



TO: IHLS Board of Directors  
FROM: Leslie Bednar  
DATE: July 19, 2024  
RE: Sharing Heartland's Available Resources Equally (SHARE) FY2025 Fee Increase Determination

As requested at the June 25, 2024 meeting, this is a recounting of the communications and discussions related to equity in the FY2025 SHARE fee increase determination. You will note that throughout the process, member outreach, including this body, was a priority.

### **Background**

The SHARE Finance & Policy Committee began the discussion in Sept. 2022, with a review of the current structure and suggestions for adjustments. IHLS Finance Department began a forecast to help the committee determine future needs. The analysis showed that SHARE would start to run negative in FY2024, potentially depleting our cash balance by FY2028 if fees were not increased.

### **Evaluative Process**

The SHARE Finance & Policy Committee reviewed seven models to determine the most equitable formula for increasing fees. This included two full-day, in-person workshops. Based on member feedback, they determined that the best path forward was an inclusive formula that allowed all libraries access to Aspen, Polaris modules, and cloudLibrary, instead of member libraries paying for these separately. This allowed all libraries access to everything SHARE offers instead of only those with a bigger budget. This was highly influenced by the IHLS trustee responses to the Aspen project, preferring a way for all libraries to have equitable access.

When we reviewed the fee scales, we had to balance the needs of all of our member libraries, generate enough revenue for business needs, cover what were formerly separate charges, and factor in what was charged in previous years. In the past, SHARE fee scales would increase and remain stable for three to five years. This was a substantial increase, but even without factoring in the costs of the inclusive model, there had been no change in fee structure since 2019, which was the most significant reason for this considerable increase. At the Town Hall meetings, members gave feedback, preferring to see smaller, more regular increases in membership fees to prevent these larger increases in the future. This feedback was integral to the decision-making process.

SHARE's commitment to transparency and inclusivity was evident in the extensive feedback collected for the proposed fee scales. This process included two director surveys first in July and again in November, a member comment period, and a series of Town Hall meetings with the

SHARE Finance & Policy Committee in September 2023. The committee also utilized various communication channels, such as the SHARE Member Notes newsletter, email blasts, direct emails to library directors, IHLS Board Reports, and information provided on the SHARE website, to keep all stakeholders informed.

After multiple discussions and revisions, the committee provided members with two of the seven suggested models. Membership was split between the traditional model and the inclusive model. The committee decided that the inclusive model would best align the consortium’s values and be the best value for the majority of members. This was also in agreement with comments expressed at IHLS Board of Trustees meetings.

**FY2025 SHARE Fee Model**

With the inclusive model, the average increase was 16%. After member feedback, the committee decided to cap the increase at 17% in FY2025 and FY2026 so that member libraries saw more incremental increases rather than a significant increase immediately. We can do that using our Reserve Fund to cover deficits for the next two years, but that is not a long-term solution.

The committee also tried to bring better equity among the fee percentages, with higher revenue libraries seeing a slightly higher increase, except the \$700K tier. When working with percentages, a tiny rise in percentage translates to a massive increase with larger budgets. The committee also had to ensure that we wouldn’t “price out” the handful of libraries at the highest revenue levels by charging more than they could receive by purchasing Polaris as a standalone service. Member libraries would find that purchasing Polaris on their own would be far more expensive than the SHARE membership, though it is close when reviewing our largest libraries. Below is the chart that reviews how the scales changed. You can see how the committee tried to make the percentage increases more equivalent across the tiers.

<u>Revenue</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Increase</u>
0–59,999	\$1150	\$1500	\$350
60,000–99,999	\$1700	\$2200	\$500
100,000–299,999	1.7%	2.27%	.57
300,000–499,999	1.69%	2.27%	.58
500,000–599,999	1.63%	2.24%	.61
600,000–699,999	1.33%	2.00%	.67
700,000+	1.13%	1.57%	.44

Here is an example using data from one of our member libraries in the \$700K tier. In FY2024, the library’s base fee was calculated at a rate of 1.13% for a total of \$13,832.33. In FY2025, their base fee was calculated with a rate of 1.57%, for a total of \$20,248.21. If we were to

charge even the next higher rate of 2%, between the change in rate and their normal increase in revenue, their fee would jump to \$25,793.90, which would be an 86% increase from FY2024! In this instance, they were still seeing a higher-than-average increase, so they were capped at 17%. In all cases, we will only charge each member their new rate up to the 17% cap. In this library's example, they would have paid \$20,248.21, but we are only billing the max of their base rate of \$16,183.83 for this next fiscal year, with the \$4,064.83 deficit coming from our reserves if needed. To clarify, all member libraries of all sizes are receiving relief from the 17% cap, not just our largest libraries.

The SHARE Finance & Policy Committee and SHARE Executive Council voted to send the new fee scales to the membership for a vote in Feb. 2024 after the annual Members' Group meeting on Jan. 24, 2024. The fee scale was approved by members 151 yes to 15 no. The information was communicated through the newsletter, email blasts, within the IHLS Board Report, and via the SHARE website before the meeting. The vote results were also shared with members via email blast and on the SHARE website. The vote results were also shared with the IHLS Board of Trustees at the March 2024 meeting.

We hope that explains the overall process, how information was shared with members and the board, and how SHARE balanced out the necessary increases and embedded fees across the membership to create the new inclusive model. Thanks for your review of the entire process, and let me know if you have any additional questions or concerns.