Cost Finding
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Professor James M. Kusack
Kimberley Weber
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**The REAL Cost of an Interlibrary Loan in Connecticut in 2011** In 2011 public library budgets have been decreasing while costs continue to rise at alarming rates. Patrons want their hometown library to provide them with expensive online databases, speedy Wi-Fi connections, the New York Times best sellers, the latest technologies plus knowledgeable tech savvy staff that can provide them fantastic service. The Connecticut State Library website reports that the percent total of town and city tax revenue that goes to public libraries has dropped 17% since 2007. To help balance budgets staffing has decreased 4% and material budgets when adjusted for inflation have been slashed by 7% since 2005 (<http://ctwebjunction.org/ct/stats/articles/content/123152487>). To combat these budget shortfalls libraries have to work hard to maintain cost effective operations. We need to know we are spending wisely and doing the right thing with every penny. Cost finding although scary is essential if we want to know where the money goes.
 Interlibrary loans are a public service function at almost every public library and were initiated as a great resource sharing system. Materials are borrowed from libraries all over the state at no cost to the patron saving them both time and money. Connect-car, the transportation service between libraries, reports that in 2010 they transferred 3,032,151 items between Connecticut libraries. But just how much does this ‘free’ service really cost? Interlibrary loans require a lot of staff time as well as a bevy of services outside the borrowing library. In this paper I will examine the direct and indirect costs associated with fulfilling the request for an interlibrary loan. The cost per loan is a real eye opener.
 The interlibrary loan costs can be broken down into four different types of costs: direct personnel costs, direct fixed costs which include technology and equipment, variable costs which include consumables (supplies) and indirect costs (overhead) which are crucial to the execution of the direct costs.

**Direct Costs**Personnel costs include all staff time which is directly responsible for getting the item from the shelf to the patron and then back again. These costs make up the largest percentage of the total costs. For this cost analysis, personnelcosts are determined by dividing the annual cost to the library by the total productive hours. Included in the library’s personnel cost is each employee’s annual salary plus all benefits such as retirement, medical/dental contribution plus holidays, vacation, sick days and paid breaks. All staff costs have been calculated by dividing the annual cost to the library by the total productive hour (time spent actually working) to come up with an hourly rate used in the chart below.
**Direct Personnel Costs**

|  |  |  |  |
| --- | --- | --- | --- |
| **Staff Member** | **Activities Performed** | **Cost of all ILLS** **per year** | ***Cost of staff time*** ***for an ILL*** |
| ***Reference Librarian***Processes on average 40 ILLs a month or about 480 a year | *patron interview,**search and locate item, contact lending library by phone, fax or email* | *hrs spent on ILLs per year x cost of reference librarian per hour 240 hrs yr x $43.50/hr=* ***$10,440 yr*** | *cost of ref. librarians time on ILLs divided by # of Ills in a year$10,440/480=* ***$21.75 an Ill for Reference Lib.*** |
| ***Circulation Clerk****This includes tasks performed at both the lending and borrowing library and involves several different clerks* | *pull item, prepares, packages(lend), then unpacks, prepares for circ., notifies patron &checks out (borrowing), laterreturns, packages, unpacks, checks in and shelves(lend)* | *hrs spent on ILLs per year x cost of circulation clerk hourly rate 290 hrs yr x $16/ hr =* ***$4,640 yr*** | *cost of circ clerk time on ILLs/ # of Ills per year$4,640/480=****$9.60 an ILL for circulation clerk*** |
| ***C-CAR Driver*** | *delivers to library from distribution ctr.**& returns to library**Does 30% of deliveries or 454,822 items* | *$60,000 a year**Includes retirement and medical/dental contribution plus sick pay etc.* | *cost of c-car time on ILLs/# Ills per year $60,000/454,822=****.13¢ an ILL for C-CAR driver*** |
| ***TOTAL Personnel Cost*** |  |  | ***$31.48*** |

Direct personnel costs can be controlled by the institution but it’s important to analyze carefully before making adjustments here. It may seem cost effective to have the circulation clerk take on more of the ILL processing as his/her cost is less than that of the reference librarian however a less skilled staff member may be more prone to errors, take longer to find the correct item, or maybe even request the wrong item. Mistakes will greatly increase the price of processing an ILL. This cost finding exercise assumes that everyone involved worked fairly efficiently and did their job correctly the first time. However with so many steps, ILL processing is susceptible to human error. If the lending or borrowing library doesn’t properly document the request the item may not reach its target in a timely manner.

**Direct Fixed Costs**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Cost*** | ***Description*** | ***Per Annum*** | ***% Used by ILL*** | ***Cost for ILL*** |
| ***Computer****62 hrs/wk x 52 weeks=3224 hrs* | *Amortized over7 years* |  *$1500/7 yrs  $214* |  *ILL computer hrs/ total computer hrs 530/3224=16.4 %* | *16.4% of $214=$35.10$35.10/480=****.73¢ per ILL for computer*** |
| ***Technical Equipment Support****Used by 36 computers* | *Server ($21,000**Amortized 10 year)**BibliomationTech SupportTotal* | *$2,100/yr**$44,000/yr$19,800/yr$65,900/yr* | *OSS and support/#computers**$65,900/36 =$1830.55 yr per computer* | *Cost of computer x % used by ILL $1830.55 x 16.4%=$300.21ILL computer cost /ILL units$300.21/480****=.63¢***  |
| ***Photocopier*** | *Leased plus monthly charge for ink cartridges, toner & maint.* | *$12,000/yr* | *Used for ILLs 2% $12,000 x .02=**$240* | *Ill usage/ILL units $240 /480 ILLs****=.50¢*** |
| ***Furniture*** |  *$1,500AmortizedAVC=$600* | *$600/yr* | Used for ILLs 30% $600 x .30=$180 | *ILL Usage/ILL units****.37¢*** |
| ***Item Borrowed*** | *Average book price plus processing* | *$65* | *With an average circulation of 30* | ***$2.16*** |
| ***TOTAL FIXED COST*** |  |  |  | ***$4.39*** |

In studying the direct costs I took account that the reference librarian and the circulation clerk spent a combined total of 530 hours on the computer. This accounted for 16.4% of computer time. **Variable Costs**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Cost*** | ***Description*** | ***Per Annum*** | ***% Used by ILL*** | ***Cost for ILL*** |
| ***Supplies****Most are recycled*  | *Paper, packing materials, pencils, pens, etc.*  | *$9,500* | *9% used by ILL Dept. $855**33,800 transits a year. 480 are ILLs* | *$855/33800=****.025¢ per ILLfor supplies*** |

 The variable costs are negligible in this particular cost finding but only because most of the supplies are recycled and/or used by primarily by other departments. While there are 480 ILLs each year there are about 33,800 transits which are processed. These in-system loans between libraries require much simpler processing and usually little involvement by the reference librarian. They however do use the bulk of supplies attributed to the ILL Department.

**Indirect costs**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Overhead Costs to***  ***the Library*** | ***Total per annum cost for36,000 sq ft***  | ***ILL Usage of the Building is 749 sq ft or 2.1%*** | ***ILL Uses this space25% of the time***  | ***Used to process a single ILL (/480=unit cost)*** |
| ***Building Maintenance*** | *$38,000* |  *$791.00* | *$197.75* |  ***.41¢*** |
| ***Building supplies*** |  *$4,500* |  *$94.50* |  *$23.63* |  ***.05¢*** |
| ***Heating*** | *$16,800* |  *$352.80* |  *$88.20* |  ***.18¢*** |
| ***Electric*** | *$56,000* | *$1176.00* | *$294.00* |  ***.61¢*** |
| ***Water*** |  *$2,152* |  *$45.19* |  *$11.30* |  ***.02¢*** |
| ***Alarm System*** |  *$500* |  *$10.50* |  *$2.63* |  ***.005¢*** |
| ***Grounds Maintenance*** |  *$2,700* |  *$56.70* |  *$14.18* |  ***.03¢*** |
| ***Custodian*** | *$47,000* | *$ 987.00* | *$246.75* |  ***.51¢*** |
| ***Repairs*** |  *$3,500* |  *$73.50* |  *$18.38* |  ***.04¢*** |
| ***Furniture*** |  *$1,500 AVC=$600* | *$600.00* | *$150.00* |  ***.31¢*** |
| ***Fundraising*** | *$14,000* | *$294.00* |  *$73.50* |  ***.15¢*** |
| ***Director\*Assistant Director Secretary  Book Keeper*** | *$97,000**$63,000**$24,000$27,000* | *5% ($4850)34% ($21420)25% ($6000)5% ($1350)* | *25% =$1212.5025%=$5355.00**25%=$1500.00**25%= $67.50staff time =25%*  |  ***$2.53$11.15 $3.12*** ***.14¢*** |
| ***Insurance*** | *$70,000* | *$1470.00* | *$367.50* |  ***.76¢*** |
| ***C-CAR Driver*** *operating and supportcosts\*\*$400,000 op.budget* | *Building costs, sorters, support, supervisor, vans, insurance, gas,* | *OffsiteService* | *Operating budget/ Items**$400,000/1,516,076.264¢ an ILL\*\*\** | *Two way****.53¢*** |
| ***Total Overhead*** |  |  |  | ***$20.55*** |

*\*The cost of support and managerial staff is a % of the time they spend managing/supporting the staff directly involved in the ILL process. The rates are all different because their % time and number of staff differs.
\*\*There are both direct and indirect costs in this cost. I did not have access to a breakdown so kept the lump sum together. Larger % was assumed to be in overhead.
\*\*\*Half of the deliveries are contracted to a private firm. This number is assuming the total of 3,032,151 items is split equally between the two transporters.*

This cost finding exercise demonstrates the high cost of processing an interlibrary loan in Connecticut in 2011. While the direct costs should be examined for efficiency there is not

 When all costs are added together the **total cost for an ILL is $56.45**. The staff time is by far the largest percentage, accounting for a staggering 86% ($48.42) of total charges. Interlibrary loans are a much loved and hopefully appreciated service but the public should be educated on their cost as well as the staff. Staff may want to offer patrons other comparable sources before initiating the ILL process and also may want to research to see if the item should be added to the collection instead of borrowed. Of course adding an item has its own set of costs and should be factored in to any decisions. We call interlibrary loans a free service yet this eye opening exercise demonstrates just how labor intensive the service is. Managers should initiate cost finding on a regular basis and when they get the answers they need to use the numbers in a positive proactive way. We should not be scared by what we find, but instead consider cost finding as a tool, something that allows us to consider the alternatives and by so doing make the best use of available funds.

**Sources Used**Connecticut State Library- <http://ctwebjunction.org/ct/statsarticles/content/123152487>

Meg Savarese –Book Keeper CH Booth Library
Brenda McKinley – Technical Services CH Booth Library
Andrea Zimmermann – Reference Librarian CH Booth Library