	June	
Add new fiscal agent to LAIF account	June	
Provide log in info for Website support	June	PLS
Provide log in info for Listserv	June	
Change UPS accounts	June	
Transfer fund from current account to new bank account	July	
Close FY 14/15 Fiscal year and prepare for audit	August	

ⁱ Legacy systems. Previous to the formation of NorthNet all member libraries belonged to one of three smaller systems: North Bay Cooperative Library System, Mountain Valley Library System and North State Cooperative Library system. These systems had CalPERs employees. There remain several issues having to do with the dissolution of these smaller systems.



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To: NorthNet Executive Committee
From: Carol Frost
Subject: Review of DRAFT Operating Reserves Fund Policy and Recommend Approval to NLS Administrative Council
Date: August 18, 2017

At the February 3, 2017 NorthNet Executive Committee meeting, it was requested that staff prepare a draft NorthNet Library System Operating Reserves Fund Policy for review. Staff reviewed the Pacific Library Partnership policy, the Sonoma County Library policy, and the Napa County policy. Each system offers a different approach to a target minimum operating reserves fund, which include:

- Three months of operating budget costs (PLP)
- A set percentage of the operating budget (Napa County is 10% of general fund appropriation)
- Setting a fund balance goal (Sonoma County Library is 20% of budgeted expenditures)

The general accounting guidelines from the California State Controller's Office recommend a minimum of 2% of the operating budget be designated for operating reserves. As with most of the California library system cooperatives' budgets, revenue is mostly derived from membership dues, CLSA funds, and grants, with the objective of receiving funds and distributing them back to the systems, leaving a small fund balance. To date, NLS has a fund balance of approximately \$385,000, consisting of \$85,000 set-aside operating reserves and \$300,000 of members' initial financial contribution.

The Pacific Library Partnership's Controller recommends that NorthNet Library System establish a minimum of three months of operating budget costs as the target minimum operating reserves. The reserves fund will serve to sustain financial operations in the unanticipated event of unbudgeted increases in operating expenses or reductions of operating revenues. This policy is consistent with Peninsula Library System and Pacific Library Partnership's operating reserve fund policies.

NorthNet Library System Operating Reserves Fund Policy

PURPOSE

The purpose of the Operating Reserves Fund Policy for NorthNet Library System is to ensure the stability of the mission, bylaws, and ongoing operations of the organization. The Operating Reserves Fund is intended to provide an internal source of funds for situations such as sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserves Fund may also be used for one-time nonrecurring expenses that will build long-term capacity, such as staff development or research and development. Other purposes for the use of the Operating Reserves may be established as necessary, if funds are available.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of NorthNet Library System for Operating Reserves to be used and replenished within a reasonably short period of time. Operating Reserves Fund policy will be implemented in concert with the other governance and financial policies of NorthNet Library System and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

DEFINITIONS AND GOALS

The Operating Reserves Fund is defined as the designated fund set aside by action of the NLS Administrative Council. The minimum amount to be designated as the Operating Reserves will be established in an amount sufficient to maintain ongoing operations for a set period of time, measured in months. The Operating Reserves serve a dynamic role and will be reviewed and adjusted in response to internal and external changes. The target minimum Operating Reserves Fund is equal to **three months** of the operating budget costs. The calculation of operating budget costs includes all recurring, predictable expenses such as contracts that support communication and delivery products and services, fiscal and administrative services, insurance, and ongoing professional services. Reimbursable or pass-through programs, depreciation, in-kind, and other non-cash expenses are not included in the calculation.

The amount of the Operating Reserves Fund target minimum will be calculated each year after approval of the annual budget, reported to the Executive Committee, and included in the regular financial reports.

BYLAWS OF THE NORTHNET LIBRARY SYSTEM

Article I. Name

The Joint Powers Agreement of the NorthNet Library System dated May 8, 2009 (“Agreement”), establishes a Joint Powers Authority to be known as the NorthNet Library System (NLS).

Article II. Objectives

NLS is a Regional Library Network as defined in Education Code Section 18810(s). The objectives of NLS shall be to implement and accomplish the purposes described in the Plan of Service agreed upon by the member organizations consistent with the provisions of the California Government Code, Sections 6500-6578 (Joint Exercise of Power), formed under the terms of the California Library Services Act (California Education Code, Section 18700 *et seq.*) and continuing under successor acts, and to otherwise accomplish the purpose and goals of the Agreement.

Article III. Membership

Section 1. Qualifications

A member of NorthNet Library System is any cooperative library system that has the power to provide library services and is organized as a joint powers authority or a joint resolution agency (hereinafter, “System”). A System may join NLS upon the application of its governing body and upon the consent of the NLS Administrative Council, provided that such agency has agreed to abide by all the terms of the Joint Powers Agreement and these Bylaws; and upon doing so shall be a member of NLS (“Member”). The individual libraries that comprise the cooperative library systems in NLS shall hereafter be referred to as “constituent libraries.” While these constituent libraries shall have voting authority as described in these Bylaws, they shall not individually be considered Members of NLS.

Section 2. Fees, Dues and Assessments

- a. The NLS fiscal year is defined as July 1 to June 30, and membership fees payable to NLS by the constituent libraries of Members shall be in such amount as determined annually by action of the Administrative Council. In addition, the Council may adopt additional fees for specific services to Members or constituent libraries.
- b. Constituent libraries are billed at the beginning of the fiscal year for the entire year. If after 90 days no payment has been received, the constituent library will be sent a letter informing the library that it needs to pay or submit a formal request for a waiver or reduction to be considered by the Executive Committee. Within 90 days of receiving the letter, the Executive Committee will notify the library if a reduction or waiver has been approved. If no payment or waiver request has been submitted by January 1, services to the constituent library will be terminated.
- c. The waiver or reduction of membership fees may be requested by a constituent library when it has experienced a significant reduction in operating funds through the reduction of budget allocation from the local funding authority, the automatic termination of a local special tax or benefit assessment, or catastrophic loss such as flood, earthquake damage or fire.

Section 3. Withdrawal

A Member may withdraw by submitting a written notice of termination to the Chair of NLS,

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provided that such notice is received between July 1 and September 1 of any year. In the event that a timely notice of termination is received, the termination shall take place effective July 1 of the succeeding year. Constituent libraries wishing to withdraw from any NLS Member System shall do so in accordance with the Bylaws of that individual System.

Article IV. Governance Structure

Section 1. Administrative Council Composition

Pursuant to Education Code Section 18747 (a), the Administrative Council, hereinafter called "Council," shall be comprised of the head librarian or duly authorized alternate of each constituent library.

Section 2. Administrative Council Duties

Pursuant to Section 18747(a) and CSLA Regs. Sec. 20135, it shall be the responsibility of the Council to: oversee and administer the business of NLS; formulate policy and goals; adopt an annual plan of service; adopt an annual budget, and elect a Chair-Elect who shall be Vice-Chair and members of the Executive Committee. Any officer may resign or may be removed with or without cause by the Council at any time. The Council shall also perform additional duties imposed by law or defined in these Bylaws.

Section 3. Council Officers

a. Chair

The Chair-Elect shall assume the office of Chair on July 1 of the year following the Chair-Elect's service as Vice-Chair. The Chair shall hold office for two years or until he or she shall resign, be removed, or otherwise disqualified to serve, or until his or her successor shall be qualified. It shall be the duty of the Chair to preside at meetings of the Council; to prepare the agendas for meetings of the Council in consultation with the System Administrator; to execute contracts and other instruments on behalf of NLS as authorized by the Council or Executive Committee; to appoint committees as authorized by the Council; and to represent NLS as occasion demands. If the office of Chair becomes vacant by death, resignation, or removal, the Chair-Elect shall serve for the unexpired term.

Deleted: for one year

b. Chair-Elect

At the annual meeting, the Council shall elect from among its members a Chair-Elect who shall serve as Vice-Chair. The Vice-Chair shall take office July 1. He or she shall hold office as Vice-Chair for two years or until he or she shall resign, be removed, be otherwise disqualified to serve, or until a successor shall be elected and qualified. He or she shall succeed to the office of Chair on July 1 of the following year. The Vice-Chair shall, in the absence or disability of the Chair, perform all the duties of the Chair and when so acting shall have the powers of, and be subject to the restrictions upon the Chair. If the office of Chair-Elect becomes vacant by death, resignation, or removal, the Executive Committee shall appoint a Chair-Elect who shall serve until the next regular meeting, when the appointment shall be confirmed by the Council. If the appointee is not confirmed, a Chair-Elect shall then be elected by the Council.

Deleted: one year

Section 4. System Administration

The Council shall provide for System Administration either by contracting with an agency or company or by employing personnel to conduct the business of NLS and serve as the System

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Administrator. The System Administrator shall be responsible for administration of all NLS services and activities that have not been assigned to Members or constituent libraries.

- a. The System Administrator shall be responsible for the preparation of documents, grant applications and reports, preparing financial reports, maintaining financial records and conducting financial transactions and shall confer with legal counsel and the California State Library and shall conduct any other business as required.
- b. It shall also be the duty of the System Administrator to prepare and distribute notices and/or agendas in advance of meeting dates; to take and to transcribe the minutes of the Council and Executive Committee meetings; to certify official documents of the Council; and to maintain such official records as are required.
- c. The System Administrator shall maintain an office that will be the principal office for the transaction of the NLS business.
- d. If neither a contract is in force nor personnel are employed, the Chair or designee shall assume the duties usually assigned to the System Administrator.

Section 5. Standing Committees

5.1 Meetings of all standing committees shall be conducted in accordance with Article V, Sections 1-4 of these Bylaws.

5.2 Executive Committee

- a. The Council shall elect an Executive Committee annually, which shall consist of six Directors who shall be as representative as possible of the sizes and types of libraries that belong to NLS and of the geographic area comprising the NLS service area. The Chair, Vice-Chair and immediate past Chair shall serve in addition to the six Directors as members of the Executive Committee. The Chair shall preside at its meetings. The Vice-Chair shall preside in absence of the Chair. Five members of the Executive Committee shall constitute a quorum for the transaction of business.
- b. The Executive Committee shall supervise and direct the System Administrator and shall appoint interim NLS officers and members of the Executive Committee to fill vacant positions until the Council has the opportunity to meet to elect new ones.
- c. The Executive Committee shall be responsible for overseeing the day-to-day operations of NLS including but not limited to administering the budget, approving contracts, and recommending an annual budget and plan of service to the Council. The Executive Committee shall between Committee meetings act through the Chair, and in his/her absence, the Vice-Chair. The Executive Committee shall meet at least quarterly and all meetings shall be subject to the Brown Act. The Executive Committee shall have all necessary powers and authorities to take such actions as are necessary for NLS excepting only adoption of the annual budget, adoption of the annual plan of service, setting membership fees and charges, electing a Chair-Elect and Executive Committee, and adopting or revising these By-Laws and revising the Agreement, all of which are reserved to the Council.
- d. The Executive Committee shall have authority to adopt interpretations of these Bylaws and of the Agreement, which upon reasonable notice to members shall be binding except as disallowed by a vote of the Council.
- e. Executive Committee members shall serve a two-year term and may serve no more than two consecutive terms. Terms shall be staggered such that the terms of three members will conclude in even numbered years and those of three members in odd numbered years. Terms shall begin on July 1 and end on June 30.

5.3 Finance Committee

The Finance Committee includes the Chair, the Chair-Elect, and three members of the Executive Committee appointed by the Chair. The Finance Committee meets as needed to review and discuss matters related to NLS financial affairs including but not limited to budgets, grant requests, disbursements and transfers from restricted funds (reserves) and the management of financial assets. The Finance Committee reports to and makes recommendations to the Executive Committee. Three members shall constitute a quorum.

Section 6. Ad Hoc Committees

The Chair may appoint Ad Hoc committees as needed. Each Ad Hoc Committee will have a specific charge and projected sunset date. Members may include staff of constituent libraries that are not members of Council.

a. Ad Hoc Nominating Committee

The Chair shall annually appoint an Ad Hoc Nominating Committee consisting of at least two sitting Executive Committee members and at least one Council member that is not serving on the Executive Committee. The Ad Hoc Nominating Committee will be charged with nominating candidates for the following year to fill positions on the Executive Committee and to nominate one or more candidates to serve as Chair-Elect of NLS. A slate of candidates shall be submitted to the membership along with the agenda for the Council's Annual Meeting. The Committee will sunset after the Council's Annual Meeting.

Section 7. Communities of Interest

a. Communities of Interest may be established by the Executive Committee as needed.

Their purposes are

- To encourage networking and information exchange among library staff;
- To serve as a forum for discussion and ideas related to their particular needs;
- To provide leadership development opportunities to member library staff.

b. Communities of Interest will be responsible for

- Electing their own chairs;
- Scheduling and running their own meetings;
- Choosing their information exchange topics and tools.

c. The System Administrator will assist the Communities of Interest as appropriate.

Article V. Meetings

Section 1. Generalities

The Council shall hold regular meetings at least annually, in order to evaluate the progress and goals of NLS, to adopt an annual budget and plan of service and to conduct elections for Chair-Elect and Executive Committee. The meeting at which elections are conducted shall be designated as the Annual Meeting.

Meetings of the Council, Executive Committee and Finance Committee may occur via electronic means such as telephone conference call, videoconference, or online meeting, provided, however, that all meetings, whether in person or electronic, shall be held in compliance with the Ralph M. Brown Act. Members of the public may attend any electronic meeting by requesting participation instructions from the System Administrator.

| [rev 8.3.2017](#)

Section 2. Changes in Time and Place and Cancellation of Meetings

A meeting may be changed as to time or location or canceled upon approval of Chair of the Council at least 24 hours prior to the regular time of meeting, provided that written notice of such change of time or location is given to all Council members at least 24 hours prior to meeting time.

Section 3. Special Meetings

Special meetings may be called by the Chair of the Council. Notification of such special meetings shall be made to each Council member at least 24 hours before the time of such meeting. The call and notice shall specify the time and place of the special meeting and the business to be transacted. Special meetings shall also be announced to the public under the terms of the Brown Act.

Section 4. Adjournment

The Council may adjourn any regular, adjourned regular, special, or adjourned special meeting to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time to time. If all members are absent from any regular or adjourned regular meeting, the System Administrator or Chair may declare the meeting adjourned to a stated time and place. Written notification of such adjournment shall be made in accordance with law.

Section 5. Rules of Order

The rules contained in Roberts Rules of Order, latest revised edition, shall govern all meetings of the Council, except in instances of conflict between said Rules of Order and these Bylaws or the Agreement or provisions of law, in which case Rules of Order shall to that extent not control.

Section 6. Minutes

- a. A complete set of minutes as approved by the Council shall remain on file at the principal office of NLS, and shall be open to inspection by any person at all reasonable times during office hours.
- b. The approved minutes of every Council meeting and Executive Committee meeting shall be made available by posting on the NLS website for a period of at least three years.

Section 7. Voting

The Council shall be composed of the head librarian or duly authorized alternate of each constituent library which is that of any Member. Each constituent library shall have one vote to be cast by its representative, except as specified herein.

Only public library Council members shall vote on the disposition of funds restricted to public library purposes under the California Library Services Act (CLSA) or other laws or agreements. All Council members shall vote on issues that do not relate to CLSA. Decisions shall be made by a majority vote of the members present at Council meetings, except as provided herein.

25% of the total number of Council members shall constitute a quorum for the transaction of business.

Votes shall be taken by voice subject to the requirements of the Brown Act, except that a vote shall be repeated by tally at the request of the Chair or any Council member.

Article VI. Resolutions

An official copy of every resolution passed by the Council shall be attested by the System

Administrator and shall remain on file at the principal office of NLS and shall be open to inspection by any person at all reasonable times during office hours. All resolutions shall bear the date of passage and shall be numbered consecutively. Copies of any resolution shall be provided to any Council member upon request.

Article VII. Execution of Documents

The Executive Committee may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of NLS, and such authority may be general or confined to specific instruments; and unless so authorized by the Administrative Council, no officer, agent, or other person shall have any power or authority to bind NLS by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Article VIII. Adoption of Bylaws

New Bylaws may be adopted or these Bylaws may be amended or repealed by majority vote at any meeting of the Council at which a simple majority of Council members eligible to vote is represented. These Bylaws, and any Bylaws which may be adopted, shall be distributed within seven working days of their adoption to each Council member and to the System Administrator, and to such other persons, firms or agencies as may request them. The System shall keep in its principal office the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the System Administrator, which shall be open to inspection by any person at all reasonable times during office hours.

Article IX. Termination of Agreement

The Agreement shall remain in effect until rescinded by all of the remaining parties, or until the withdrawal of all except one party; the occurrence of either event shall result in dissolution of NLS. In the event of acts constituting dissolution, the members of the Council remaining at that date shall continue as the governing board of the agency for the purpose of settling its affairs (“winding down”), and during the course of such winding down, shall exercise all powers granted by these Bylaws, as may be necessary or convenient in the accomplishment of its duties. When all agency affairs have been finally settled, the Council shall by resolution so declare, at which point the Agreement shall be of no further force or effect. In such winding down all assets of NLS will be converted to cash, or to forms of property converted for division and distribution, and following the payment of all just claims against the System, shall be distributed as follows:

- a. To the Federal and State governments if any applicable law requires the distribution of assets to these governments.
- b. Any remaining balance will be used to pay each member which has ever belonged to the System the amount of the dues and contributions of its constituent libraries, and if the balance is not sufficient, such payments shall be made on a pro rata basis.
- c. Any balance yet remaining shall be distributed among the parties which have belonged to the System on a pro rata basis of one point to each member for each full year of membership.

Adopted by NorthNet Council 03/07/13



April 3, 2017

STUDY ON ADMINISTRATIVE FEES

EXECUTIVE SUMMARY

The recommendations from this study should provide PLS with a more viable business model for the future.

Instead of an outdated cost sharing model that attempted – but did not effectively – allocate operating costs among PLS and the three agencies for which PLS provides administrative services, we propose a new model that provides significant benefits.

- The new model creates a relationship between PLS similar to that of a vendor and a customer.
- The proposed fee structure is based on more accurate calculations of the real costs incurred by PLS in performing the services.
- The new structure is responsive to the changes in the funding environment in which the Infopeople grant is no longer being received by PLS and certain grants being shifted to PLP. This resulted in lower revenues for PLS, but in the case of grants shifted to PLP, it was still having to provide the same administrative services, but was not compensated.
- Importantly, the fee structure includes a variable element such that PLS would now earn more fees when its workload increases by virtue of an agency receiving grants.
- The model allows for a profit markup, if PLS chooses to include one, rather than being a mechanism that attempts to just recover its costs.

Of course, the new fee arrangements would have to be accepted by the agencies and new contracts established. We expect that their acceptance would be likely because the approach is fair and because they should also want to see the provider of their administrative services be able to continue to provide them.

We also recommend conducting a similar review of PLS's internal projects (Delivery and PLAN IT). Currently, these projects are not charged for any of the administrative services required by PLS to support them. Once the costs are identified and charged to those projects, PLS can then determine if the funding received for the projects is commensurate with the real costs associated with them.

BACKGROUND

Situation

FLG Partners has been engaged to provide strategic organizational advice to the Peninsula Library System, with 3 specific projects having been identified. The projects are interrelated and this is the second study, having already delivered our report on the CFO Position at PLS.

Having been in existence since 1970, PLS created for itself an effective administrative and accounting infrastructure to manage its business. PLS has leveraged this infrastructure by providing on a contract basis accounting services and, in some instances, some or all the administration for other agencies that are in the library-related realm. These agencies are the Pacific Library Partnership, Califa, and NorthNet Library System.

Much of the funding for PLS and the other agencies comes from the same sources, notably including the California State Library. Because of changes in funding levels for the agencies and potential organizational changes for Califa, PLS is reviewing the manner in which it contracts with the agencies and the fee structure related thereto.

Specifically, FLG has been asked to formulate recommendations related to fees and fee structure after reviewing the following:

- Budget for administration and accounting
- Existing and previous contracts with contracting agencies
- Data on time spent on each organization
- Grant awarded to each organization, and associated work in administrative overview, with development of a formula/rationale for overhead of grants which may include consideration of indirect funds, received from grant administration
- Outputs including number of invoices, accounts payable and accounts receivable

The Executive Director of PLS expects to review FLG's findings and recommendations at a Board meeting on April 4, 2017 and consider potential changes to its fees and the fee structure. Any changes would require acceptance by the other agencies and putting in place revised contracts.

Review

While conducting the earlier study of the CFO position, FLG looked at the organization of the accounting group, the volume of activity, the division of work, and the people performing the work. We also familiarized ourselves with the grant activity and the nature of services provided to the other agencies. A simple review of the accounting systems and processes was also done.

We also had multiple meetings with Carol Frost, Executive Director of PLS and PLP; Paula MacKinnon, Interim Director of Califa; Terry Jackson, Special Projects Consultant to PLS and PLP; Donna Truong CFO of PLS, PLP, and Califa.

Subsequently, the following additional investigational work was done so as to collect the requisite data and background information such that a review of the fees and fee structure could be completed and the appropriate recommendations made:

- Review of the full fiscal year audit reports as of 6/30/16 for all agencies, plus the Form 990 for Califa
- Reviewed the fiscal year budgets for 6/30/17 for all agencies
- Reviewed the detailed interim results for PLS as of 2/28/17
- Reviewed with Donna Truong the volume levels for various administrative activities that are performed by PLS for itself and the other agencies
- Prepared an analysis of direct costs associated with providing administrative services and a methodology for allocating overhead costs to the direct costs
- Met with Carol Frost, Donna Truong, and Paula MacKinnon to develop an understanding of the changes in the funding landscape for all the agencies and the possible changes in organizational structure for Califa

Additionally, the January 2016 report from the Municipal Resource Group that recommended certain organizational changes to PLS and Califa was also read. While we found it to be very informative, we developed our own independent findings and recommendations without trying to either validate or reject the work of MRG.

FINDINGS

Contracts for Administrative Services

It was made very clear to us that there are self-identified issues for which solutions are sought. For PLS, there is concern about the dynamics of the negative changes in funding levels for PLS. Also there is concern about how it can keep up with the changing administrative workloads and how it should be compensated for this.

Over the last few fiscal years, there has been a shift in funding for PLS. There has been a steady decrease in income attributed to the administration of state-wide grants. One of the most significant grants, Infopeople, has shifted to another organization, and several other grants have moved to PLP. In the past, PLS used these funds in part to cover its own administrative costs. Although the arrangement for PLAN and Delivery is intended to be cost recovery (breakeven), no administrative fees have ever been attributed to them. Consequently, the administrative efforts associated with PLAN and Delivery have essentially been funded by PLS's other revenue sources, of which it now have less.

It is our understanding that the number of grants being handled by PLS staff, regardless of which agency is assigned the grant, has grown markedly within the last 10 years, with associated additional work, such as accounts payable, accounts receivable, contracts, and reporting. The PLS contracts with the other agencies have not reflected this additional workload, and PLS has not had a fee structure which recoups those costs associated with the increased work.

In addition, in the beginning of Fiscal Year 2016/17, Califa, PLS and PLP followed the recommendation of the Municipal Resource Group and appointed an Acting Director to PLS and PLP, and an Interim Director to Califa. Creating two executive positions has resulted in both agencies faced with assuming additional personnel costs, rather than having one shared Executive Director.

Historically, the assignment of administrative costs has been through a cost-sharing model. The PLS contracts with the other agencies have not provided a clear detailed financial rationale or support for the shared costs. A previous director began to address this through a methodology of time tracking of

administrative staff time. Although this is a reasonable approach to documenting the labor effort of the individuals performing the administrative services, it does not truly represent all costs because it did not include all indirect costs or overhead.

Cost-sharing can be an appropriate methodology when related entities perform services for one another. PLS, PLP, Califa, and NorthNet, however, are not related through common ownership or any other direct relationship beyond the contractual arrangements that have existed PLS and the agencies.

Using a cost-sharing approach has resulted in an environment that was not conducive to a healthy client-vendor relationship. This is not to suggest animosity. Rather, this speaks to a simplistic approach being used for a complex business relationship that leaves questions about the sharing formulas and underlying costs. Cost-sharing also leaves open the potential for doubt as to whether the service provider is operating efficiently and effectively, if there is little financial motivation to do so.

We recognize that the agencies operate in allied areas that generally support libraries and have a long-standing history of working together and supporting one another. This might have been sufficient to justify a cost-sharing model at one time, particularly when their missions might have been more closely correlated and operated under shared management, but is no longer appropriate in our judgement.

We also found it quite curious that PLS's contracts with the agencies are renewed annually with cost sharing percentages set prospectively at the same time. The cost-sharing percentages are based on historical time studies which would be logical if the workloads were static. However, PLS and the agencies exist in a dynamic environment where unbudgeted grants are received during the year, thereby changing the workloads within and among the agencies -- often doing so very dramatically -- yet without any adjustment to the cost-sharing arrangement.

A much healthier and more appropriate approach is one that resembles a typical buyer / seller (or client / vendor) arrangement. In such an arrangement, the client defines the volume of work to be done and the quality desired. With these parameters in mind, the vendor determines the fees to be charged for these services to be delivered and, hopefully, the two parties agree.

Obviously, when setting prices in this more typical scenario, the seller considers the costs of providing the services, including overhead, and perhaps even adds a profit element that is a reward for the effort and risk involved. The client, in turn, evaluates the proposed costs for the services being offered by comparing the costs quoted to what other vendors would charge for these services and/or what it would cost the client to perform the services internally on its own.

Other

PLS owns the building at 2471 Flores Street, and charges market rent to its tenants. We found that the current contract between PLS and Califa provides for rent of \$5,000 per year for the dedicated space provided to Califa's employees. Based on what PLS charges its other tenants, the rent being charged represents about half of the real market value of the space being provided.

Internally, PLS has never allocated administrative costs to its Delivery and PLAN efforts. Only the direct costs associated with those projects are tracked. In order to better measure the true cost of delivering those services, overhead costs should be allocated. Only when the fully burdened (direct costs plus

overhead) are known can PLS determine if the revenue being received completely covers the cost of delivering the services.

Recommendations

Proposal for a New Fee Structure -Overview

Our recommendations below apply only to fees for administrative services. Any fee arrangements for other work (i.e., delivery for PLP) are excluded from this study, but obviously would still need to be included in the contractual arrangements between PLS and the agencies.

We recommend that PLS change the manner in which it charges for the administrative services provides to other agencies. These changes will allow PLS to recover the full cost incurred in providing the services. We propose that the cost-sharing approach be dropped in favor for a fee-for-service model. An important element of our proposal is a variable component that allows PLS to charge more when the administrative workload increases with the agencies' grant volume.

We believe that this model is the more appropriate method for charging for the type of services being provided and should yield a healthier relationship between PLS and its "customers".

Our proposal contains the general attributes that follow

- Creates a fee-for-service environment typically found between a client and vendor, in place of the existing cost-sharing arrangement
- Includes a base fee determined by the estimated number of full-time equivalent personnel required to provide the basic functions for each entity
 - This base fee would be intended to cover the direct costs and overhead of the FTE's
- Provides supplemental variable pricing that automatically adjusts fees when grants are received by any contracting agency, such as Califa, PLP or NorthNet
- Adjusts to a market rate the rent charged to Califa or any agency which has employees at the Flores location

It would be common – and wholly appropriate – for PLS to build into the arrangements a profit factor beyond just recovering its costs in providing the administrative services. After all, this is how independent parties typically do business with one another. The profit factor would normally be a minimum of 5% - 10% and could be substantially higher.

We would recommend a profit factor be included, but without knowing PLS's level of interest, if any, in doing so, our calculations below have excluded any profit factor.

Proposal for a New Fee Structure -Details

The proposed fee structure would have 4 components:

- 1) A base fee that would be determine by the minimum number of FTE's required to sustain the administrative service requirements of each agency

- 2) An additional variable element whereby the agency would share with PLS a portion of the administrative fees that it receives for all grants to cover the costs associated with fiscal administration of the grants
- 3) For any PLS employees totally committed to an agency, the total cost of those employees would be reimbursed to PLS
- 4) For any dedicated space consumed by such employees, rent would be charged at market rates

These 4 components are explained further below:

Base Fee

A review of the costs associated with the employees that perform the administrative services indicates that the fully burdened (direct costs plus overhead) is approximately \$117,000 per year per Full Time Equivalent. This consists of average base salaries of \$73,000, plus a 60% overhead factor or \$44,000. The overhead includes the indirect costs associated with employee benefits, supervision, occupancy costs, and other sundry expenses.

We also estimated that the historical base workload provided by PLS for each agency (expressed in Full Time Equivalents) is:

Califa – 2.0
PLP – 1.0
NorthNet -0.5

The most recent time tracking studies (7/16 – 12/16) showed the total time devoted to the agencies being:

Califa -- 2.6 FTE's (103 hours per week)
PLP – 1.6 FTE's (63 hours per week)
NorthNet -- .7 FTE's (28 hours per week)

The time tracking studies in all cases show more time being devoted to the agencies than the FTE figures used as the base workload levels. This is because the figures represent two different metrics. The base workload, by definition, should be lower because this is the minimum level of staffing required for each agency, almost irrespective of business activity. This is because certain task, like reconciling bank account monthly, closing the books, paying certain bills, undergoing annual audits, etc., all must occur no matter how busy or slow an agency might be.

Thus, the time tracking bears out more than the base level of time is required because of the extra effort attributable to the grant activity. The relationship is not directly incremental, but the grants definitely increase the administrative workload.

The total time devoted to each agency is higher because it includes the additional time required to serve that agency due to the supplemental administrative work necessitated by grants and other activities beyond the base level.

Using these minimum staffing levels cited above, Califa would have an initial base fee of \$234,000 and NorthNet a base fee of \$58,500. For PLP, the historical base level has been one FTE, but there is a new Assistant Director position that will be added at PLS that will be devoting his/her time almost exclusively

to PLP. As such, the proposed prospective base level for PLP would be 2 FTE's and the associated cost of \$234,000.

These base fees should be adjust annually consistent with the then current base workload, updated average salaries of the individuals delivering the administrative services, and updated overhead costs.

Variable Fee

We propose a 50/50 sharing of all administrative fees received by an agency on any grants (including LSTA, CLSA, Federal, etc.). Thus if an agency gets a 10% administrative fee, PLS would be entitled to a fee of 5% of the total grant in return for the additional administrative demands of that grant.

By contractually citing a percentage, rather than a dollar amount, this ensures that PLS automatically earns fees commensurate with any additional work that is generated by grants and it is fair to the agencies because it is only triggered if and when grants are received. Together with the agencies, PLS should determine the timing for collecting the variable fees. This could be done in any of a number of ways: when the agency collects its administrative fee at the end of the grant; periodically (say monthly, quarterly, or semi-annually) as the fee is being earned or a combination thereof.

Cost Reimbursement for Dedicated Employees

If Califa employees remain on PLS's payroll, all of the direct costs associated with these employees would be reimbursed in full by the agency. This is not a change to the current approach. However, if the Califa employees are removed from the PLS payroll, this pass-through cost would be eliminated.

Rent

Currently Califa pays \$5,000 annually for the dedicated space occupied full-time by two of its three employees (approximately 347 Sq. Ft.), dedicated space to the other employee (which is also used for Califa contract worker as needed), plus access to all the common areas in the building. This works out to \$15.33 per square foot per year, a bargain rate. Note that it costs PLS \$6.43 per square foot per year just to operate the building (utilities, insurance, property taxes, etc.).

By comparison, PLS is renting unserviced space to unrelated third parties in the same building at \$27.12 per square foot per year, reinforcing that \$15.33 is well below the market rate for serviced space that also has access to the common areas, includes furniture and equipment, etc. We believe that a rate of at least \$40.00 per square foot per year would approximate a market rate for this kind of shared space.

Based on the 326 square feet dedicated to Califa, we propose that their annual rent be increased to \$13,880.

This rate would be evaluated periodically and modified to ensure that market rates are charged and updated if the amount of dedicated space were to change.

Summary

Exhibit A shows a summary of these charges and provides a proforma comparison of the actual charges for FY 2016 with what the fees would have been under the proposed model. In total, the administrative fee income would be approximately \$160,000 more than what was charged to the agencies. Of this

amount, \$117,000 is attributable to the extra PLP FTE built into the analysis for the future Assistant Director. Otherwise, there is reasonable comparability with 2016 fees.

If it is necessary to do so to gain acceptance of the new fee structure by the agencies, there could be a phase-in period to the change. If so, our recommendation would be to maintain the integrity of the proposed changes, but simply limit the maximum dollar impact of any increases to an agency to a negotiated dollar amount.

Even more important than a retrospective comparison, is a prospective look. Because the grant volume and timing is so variable, it is not realistic to try to project it. However, even without the ability to make such projections, PLS can take comfort knowing that its financial viability is improved by virtue of the variable element in the fee structure. The new arrangement would automatically increase PLS's fees as the grant volume for the agencies grew and PLS's workload grew; something that is lacking under the current model

Internal Cost Accounting

As noted earlier, PLS's accounting does not allocate any administrative service costs to its Delivery and PLAN IT efforts. PLS should perform an analysis similar to the one that has been done here for the three external agencies (Califa, PLP, and NorthNet) so as to determine what these administrative costs are. Once those direct and indirect costs are determined, they should be allocated to those internal projects to determine if the funding received is commensurate with the total costs associated with them.

APPENDIX A

PLS

Proforma Comparative Analysis of Proposed New Fee Structure versus Actual Fees Charged in FY 2016

	Califa	PLP	NorthNet	Total
Proposed Fees				
Base Fees (at \$117,000 per estimated FTE)				
FTE Equivalent	2.0	2.0	0.5	4.5
Rate	\$117,000	\$117,000	\$117,000	\$117,000
Base Fee	\$234,000	\$234,000	\$58,500	\$526,500
Variable Fees (at 50% of Administrative Fee from Grants)*				
Admin. Fees from Grants	\$367,762	\$401,393	\$112,310	\$881,465
Rate	50%	50%	50%	50%
Variable Fees	\$183,881	\$200,697	\$56,155	\$440,733
Reimburse for Direct Compensation paid to Employees*				
Salaries & Benefits for Califa Direct Employees	\$361,706	\$0	\$0	\$361,706
Rent (at FMV of \$40.00 per square foot / month)				
Dedicated space (sq. ft.)	347	0	0	347
Annual Rate	\$40.00	\$40.00	\$40.00	\$40.00
Rent	\$13,880	\$0	\$0	\$13,880
Total Proforma Fees	\$793,467	\$434,697	\$114,655	\$1,342,819
Actual Fees Charged FY 6/30/16	\$745,896	\$353,078	\$83,315	\$1,182,289

*Note: For both variable fees and reimbursement of direct compensation, actual FY 2016 amounts were used, rather than speculate as to what these amounts would be for next year.

APPENDIX B

PLS

Overhead Allocation Summary

Overhead costs are allocated based on direct salaries and wages. The percentage rate at which overhead is allocated is calculated below.

Note that the direct labor associated with Communication and Delivery do not occupy space in the building, so no Communication and Delivery Salaries and Wages are included in the denominator for building-related overhead

Overhead Costs (Numerator)

	General	Building	Total
Indirect Salaries & Wages (Management & Support)	\$671,552		\$671,552
Contractual Services	40,033		40,033
Office expense, supplies, equipment, etc.	9,912		9,912
Misc.	1,429		1,429
Building Costs (incl. utilities, insurance, repairs, interest, etc. -- net of expenses allocated to tenants)		213,558	213,558
	<u>\$722,926</u>	<u>\$213,558</u>	<u>\$936,484</u>

Total Salaries & Wages (Denominator)

	General	Building	Total
#917 Comm. & Delivery	\$234,480	\$0	
#919 Admin	924,106	924,106	
#951 Plan Central	458,422	458,422	
#956 Building	2,379	2,379	
Total S&W (allocation base)	<u>\$1,619,387</u>	<u>\$1,384,907</u>	

Overhead Rate (numerator / denominator)	<u>45%</u>	<u>15%</u>	<u>60%</u>
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Appendix C

FLG Partners

Founded in 2004, FLG Partners is a partnership of very experienced CFOs focused on a single mission: delivering high value-added leadership and strategic advice to our clients. Our 27 partners are all based in the Bay Area and we are the largest firm of its kind on the West Coast -- perhaps the entire country. Collectively, we have over 600 years of experience as CFO's and cover every industry segment that exists in Silicon Valley. We do not limit ourselves to assisting technology companies and a significant part of our practice includes everything from non-profits to consumer products.

Victor Colunga

As a co-founder of FLG, Victor has been a partner for 13 years. He started his career as a CPA and has over 40 years of business experience, including 26 years as a CFO with a broad base of companies varying in size and industry. He has deep operating experience having also served as the VP of Operations for a \$250 million consumer products company.

While at FLG, Victor's portfolio of clients has included a number of not-for-profit entities, including serving as the ongoing part-time CFO for a 501(c)(3) organization for a firm record of 11 years and running.

Victor is active in his community, including volunteering for 8 years on the Board of Big Brothers – Big Sisters of the Peninsula and serving 2 years as their Treasurer. He is currently on the Board of Directors of the Olympic Club of San Francisco, the oldest athletic club in the country, and is their Treasurer. He has served on the Club's Finance and Audit Committees, serving as the chair of both. In addition, he has served on their Investment and Insurance Committees.



To: NLS Executive Committee
From: Carol Frost, CEO, PLP
Subject: Allocation of NLS Funds for FY 2017/18
Date: August 18, 2017

The FY 2017/18 CLSA allocations for the NorthNet Library System (NLS) is \$819,731. Of that, \$163,946 has been allocated for System Administration, and \$655,785 of Communication and Delivery funds are unallocated. The purpose of the memo is to recommend several options for allocating those funds.

Background

NLS typically allocates much of the CLSA Communication and Delivery funds back to the public libraries, which can choose to apply their funds towards costs related to delivery, Zinio and OverDrive. In FY 2016/17, the distribution was as follows:

\$424,544 Initial allocation of funds
 \$84,909 - System Administration
 \$3,900 - Postage, list-servs, supplies
 \$335,735 - allocated by formula back to public libraries for Communication and Delivery

\$393,241 in one-time additional augmentation
 \$25,648 - System Administration
 \$53,000 - Link+ study and Joomla knowledge sharing platform
 \$100,000 – Zinio, to bring in remainder of NLS members and expand content
 \$100,000 – OverDrive
 \$114,593 – Set aside for implementation of Link+. If following feasibility study, it is determined that Link+ is not fiscally viable, these funds may be allocated to Zip Books or other options discussed.

For the augmentation allocations, it should be noted that \$31,200 remains of the \$53,000 allocation, and that the Zinio and OverDrive expenditures will be spread out until FY 2018/19. None of the \$114,593 has been spent. CLSA funds can be carried over if not all spent in the fiscal year in which they are received, but must be fully expended within two years.

The total NLS FY 2017/18 CLSA fund allocation is very similar to the total awards in FY 2016/17, which include the initial allocation and the augmentation. FY 2017/18 funds must be expended by June 30, 2020.



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Options for Allocation

The NLS Executive Committee has several options for allocating the \$655,785. California Law outlines acceptable use of expenditures of CLSA funds. The State Library attempts to be as flexible as possible so that Systems may budget CLSA funds in ways that best meet the needs of member libraries. Appropriate usage statistics are a requirement. In general, funds may be spent in two ways:

- Training: training as it relates to Communications & Delivery (C&D) can be funded from that program; staff training for other purposes can be funded from System Administration
- e-Resources: CLSA C&D funds can be used for all types of e-resources

Option one: allocate the \$655,785 to the public libraries per the formula

Option two: in consideration of the Link+ study, the Executive Committee may choose to hold back additional funds to cover the estimated \$300,000 installation costs for a possible Link+ implementation. In FY 2016/17, \$114,593 were allocated towards this implementation. The Committee may consider allocating up to \$200,000 toward this project, and allocate \$344,785 to the public libraries per the formula

Option three: NLS may consider allocating Communication and Delivery funds in other ways not outlined above.

At the last California Library Services Board meeting, the Board approved modified language to expand the definition of allowable uses, including using CLSA funds for items such as Analytics on Demand. These regulations are being reviewed at the State level, and it is hoped that an update on the process will be given at the October CLSB meeting.



To: NLS Executive Committee
From: Michael Perry, Chair, NSCLS and Carol Frost, PLP
RE: Staff Development Funds for NLS members
Date: August 18, 2017

Staff development funds have been made available to NLS member libraries at \$1,000 per library for the past several years, funded from the NLS Contractual Services line item, using membership dues. These funds are particularly beneficial to NLS small and/or rural member libraries who have little to no staff development in their local budgets.

In FY 2016/17, 32 member public libraries submitted claims for these funds, ten public libraries did not respond, and no academic libraries responded. Since these funds are not subject to the same limitations as CLSA funds, this is one of the few benefits available to all NLS members.

In the FY 2017/18 budget, \$83,128 is unallocated for Contractual Services. It is recommended that NorthNet continue to fund staff training at \$1,000 per member, and allocate up to \$50,000 for this purpose.

This will allow libraries the flexibility to decide locally the best training for their staff, including attendance at conference and other opportunities in FY 2017/18.

RESOLUTION

RESOLUTION OF No 1

AGENCY	2471 Flores St.	AGENCY
ADDRESS	<u>San Mateo, CA 94403</u>	PHONE NUMBER <u>650 349 5538</u>

AUTHORIZING INVESTMENT OF MONIES

IN THE LOCAL AGENCY INVESTMENT FUND
--

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the NorthNet Library System/ Executive Committee hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the NorthNet Library System;

NOW THEREFORE, BE IT RESOLVED, that the NorthNet Library System/ Executive Committee hereby authorizes the deposit and withdrawal of NorthNet Library System monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following NorthNet Library System officers holding the title(s) specified herein below **or their successors in office** are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

<u>Carol Frost</u> (NAME)	<u>Andrew Yon</u> (NAME)	_____ (NAME)
<u>Executive Director</u> (TITLE)	<u>Controller</u> (TITLE)	_____ (TITLE)
_____ (SIGNATURE)	_____ (SIGNATURE)	_____ (SIGNATURE)

Section 2. This resolution shall remain in full force and effect until rescinded by Executive Committee by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

PASSED AND ADOPTED, by the Executive Committee of NorthNet Library System of State of California on 8/18/17.