CONTRA COSTA COUNTY LIBRARY COMMISSION
AGENDA ATTACHMENT 6

MEETING DATE: Thursday, January 27, 2011
AGENDA ITEM #: 12 A
ITEM: REVENUE ENHANCEMENT TASK TEAM

RECOMMENDED ACTION:

• None
Abstract: A task team came together to analyze possible methods to reduce holds lists for popular materials and increase Library revenue simultaneously. In doing a thorough analysis of all of likely costs, possible service impacts and the experience of Libraries that have attempted such programs, the task team determined that labor costs would likely prevent such programs from paying for themselves; that the Library is not technologically prepared to implement such programs; and that implementation would likely have negative ramifications including lengthened holds lists, less use of self-service check out, and the need to hire additional staff in order to prevent increased wait times at Community Library circulation desks.

Revenue Enhancement Task Team
The Revenue Enhancement Task Team was created in response to a public request that the Library assess methods by which library services could be strengthened by charging users for some of those services. The method suggested was to develop a way for patrons to pay a fee to obtain priority status for materials with many holds. It was suggested that charging patrons fees for this and other services, including the borrowing of popular new books, could generate enough revenue to enable the Library to purchase additional materials and would thus reduce the amount of time each patron had to wait to for their desired materials. The team used the opportunity catalyzed by the initial suggestion to also analyze other possible scenarios that could potentially raise enough funds to enhance services.

Three Scenarios Considered
The team brainstormed a number of possible fees to implement. Following an examination of those proposals, the team decided to narrow the list to the three that seemed to offer the greatest service enhancement potential and addressed the specific patron request regarding popular materials. Other proposals were put aside that did not specifically focus upon revenue enhancement; had been discussed, analyzed and rejected by other task teams; or which the group agreed had extremely low probability of being profitable. The task team reviewed the following scenarios:

- **Priority Holds:** The proposal to allow patrons to pay a fee to be placed ahead of other waiting patrons in hold cues.
- **Fee-Based Check-Out:** A proposal to charge patrons a “rental fee” to check out “Bestsellers” and/or other popular collections.
- **Separate Rental Collection:** A proposal to develop parallel, “non-holdable,” browsing collections at each community library. These would consist of new items also carried in the Library’s regular collections, and patrons would be charged a fee upon check out.

Enhanced Service Goals: Reduced Wait Time for Popular Materials
The task team members acknowledged that an increase in demand for access to new books has arisen due to some of the following conditions:
• Publishers increasingly heavily market only a few titles per year. Publishers rely upon a very small number of annual blockbusters as primary revenue sources rather than a broad front-list and strong back-list. When blockbusters are marketed successfully, the result can be huge demand.

• Staff is often unable to match a 5 to 1 holds ratio for blockbusters since doing so would utilize the entirety of the Library’s book budget and limit the Library’s ability to satisfy the broad range of materials desired by the entirety of the community.

• Demand for current blockbusters often wanes quite quickly. Within nine to sixteen months of publication, there is usually little need for more than twenty-five system-wide copies of once extremely popular titles. By then, all holds have been satisfied and copies are on the shelf and available for patrons. When this occurs, Library staff-members often delete the extra copies in order to make room for newer higher-demand materials.

• Increased customer comfort with using the online catalog to place holds results in a higher percentage of circulation being produced through this process. Patrons who were once consistently among the only twenty people waiting for a given title now often find themselves behind a few hundred patrons.

• Increased use of the library on an annual basis over the past decade, at a rate that far surpasses population growth in the county.

Self Service and Technical Support
Contra Costa County Library’s Strategic Plan recommends striving for a service model in which library users perform 80% or greater of their interactions independently. This includes all elements of library use, including searching for materials, paying fines, and checking out materials. The Library has adopted technology that supports this service model.

Currently about 71% of circulations occur without any direct staff interaction with clientele. This happens in a number of ways, including:

• Use of self-check-out machines
• Use of self-check-in machines, including automated materials handling systems at newer facilities
• Online check out of e-books
• Online renewal

Additionally, the Library has recently adopted the use of e-Commerce, a service that allows patrons to pay fines online with a credit or bank card.

Self-check-out machines allow the Library to continue to increase circulation in a cost-efficient manner. The rate of self-check-out machine use varies greatly from library to library. Some libraries have no machines while others have up to half-a-dozen of them. In July, 2010, of 513,459 in-house check-outs, 334,090 were performed via such machines, a rate of just over 65%.

This self-service check out of 65% is a primary reason why the library has been able to open new libraries and maintain open hours without increasing staff to meet the
increased demand. Reducing the percent of self-service checkout would require that additional staff be hired to manually check-out items. At a time of reduced revenues, this could result in a reduction of open hours.

Although there is the potential through CARL, the Library's Integrated Library System (ILS), to charge patrons for check outs, implementation would clearly be a huge challenge. There are two possible ways to implement fee-based check-outs in CARL:

1. **Rental Fee** - Upon attempting to check out, a big red box appears on the staff-client screen prompting the staff-member either to approve the fee or cancel the check-out.
2. **Automatic Fee** - A fee is automatically applied to a patron's account upon check out.

The Rental Fee does not work on self-check out machines or renewals. If the rental fee were implemented, Library staff would have to perform all such check outs manually.

The Automatic Fee may work upon some self-check machines. A very significant flaw is that it informs neither staff doing manual check outs nor patrons using the self-check-out machine that a fee has just been added to the patron's account. The significance of this fact cannot be exaggerated. It means that patrons may check out materials without becoming aware that a fee has been added. Until those patrons are blocked from checking out more materials due to reaching the fee threshold that prevents further check outs, they would likely believe that they had accrued no fees. Although signage and labels might help reduce this problem, the lack of automated, point-of-sale information would likely translate into patron confusion if the Automatic Fee element of CARL were utilized.

In either case (use of Special or Rental fee functionality), a huge increase in patron-staff interactions would be expected, many of which would be negative, having been fueled by fines added to patron accounts. Also expected would be a decrease in use of the self-check out machines. Such circumstances, in all scenarios, would require the Library to invest significantly in staffing and computer equipment. Without such an investment, patrons using the Library for other purposes would face long waits.

The ability for patrons to use e-commerce, online payment system, could help mitigate these problems. That said, e-commerce use is about 20% of revenue currently received. Many patrons do not use this service, and may never do so. Additionally, there is no method for e-commerce to be integrated into self-checkout at this time.

**Cost Analysis of Labor**

In considering the implementation of various fees, the task team concluded that it would need to develop a stronger understanding of the actual labor costs associated with both
current practices and the purposed methods. It is clear staff would be required to take on additional workload in the following areas:

- Circulation desk labor, including explaining policy to patrons
- Banking and other cash handling

In order to estimate the addition cost required to implement each scenario, the team performed a time study of work at a wide array of circulation desks, and obtained reports about such things as deposits and the number of average daily cash register transactions.

**Circulation Desk Transaction**

Task team members observed circulation desk transactions at four Community Libraries of various sizes (El Cerrito, Moraga, Pleasant Hill and San Ramon) to determine how long different kinds of transactions took to perform and the estimated labor cost of each transaction. The team focused upon cash interactions that also included the check out of materials.

These transactions consistently took from two to four minutes each, with the cash element of the transaction often including a discussion about the reason for the fee. A two minute transaction was estimated to have a minimum labor cost of $1.07 based upon the fact that two minutes equals 3.3 percent of an hour and the estimated hourly wage of a clerk, including benefits/retirement equals $32.00. 3.3 percent of $32.00 equals $1.07. Of course, labor cost increases if a transaction lasts longer than two minutes and if performed by a non-clerical staff, which is sometime necessary.

Staff recognized that there was rarely a time in which clerks staffing the circulation desk were not helping patrons in person or answering phones. Often lines were on-going, and patrons waited up to ten minutes for help. Increased staff interactions would slow down the library experience of those patrons with information questions, and patrons simply wishing to check out a best-seller would have to wait behind patrons with extensive information questions. Staff would feel pressured to cut short otherwise fairly extensive interactions with patrons, resulting in a much higher percentage of unsatisfied customers.

Additional time would also be needed to explain new procedures to patrons, and would increase interaction time with patrons interested in placing holds and receiving items immediately.

To compensate for the increase in wait time, the Library would need to hire additional staff to be able to provide a consistent high level of service to all patrons.

**Cash Register and Banking Transactions**

When money is received, Clerical staff is required to verify amounts received by reconciling the daily cash with receipts and, during the next day the library is open, to account for that money on a spreadsheet that is arranged by fee category. In order to satisfy auditing requirements, this work must be double-checked by a second staff-
member. Currently, counting the till and reconciling it with receipts takes an average of eight minutes per day at each library, for a total labor cost of $4.26 per day per community library. With more income, the entirety of this work would take longer.

County policy requires that each library keep no more than $400 worth of proceeds on hand at any given time. To satisfy this requirement, clerical staff regularly prepares bank deposits and delivers cash and checks to a local bank. Banking occurs independently at each Community Library. Staff at high-use libraries, such as the Danville, Orinda, San Ramon, Pleasant Hill, Walnut Creek and Ygnacio Valley Libraries, perform banking everyday, while staff at most of the libraries prepare deposits from two to four times per week. Over the course of 2009, 3,577 staff visits to banks occurred. On average, these took 45 minutes to perform. Each deposit costs about $24.00 in labor time. Additional money taken in by way of new fees would require additional banking, and would likely mean more than one visit per day at some Community Libraries.

**Additional Labor Cost**
The task team also considered what additional resources were necessary for Collection Development staff to manage changes in material demand. Although the team did not detail the expected increase workload with each scenario, it was understood additional staff would be need to execute the work.

**Assessment of Proposals**
The team assessed each of the three proposals by considering the following factors:

- Any additional resources required, including labor, materials, equipment and technical developments.
- Consideration and analysis of possible costs for such resources
- Consideration of probable public services consequences, particularly as they relate to the Library’s strategic goals, and additionally, their affects upon the relationship between the County Library and the communities served.
- Benchmarking with other institutions. In what way were other institutions able to implement such programs in a revenue enhancing manner?

The team’s analysis was shaped by the following understandings:

- The number of interactions that staff will have with patrons will necessarily be greater than before.
- The increase in transactions has the greatest potential for impacting labor costs, the most significant part of the Library’s budget.
- Labor required cannot be determined prior to implementation. It can only be estimated with the understanding that not only Public Services staffing levels would be affected, but Collection Development and Technical Services as well.
- The Library, as a public institution, follows carefully considered practices because it serves a broad public and utilizes shared funds raised from the public to support a shared public good. Library Staff develop service methods meant to guarantee to the public that the Library will continue to provide consistent services that match publicly stated strategic goals.
• The Library's Strategic Plan emphasizes the 80/20 self-service model and recommends that the Library reduce the role of library staff as gatekeepers of library content and materials. The task team recognized that it was important to consider whether the institutionalization of fees would increase staff gate-keeping activities.

• Public Libraries certainly generate revenue via fees, but Library fees are generally intended to simultaneously serve other public services purposes. For example, the Library Fines Policy states, "It is the policy of the Contra Costa Library System to charge fines on library materials to encourage their timely return thereby making returned materials more available to others. The intent of this policy is to contribute to the library's philosophy of providing efficient service in a positive human context." Revenue enhancement is generally a secondary purpose of fine collection.

• Since the team had no current means to determine at what costs patrons would be willing to pay for enhanced services, and at what rate, they worked under the general assumption of "price elasticity": as service costs go up, associated demand diminishes.

Priority Holds
The Task Team first addressed the suggestion made by the public to charge patrons for priority holds. The assumption is that if patrons could pay money not to have to wait for popular titles, two things would occur. First, those patrons would be provided quicker service, and additionally, because the library would be taking in additional money, more copies of popular items could be purchased, thus, theoretically, improving the ability of all library users to receive popular books more quickly. The task team thoroughly discussed this proposal and discovered a number of barriers towards enacting it.

The first is that CARL, the Integrated Library System that includes both the public catalog and the circulation module, does not provide an automated way for patrons to place fee-based priority holds in the method described above. If CARL were to enable such a process, it would come with at significant cost, and the Library would require a significant amount of time to test and assess consequences.

Were the technology in existence, there would be no guarantee that a patron would receive holds faster, considering the possibility that one’s holds could be unexpectedly moved down on a list by additional patrons using the same service to gain priority. For example, patrons next in line for a title could quickly find themselves to be third or fourth in line were others to use the service. Conversely, if patrons who paid earlier remained the first in line, others would find themselves still in a line, having paid money under the belief that they would receive materials immediately. Team members felt that such a policy would create a negative backlash in which staff would then need to negotiate with upset patrons, including both those who paid for the service as well as those who did not.

The most important obstacle is that not all patrons would be able to participate in the service. Children or teens without incomes or people on fixed incomes would receive
poorer service, particularly if not enough patrons paid for the service to ensure that more copies of titles were, indeed, able to be purchased.

Fee-based Check-Out
The second proposal suggested charging patrons a "rental fee" to check out materials that generate the vast majority of holds: all new bestsellers and DVDs. Income received would then be used to purchase additional copies of the same titles to satisfy public need. The Task Team discovered immediate challenges to the proposal.

Demand for new materials varies from item to item and changes as interest wanes or renews. A single flat fee for all "New" items would reduce use of moderately popular materials. Patrons would be less likely to pay the same fee for materials that are not as well known or popular as those that generate long holds lists.

The team also noted that what is considered "New" in each community library is inconsistent. The Library currently delegates the task of removal of materials from its "New" collections to Community Library staff members. Decisions about what is removed and when this is done are based upon each library's unique configuration and community use patterns. If this practice were to continue, the Library would face the problem that some items associated with a single record would require a fee while other copies of the same title would not. This would be untenable.

The team was also concerned with an immediate and extreme public resistance to the proposed change in policy in which a once free core service would be limited to those willing and able to pay.

Separate Rental Collection (Bestseller Express)
Upon discussing the previous scenarios, the task team recognized that each provides patrons with little choice. The Priority Holds scenario leaves patrons who opt out of paying for priority holds receiving decreased service while the Fee-Based Check Out scenario forces everyone to pay for a core service, and would likely severely reduce overall library use.

As a result, the task team discussed the various facets of a fee-based browsing collection. Although rarely done with a fee, browsing collections are common, particularly in municipal library systems with a main library. They universally include materials that are also available in the libraries' general collections. Contra Costa County Library already has such a browsing collection in its Library-a-Go-Go machines in Bay Point, El Cerrito and Discovery Bay.

The proposal suggested that the Library would create a browsing collection of new books, comprised of only the most popular of new adult titles, all of which would also be carried in the regular collections. The items in the browsing collections could not be placed on hold, (and would therefore be on the shelf if not already checked out), and patrons would be charged a fee to check out each item. Patrons who wished to get the
same titles for free could do so by placing holds on the parallel collection in the regular stacks.

The team noted that similar programs have been implemented in some libraries but were quickly discontinued. When those libraries were petitioned for information, none responded. It was eventually brought to the team’s attention that a similar program was in place at the Hennepin County Library in Minneapolis Metropolitan area.

A close examination of the program was conducted, including interviewing their Collection Development Manager and performing a data analysis of their Bestseller Express Collection.

Hennepin County Library includes a central library and forty branches serving a population of about 1.1 million residents in Minneapolis and western suburbs of the Minneapolis/St. Paul metro area. Items in the Bestseller Express collection cost patrons $4.00 per check-out and that fee is due immediately. According to the Library’s Collection Development Manager, the primary purpose of implementation was not to generate revenue, but rather to reduce the length hold lists, which had been perceived to be extremely long.

The Hennepin County Library’s OPAC clearly shows both its regular collections (including the quantity of pending holds on each title) and the rental collections side by side; this permitted the task team to gather a large amount of data about how patrons respond to parallel rental collections. The findings include:

- Holds lists and waiting time for patrons remained extremely long while rental copies simultaneously remained under-utilized. A good example is the book The Help, by Karen Stockett. Despite the presence of 314 copies of the title in the Library’s regular collections and seventy on shelf copies in the Bestseller Express collection, over 1,800 patrons remained waiting on the hold list for the free copies (examined September 13, 2010). A similar pattern was seen with every title we investigated; hold lists were extremely long while dozens of Bestseller Express items languished on the shelves.
- At any given time, 67% of the rental collection titles had on-shelf status. In contrast, there were no copies of the same titles on the shelves in the regular collection. All free copies were in use or awaiting pick-up by patrons.
- Hennepin purchased extremely long quantities of numerous titles (such as The Help, in which over 400 copies were owned by Hennepin). Once the titles are no longer popular, Hennepin discards massive quantities of these titles.

Hennepin County Collection Development Manager stated that upon implementation, holds lists skyrocketed and that they have continued to increase over the eleven years in which the program has been in existence. The primary goals were not met. We were told that the collection is also much more popular in wealthy communities than in the areas that generally serve lower income patrons. Hennepin County has never analyzed labor costs to determine the value of continuing the program. We were also
told that the fees are designed only to pay for the cost of goods, not any other element of the work, and that, were those labor costs to be considered, the program would not pay for itself.

Hennepin County Library uses self-service for most of its check outs, but was not able to implement self-service for the Bestseller Express collections. For these, all check-outs are performed manually by staff and require immediate cash payment.

The Task Team furthered their investigation by determining the implementation cost as well as maintenance. Assuming a similar $4.00 rental fee for a Bestseller Express program, the findings are as follows:

**Materials Costs**
- A 5,000 item collection would cost about $100,000 annually to purchase

**Processing Costs**
- Cataloging and processing those materials would cost $20,500 annually

**Collection Development Costs**
- An estimated four hours per week would cost $15,808 annually (this estimate is based upon the Hennepin interview).

**Revenue**
- By examining the rate of circulation of Hennepin County Library's Bestseller Express collection, and comparing that rate to the same materials in their general collection, and assuming the same patterns would occur in Contra Costa County Library, we estimate that such materials would circulate at a rate of 53 percent that of regular New Books. The current annual circulation rate for new adult books is 11.3. We therefore assume an annual circulation rate of 6 circulations per year for a Bestseller express collections, which translates to 29,817 annual circulations, for a grand total of $119,270 of revenue.

**Labor time at the circulation desk**
- Although check-outs that include cash interactions can take up to four minutes each, for the purpose of this estimate, we assume a two-minute transaction for a number of reasons, including the fact that it is unlikely that a patron will check out more than a single rental at a time, and the fact that this transaction may, in fact replace a shorter circulation transaction (if the patron were to have checked the item out sans a fee). A two minute transaction costs about $1.07. Assuming 29,817 circulations, we assume a total increase of $31,805 in labor time taking money from patrons.

**Additional till counting**
- Additional revenue means that the till will take longer to count by about 1.6 minutes each time the till is counted. The total estimated cost for this would be $6,000 annually.

**Additional Banking**
- Additional money taken in would require more deposits by clerks. We estimate that this would cost $12,738 annually.
Financial Findings
The difference between expected annual revenue and outlay for implementation of a Bestseller Express Project is $67,581. This is an estimated loss of $2.27 per circulation of a Bestseller Express title. Because the rate of circulation for very popular materials would be greater than those of slower new materials, were the same fee to be charged for all new books, the base level for breaking even would need to be at least 20% higher. Additionally, since this is a much larger collection size, an exponentially higher number of staff-patron interactions would occur, even with a decrease in use of these collections due to patron resistance to fees.

Conclusion
It is unlikely that the Library, under any of the three scenarios, could easily determine a price point that would accomplish the following three goals:

- Provide enough income to enable more copies of materials to be purchased
- Do so while simultaneously maintaining service levels for all users
- Support Library's Self-Service strategic goals

Attached documentation provides details of how the task team arrived at these conclusions. It is important to note that the same analysis was run for the Fee-Based-Check-Out scenario, with much worse conclusions: a deep decrease of circulation and a need for additional staff to be able to maintain service levels for all. As described, were the price to be set lower for any of these initiatives, it is likely that a higher percentage of users would participate. The task team discussed in great detail the fact that the library once charged a nominal sum (25 cents) for holds, and that since that charge was removed, the use of the holds service has expanded exponentially. From this experience, we conclude that it is very likely that a quite large proportion of Contra Costa County Library patrons would not use any fee-based service, no matter what the charge. The Task team believes that this observation should be weighed very heavily. We estimate a circulation drop of about 350,000 circulations (about 60%) were the library to implement fees of any rate for checking out new books. DVD circulations would likely decrease at a similar rate.

Furthermore, it is not unlikely that the purpose of a fee-based program could be construed by some members of the public as a method to limit the use of the Library to individuals with more resources. The task team understands that the nature of the collaboration between the county and communities served rests upon perceptions of equitable county procedures and service levels. The task team also understands that some libraries receive more money from community groups and municipalities than others and believes that policies should be carefully enacted in order not to create a perception of larger service gaps than may already exist due to differences in community wealth.

Additionally, task Team members expressed an interest in further examining the possibility of expanding the Library's free browsing collections, under the recognition that this may necessitate awaiting a better moment in the fiscal cycle.