

Supporting Fairness Across Communities

A Model Framework for Public Library Service Agreements and Fees

Library service agreements are important to clearly define costs, responsibilities, and access, creating a fair and predictable system that supports both the library and the communities it serves. They also promote a shared value and vision for library services, recognizing that libraries are a regional resource that benefit residents across town lines. By working together, communities help ensure consistent, high-quality access to information, programs, and services that strengthen quality of life for all residents.

A good fee formula should feel fair, be easy to explain to town officials, and reflect actual costs. The biggest mistakes libraries make are charging too little and unintentionally subsidizing other towns, setting an arbitrary fee, or creating a model so complex it's difficult to explain and defend. A simple, transparent approach usually works best.

Here is a clear structure libraries can adopt along with three solid approaches libraries can use that often works well in practice.

The most practical and defensible formula is:

$$\text{Annual Fee} = (\text{Library Operating Cost per Capita} \times \text{Number of Non-Resident Users}) + \text{Base Service Fee}$$

This ensures the town pays its fair share of what residents already fund, plus a small premium for administrative overhead and maintenance and upkeep.

Step-by-Step Formula

1. Calculate Operating Cost per Capita: choose one of the following

A. Operating Cost per Capita = $\frac{\text{Total Annual Library Budget}}{\text{Population of the Library's Town}}$

This figure reflects the per capita municipal investment required to fund library operations.

B. Operating Cost per Capita = $\frac{\text{Total Annual Library Budget}}{\text{Population of Total Legal Service Area}}$

This figure reflects the per capita legal service area investment required to fund the library

C. Municipal Appropriation per Capita = $\frac{\text{Total Municipal Appropriation}}{\text{Population of the Library's Town}}$

This figure reflects the cost per resident based on the amount contributed by library's own municipality.

2. Estimate Non-Resident Users

Options:

- Number of cards issued to non-residents
- OR estimated usage based on circulation/visits
- OR a negotiated population percentage

Non-Resident Usage Cost = Operating Cost per Capita x Non-Resident Users

3. Add a Base Service Fee

A base fee ensures a minimum level of support.

This covers:

- Administrative overhead
- Increased circulation, programs, and other services load
- Facility maintenance and upkeep
- Collection and technology development, maintenance, and licensing

Base Service Fee: choose one of the following

A. Base Service Fee = Non-Resident Usage Cost x p

Where p can range from 1% - 20% (0.01 to 0.20)

OR

B. Base Service Fee = Total Annual Library Budget x p

Where p can range from 1% - 20% (0.01 to 0.20)

4. Final Formula

Option 1: Annual Fee = (Operating Cost per Capita x Non-Resident Users) x (1 + p)

Option 2: Annual Fee = (Municipal Appropriation per Capita x Non-Resident Users) x (1 + p)

OR combined:

Option 1: Annual Fee = (Operating Cost per Capita x Non-Resident Users) + Base Service Fee

Option 2: Annual Fee = (Municipal Appropriation per Capita x Non-Resident Users) + Base Service Fee

5. Test and compare multiple formula options to determine which most accurately represents funding needs.

These are examples of a few models we tested and how they look in practice.

Example #1 Using Service Fee = Non-Resident Usage Cost x p

- Library budget: **\$300,000**
- Town population: **3,000**
- Operating cost per capita: **\$100**
- Non-resident users: **150**
- Base Service Fee: **10%**

$$\text{Annual Fee} = (\$100 \times 150) \times 1.10 = 16,500$$

So the neighboring town would pay **\$16,500 per year**.

Example #2 Using Base Service Fee = Total Annual Library Budget x p

- Library budget: **\$300,000**
- Town population: **3,000**
- Operating cost per capita: **\$100**
- Non-resident users: **150**
- Base Service Fee: **10%**

$$\text{Annual Fee} = (\$100 \times 150) + (\$300,000 \times 0.1) = 45,000$$

So the neighboring town would pay **\$45,000 per year**.

Example #3 Using Municipal Appropriation per Capita

- Municipal Appropriation: **\$250,000**
- Town population: **3,000**
- Operating cost per capita: **\$83.33**
- Non-resident users: **150**
- Base Service Fee: **10%**

$$\text{Annual Fee} = (\$83.33 \times 150) \times 1.10 = 13,750$$

So the neighboring town would pay **\$13,750 per year**.

Alternative Funding Formula Models

1. Per Capita Formula (Most Common)

Per capita funding serves as a baseline for fairness by aligning each town's contribution with its share of the population served.

Charge each town based on population.

Formula:

Annual Fee = (Library Operating Budget ÷ Service Population) × Town Population

Example:

- Library budget: \$500,000
- Service population: 10,000
- Cost per capita: \$50

Town of 1,200 residents pays:

$1,200 \times \$50 = \$60,000$

Pros:

- Easy to explain
- Feels equitable
- Scales automatically

Cons:

- Doesn't reflect actual usage differences

2. Usage-Based Formula

A usage-based model allocates costs according to documented service use, aligning each community's financial contribution with its level of demand on library resources.

Charge based on how much a town's residents actually use the library.

Formula:

Annual Fee = Cost per Use × Total Uses by Town Residents

Where "uses" could include:

- Circulation
- Program attendance

- Computer sessions

Example:

- Cost per use: \$8
- Town residents generate 5,000 uses

$$5,000 \times \$8 = \$40,000$$

Pros:

- Data-driven
- Appeals to towns focused on value

Cons:

- Requires good tracking
- Services may be impossible to track
- Can fluctuate year to year

3. Flat Fee (Simplest Option)

Each town pays a set amount annually.

Formula:

Annual Fee = Negotiated Flat Rate

Pros:

- Very simple
- Predictable revenue

Cons:

- Can feel arbitrary or inequitable
- Doesn't scale with population or use

Key Decisions Libraries Should Make First

Before applying any formula, define:

- **What costs are included?**
 - Total operating budget?
 - Or only tax-supported portion?
- **What counts as “service population”?**
 - Resident town only?
 - All users?
- **What counts as “usage”?**
 - Keep it simple (circulation + programs are often enough)

Libraries May Include

- Minimum fee (e.g., no town pays less than \$1,500)
- Cap on increases (e.g., no more than 10% per year)
- Multi-year agreement with a 2-3% annual increase

Sample Public Library Service MOA

Public Library Service Memorandum of Agreement

Between [Library Name] and [Town Name]

1. Purpose

This Memorandum of Agreement (MOA) establishes the terms under which [Library Name] will provide public library services to residents of [Town Name], and the method by which the Town will contribute financially to support those services.

2. Term

This agreement shall be effective from [start date] through [end date], unless amended or terminated by mutual written agreement.

3. Services Provided

[Library Name] agrees to provide residents of [Town Name] with access to the same core services available to its resident community, including:

- Borrowing of physical and digital materials
- Access to public computers, internet, and Wi-Fi
- Participation in programs and events
- Reference and research assistance
- Use of library spaces, subject to policies

4. Annual Fee Structure

The annual contribution from [Town Name] shall be calculated using the following formula:

Annual Fee = (Library Operating Cost Per Capita × Number of Non-Resident Users) + Base Service Fee

A. Library Operating Cost Per Capita

The per capita cost is determined annually by dividing the library's total operating expenditures by the population of its primary service area.

Example:

Total Operating Budget ÷ Resident Population = Cost Per Capita

B. Number of Non-Resident Users

The number of active users from [Town Name] will be determined using the most recent full year of available data, such as:

- Registered borrower addresses
- Program participation
- Circulation or usage data

C. Base Service Fee

A fixed annual fee of **\$[amount]** will be assessed to ensure:

- Equitable contribution toward shared infrastructure (facility, staffing, collections)
- Ongoing access regardless of fluctuations in usage
- Stability and predictability for both the Town and the Library

5. Payment Terms

Payment of the annual fee shall be made:

- In full by **[date]**, or
- In **[number]** installments on mutually agreed-upon dates

6. Reporting and Transparency

[Library Name] agrees to provide [Town Name] with an annual report including:

- Summary of services used by Town residents
- Explanation of how the fee was calculated
- Library budget overview

7. Review and Adjustment

The fee and formula may be reviewed annually and adjusted based on:

- Changes in operating costs
- Updated population or usage data

8. Termination

Either party may terminate this agreement with **[number] days written notice** prior to the end of the term.

9. Shared Value Statement

Both parties recognize that public library services contribute to the educational, economic, and social well-being of all residents. This agreement reflects a shared commitment to ensuring equitable access to high-quality library services, while fairly distributing the costs of providing those services across the communities that benefit from them.

10. Signatures

[Library Director / Board Chair]

[Date]

[Town Official]

[Date]

Optional Add-On Language (if you want to strengthen it)

You might consider adding a short explanation like:

This funding approach combines a **usage-based component** (reflecting actual demand from Town residents) with a **base level of support** (recognizing that maintaining library services requires consistent investment in staffing, collections, and facilities). This ensures fairness, sustainability, and shared responsibility.