

## NorthNet Library System (NLS) Financial Budget Definitions

*NLS is funded through a combination of California Library Services Act (CLSA) funds, State Library grant indirect revenue, member dues and administrative fees.*

**NLS Budget** – The NLS budget is comprised of funds from member dues, local contributions for additional services, administrative fees for additional services, and California Library Services Act (CLSA) funds. The NorthNet budget is separate from the three ‘legacy systems’ which include Mountain Valley Library System (MVLS), North Bay Cooperative Library System (NBCLS), and North State Cooperative Library System (NSCLS). It is reviewed by the Executive Committee and adopted by the Administrative Council at the June meeting.

**NLS Fund Balance** – These funds are used throughout the year that carry NLS for the first 6 months of each year until the State Library releases the California State Library Services Act funds. 70% of the NLS Fund Balance are restricted funds and are used for the “dry period” from July to December of each fiscal year before CLSA funds are received. The Fund Balance also serves as a contingency should CLSA funds be reduced. The funds are unrestricted and can be used in any way the Administrative Council chooses. Any unexpended operating funds not expended at the end of a fiscal year will fall to the Fund Balance. Once CLSA funds are received, the Fund Balance is replenished of used funds during the dry period.

**NLS Operating Reserves Fund** – The Operating Reserves Fund is a separate fund and not part of the Fund Balance. The fund is intended to create organizational stability during times of impermanent fiscal instability or by absorbing unexpected costs. The target minimum fund amount for the NLS Operating Reserves Fund is equal to three months of the operating costs. The NorthNet Operating Reserves Fund Policy states that it “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 Operating Reserve Funds originated from the Fund Balance in accordance with NLS Administrative Council adoption of the Operating Reserve Policy at the January 2018 meeting.

**Administrative Fees for Services** – NLS has adopted an Administrative Fee Schedule for group contracts, and for special contracts for local libraries. The Fee Schedule includes a 10% administrative fee for contracts less than \$100,000, and a 5% administrative fee for contracts more than \$100,000. The fees offset the staff time to perform the work, and the funds are part of the Operating Budget. Examples of contracts are Link+, couriers, OverDrive, and Chilton for some libraries.

**Restricted funds** – Those funds which have specific restrictions. The California Library Services Act (CLSA) funds are restricted by law to be used for specific activities related to resource sharing, which are approved by the California State Library and the California Library Services Board. Other examples of restricted funds may include the Operating Reserves Fund, or funds allocated to a specific line item in the budget.

**Unrestricted funds** – Those funds which are not allocated to a specific item in the budget, or which have no other restrictions on them. This may also include funds in the Fund Balance

**Contingency Reserve Fund** – At times, NLS may designate contingency funds should there be an anticipated or potential reduction in funds. An example of this is if the economic forecast shows a potential deficit in the State Budget which may result in a lower CLSA allocation to NLS, NLS may choose to set aside some CLSA funds for future purchases, to cover the potential reduction of funds in the forthcoming year.

**Legacy System Budgets** – Before NorthNet was formed, each of the three ‘legacy’ systems had their own staff and budgets. None of the systems have any current staff, but each of the three systems has current and future CalPERS obligations for the former employees. The three legacy systems include Mountain Valley Library System (MVLS), North Bay Cooperative Library System (NBCLS) and North State Cooperative Library System (NSCLS). Each of the legacy systems are responsible for their CalPERS liabilities which are addressed in their individual legacy system budgets.

**LSTA Funds** – Occasionally, NLS may choose to apply for a Library Services and Technology Act (LSTA) grant from the California State Library. The grants funds will be to support a specific initiative, with member participation.

**CLSA Funds** – The California Library Services Act (CLSA) is defined in Title 5 of the California Code of Regulations, sections 20100 – 20265. The distribution and oversight of the funds is done by the California Library Services Board (CLSB). Only public libraries belonging to a cooperative may receive these restricted CLSA funds. Per the CLSB, CLSA funds are divided into System Administration (20%) and Baseline for Communications and Delivery (C&D) (80%). Each of the nine cooperatives throughout the State determines how they will allocate their funds within the confines of the California Code. The CLSB typically awards the amounts annually in October, and systems receive their funds typically in January. A system has three years to expend the funds.

Adopted by NLS Administrative Council, January 25, 2024