

## Delivery Committee

6/9/2022

Action Item: Delivery Cost Formula

Corey presented the cost formula to the Delivery Committee by highlighting its three major components: Volume Share, Stop Share (with truck discount), and Base Fee. In addition there is an amount of System State Aid that is applied and distributed to all participants.

**Volume Share:** A 3 year sample of all bins (baskets) that were shipped to and from each library location were tabulated and then each location was presented as a percentage of the total volume. That percentage is the share of the delivery cost associated with handling materials: sorting, loading, unloading, and time spent at library locations. These costs are primarily labor-oriented and can be calculated in direct relation to volume: Time spent handling correlates directly to amount of volume processed and moved by the delivery operation

**Stop Share:** Weekly stops were tallied up for each library location and reflected as a percentage against the grand total of all stops. The stop share is directly related to all costs encumbered by delivery related to transportation costs: (fuel, maintenance, supplies, repairs, insurance). This cost is divided across all participants equally to reflect a “postalization” of costs to be distributed evenly to members regardless of their distance from the delivery hub in Madison. Like mail, this category emphasizes the same cost per stop whether the location is 1 mile away or 150 miles away. The **Truck Discount** is applied at 15% for all locations served by a box truck rather than a cargo van. Why? The box truck aids us in efficiency by allowing more volume to move in groupings that are larger and affixed to carts. The cargo vans are smaller and require additional lifting and loading/unloading with generally lower-volume stops.

**Base Fee:** Every member location is assessed a \$1,000 base fee for participation in the network. It helps offset costs related to department and system administration and management.

**Distribution of System State Aid:** Annually, an amount of System State Aid will be applied to the cost formula structure and distributed to all members equally (as a percentage) based on the totals of the three main categories above. That state aid offers a reduction in the assessed fee for each library location.

**Summarizing the Formula:** Each library total fee (after State Aid Distribution) is tabulated with all other members within each of the 7 counties in South Central Library System. Those summary totals are then divided according to existing formulas within the county to arrive at the final direct fees to members for delivery services.

The new formula takes direct costs of providing delivery services and seeks to balance the application of fees across definable parameters to produce stable and understandable fee structures regardless of library size, distance, or frequency. When changes to any portion of delivery service change, they will have less likelihood of impacting their neighbors. Additionally, any new services can be plugged in very easily to quickly come up with clear cost estimates for new service.

Corey shared the 2023 budgeted amounts for SCLS delivery as they have been estimated. The formula used those estimates to show that currently, 6 of the 7 counties have delivery fee reductions, while Dane County has an increase. This is due to two factors: One, the fee structure was built over time with some long-term legacy pricing that afforded some benefit to the Dane County area based on very heavy volume in the nearest areas. Two, the application of State Aid brought further savings to the 6 counties (and a smaller increase to Dane County).

**Delivery Committee Action:**

Motion to Vote on adoption of the new Cost Formula:

Motion: Leah Fritsche, Deerfield

Second: Jen Foster, Fitchburg

**Vote:**

The Delivery Committee vote **in favor** of the new Cost Formula 8-0 with no abstentions.

*(Leah Fritsche DEE, Renee Daley ROM, Jen Foster FCH, Angela Noel BRD, Todd Cox DCL, Jodi Bailey POY, Eric Norton MCM, Lisa Renier SKC)*