

## **Capital Fund Agreement**

As with any Integrated Library System we can expect the introduction of new modules and enhancements, the need for new equipment and, the possible need for choosing an alternative vendor. With the current state of System funding, we cannot find the funds to handle these eventualities and to expect member libraries to fund these is unrealistic. Given these realities, the establishment of a Capital fund would address these issues without severe financial impact on any library.

Currently members pay an annual circulation fee (\$.035 per circulation or \$.135 per capita, whichever is lower) and a license maintenance fee (\$230 per license beyond the first two). This money is used to cover the ongoing III maintenance charges.

### **Income**

Libraries will pay the maintenance fee for the two free Innovative Interfaces licenses provided by the Mid-Hudson Library System. The cost is currently \$250/year/license. These funds will be kept in a separate Capital Fund account. This would bring in \$30,360 per year. These funds will be divided into three categories with the following cap for each category. At least \$1,500 in year one will go into the license fund:

Licenses, \$15,000  
Modules, \$50,000  
Migration \$300,000

If the cap is reached, additional revenues will flow to the other categories. A majority vote of the DA is required to move funds into different lines. A report of the status of the Capital fund will be made annually to the DA.

Additional income to the Capital Fund could be raised by adding a charge to current circulation fees. A two-thirds vote of the membership is necessary to implement this fee.

## **Uses**

Capital Fund expenditures must be a one time expense and not ongoing. This fund is not intended to be used for new hardware purchases, as that will come from MHLS E-rate funds. Expenditures from this fund will be divided into three types:

### **New modules from III or other electronic enhancements**

Each year III develops new modules that are not part of the normal upgrade. Some of these will enhance the functionality of our system. In addition, other vendors produce technologies that could be of value to our patrons. The capital fund will create a target balance of \$50,000 enabling us to enhance our system. The DA vote would decide what to purchase.

### **New Licenses**

Each Millennium session requires a license that cost \$1500. MHLS has purchased licenses from our circulation fees, so that all libraries have the number of licenses they need. In the future, if a library needs a new license, this fund could be used to purchase another block of ten. The target balance for this line is \$15,000. A library that wishes to add a license must inform MHLS by January 1 of that year. A library can purchase no more than one license in a three-year period through the Capital Fund.

### **Migration**

The future of technology is still in flux. Over the next ten years, new systems will be developed and/or the III system might no longer be satisfactory leading to the decision to migrate to another product. The cost of this would be around \$300,000. By beginning to save money now, if this eventuality occurs, we would be prepared with the resources for this option. The target balance is \$300,000.

*Approved by the MHLS Directors Association February 6, 2007*