



January 30, 2015

Ms. Elaine Aguilar
City Manager
City of Sierra Madre
232 W. Sierra Madre Blvd.
Sierra Madre, CA 91024

Dear Ms. Aguilar:

I would like to thank you, Elisa Cox and Carolyn Thomas for spending time with Ed Kieczkowski and me on December 16th to review our preliminary analysis of the Sierra Madre Public Library, and for the opportunity to provide this proposal. As we discussed, we have completed our analysis of the information your Library Director, Carolyn Thomas, sent to us regarding the Library's current budget, and the results look very promising. We believe a public-private partnership with the Sierra Madre Public Library will enable the City to save money while improving library services to an extent not possible under the Library's current structure.

Our experience in operating 82 community libraries across the nation has shown that in order for a public-private partnership to be truly successful, library services should improve for the residents in a demonstrable way. I know your goal is to look for ways to more efficiently operate the Library and to reduce expenditures for the Library. However, for both the City and LSSI to be successful in a public-private partnership, our goal in this proposal is to both enhance library services for the residents of Sierra Madre and reduce costs.

To summarize the Library's FY 2014-15 budget, the total budgeted for the Library from the General Fund is \$794,080. Of that amount, \$655,400 is budgeted for Personnel Services, \$69,630 for Books & Materials, and the remainder, \$69,000, is for other direct charges (ODCs).

With a public-private partnership for the Sierra Madre Public Library, LSSI proposes to increase the level of services by operating the Library for 51 hours per week vs. the current 47 hours of operations. We recommend these additional hours be used to open the Library on Sundays, increasing its operations from six days to seven days per week, thereby greatly improving access to the Library for the City's residents. The actual days and hours the libraries will be open to the public will continue to be a policy decision made by the City Council.

In addition, we propose to maintain the current level of spending for books & materials at a minimum of \$69,630, enhancing it with improved discounts and terms because of LSSI's economies of scale gained by purchasing more than \$6,000,000 worth of books & materials every year for our client libraries. This amount is only a recommendation going forward. After the first year, on an annual basis, the City Council will determine the amount of money to be budgeted for books & materials.

In this proposal, we have not changed the budgeted amounts for ODCs. However, it is our belief, with the economies of scale LSSI provides by operating 82 community libraries, there may be additional savings to be derived from some of those line items. For example, one of those essential items includes the maintenance cost of the Library's Innovative Interfaces' Integrated Library System (ILS).

Carolyn has informed us that the current ILS is twelve years old and in need of replacement. Replacement costs for the system could be as much as \$100,000, and possibly more. As part of our proposal, at no additional cost to the City, during the first year of operations, LSSI will replace the Library's existing ILS with membership in the Inland Library Network (ILN), which utilizes a state-of-the-art automated system from Polaris (Polaris was recently acquired by Innovative Interfaces). ILN is a network of more than 50 local libraries including the Riverside County Library System, the Murrieta, Moreno Valley, Simi Valley, Santa Clarita and Upland Public Libraries, and the College of the Desert Library. Participation in this network of libraries will allow Sierra Madre Public Library to have access to nearly four million items in these libraries, thus greatly expanding the range of available materials. Access to these materials will also include courier delivery of items from other member ILN libraries to and from the Sierra Madre Library.

There is an additional savings in our proposal that should be noted. Regardless of which ILS the Library selects for its upgrade, there will be a data migration cost associated with such a move, including the Polaris system that LSSI operates for the Inland Library System. The latest quote we've received from Innovative Interfaces for that migration is \$24,700. This migration cost would be the same or more, should the Library choose to join ILN independent of a partnership with LSSI. However, LSSI proposes to amortize that cost over the five-year life of a contract and has included the cost in its proposal.

In addition, as an LSSI-operated library, Sierra Madre Public Library will be able to take advantage of a variety of additional features of the ILN automation system as customized by LSSI to help libraries that we operate simplify ordering procedures and reduce costs, specifically:

- **Electronic ordering and acquisitions system.** The Sierra Madre Public Library will be able to take advantage of the LSSI electronic acquisitions system, which enables libraries to place electronic orders and receive electronic invoices from all of the major library vendors, substantially reducing staff time and improving accuracy and fulfillment.
- **LSSI cataloging services.** Under LSSI operations, it will no longer be necessary for the Library to subscribe to expensive cataloging services because LSSI maintains a union database of most of the cataloging records that libraries need; records that cannot be found there can be requested directly from LSSI cataloging staff at no cost, resulting in substantial savings in both direct costs and staff time.
- **Electronic commerce.** All libraries operated by LSSI can take advantage of a web-based PCI-compliant e-commerce system that allows patrons to pay fines and fees or even make donations to the Library online. This is an optional service for those clients who want to use e-commerce systems.
- **Customized collection reporting and analysis.** LSSI support staff provides customized monthly, quarterly and annual reports for all libraries we operate to help library staff monitor how well

their collections, services, and staff are performing, and how performance could be improved. In addition, LSSI staff will create special reports and analyses whenever necessary.

In short, even though the Sierra Madre Public Library could, at considerably higher cost, join ILN or upgrade its current Innovative Interface's ILS to a Polaris System on its own, under LSSI operations the Library will be able to take advantage of a variety of cost-saving features and services that LSSI has built onto the ILN automation platform. As a non-LSSI client, the Library would not have access to the above features and services.

In our staffing model, we assumed the level of programming to initially remain the same and to be enhanced once we are able to assess areas where services could be improved. We have budgeted for between 7 and 9 FTE (full-time equivalent) positions, consisting of both full-time and part-time employees. Typically, about 20% would be MLS-degreed librarians. It should be noted, however, that LSSI contracts for a specified level of performance, not specific levels of staffing. If more staff is needed to operate the Library 51 hours per week, it will be LSSI's responsibility to provide the additional staff, at no additional cost to the City.

LSSI will staff the Sierra Madre Public Library with experienced, well-qualified staff members who will provide services and programs to library customers during all hours the Library is open to the public. LSSI hires the best and brightest staff members available, and augments their expertise with that of LSSI's senior support staff and Management Team. All employees hired to work in the Library will be LSSI employees, and LSSI will pay all costs related to their employment, including the provision of employee benefits.

As quickly as possible after contract award, LSSI will meet with all incumbent employees working in the Sierra Madre Library to introduce the company and its Management Team, answer any questions, describe the transition process including the scheduling of interviews, and discuss benefits. All incumbent employees will be given the first opportunity to interview for positions with LSSI and will be given priority in our hiring decisions.

Pricing: The total annual budget for LSSI to operate the Sierra Madre Public Library, including the above \$69,630 for books & materials, will be \$694,000 vs. the \$794,080 currently budgeted for the Library. That's \$100,080 (12.6%) less than the current cost of operations for the Library. As shown in the table below, this will result in a savings of more than \$525,000 over the five-year life of a contract with LSSI. While this represents a significant savings for the City, let me emphasize that our objective is twofold: to reduce costs and to improve library services. LSSI's model will enable the City to accomplish that, whereas current budget and structural realities would otherwise prevent the City from doing so.

LSSI's efficiencies developed by operating numerous community libraries across the nation and the economies of scale our size provides will enable LSSI to reduce controllable operational costs for the Library by 12.6%, while increasing the hours of operation for the library from 47 to 51 hours per week. The table below shows our price and the City's savings during the next five years under a proposed partnership with LSSI.

Description	CY1	CY2	CY3	CY4	CY5	Total
City's Baseline FY '14-'15 Budget	\$ 794,080	\$ 813,932	\$ 834,280	\$ 855,137	\$ 876,516	\$ 4,173,945
LSSI Operations	\$ 624,370	\$ 639,979	\$ 655,979	\$ 672,378	\$ 689,188	\$ 3,281,894
Collection Expense	\$ 69,630	\$ 71,371	\$ 73,155	\$ 74,984	\$ 76,859	\$ 365,999
Total LSSI Proposed	\$ 694,000	\$ 711,350	\$ 729,134	\$ 747,362	\$ 766,047	\$ 3,647,893
Net City Savings	\$ 100,080	\$ 102,582	\$ 105,146	\$ 107,775	\$ 110,469	\$ 526,052

We are able to enhance local libraries' performance, as well as their efficiency, based on nearly eighteen years of experience in partnership with communities of all sizes, population demographics, and economic conditions. For example, as noted above, we operate libraries now in 82 communities nationwide. In size, they range from the City of Red Oak, Texas with a population of 10,000, to Riverside County, California with nearly two million residents. Furthermore, in those sites, civic leaders have engaged our assistance for a variety of reasons. For some, such as those in your nearby communities of Camarillo, Moorpark, Simi Valley and Santa Clarita, one of their primary motivations was to control locally the policies and funding of their libraries. For others, such as Palmdale, leaders sought ways to revitalize their libraries through our assistance as a professional library company. Still others, such as Moreno Valley and Upland, needed a way to make their libraries sustainable as crucial community assets despite economic pressures on their budgets.

Of primary importance to every public leader, however—and a value that I'm sure resonates with you—is a personal and public passion to support his or her local library as a vibrant, effective, yet affordable cornerstone in the community, contributing to a high quality of life for all residents. That is our goal in each of our partnerships with local governments; and we are very eager to work with you toward that end in Sierra Madre.

Please let me know if you have any questions or need any further information. I look forward to working with you on this project.

Best regards,

Bob

Robert E. Windrow
Vice President
Library Systems & Services, LLC