I. CALL TO ORDER
Vice President Degler called the meeting to order at 12:00 pm.

II. INTRODUCTIONS

III. PUBLIC COMMENT

IV. CONSENT AGENDA
A. Approval of Agenda
B. Approval of Meeting Minutes (May 17, 2013)
C. Approval of Bills
   Motion by Johnson to approve the Consent Agenda. Second by Workman. Motion carried.

V. ACTION / DISCUSSION ITEMS
A. Finance Committee Report
   a. Fund Balance Policy
      Marschall reported the Finance Committee met last week to review the budget and the fund balance.

      Key points:
      • MELSA has a responsibility to maintain financial obligations for at least one year to the member libraries if a decision is made at the state level to eliminate funding for regional libraries.
• The timing of the receipt of the state's payments are irregular. MELSA needs to be able to cover cash flow in its day-to-day operations.

The committee reviewed the state auditor’s guidelines for a fund balance, which ranges from 35 to 50% for local governments. MELSA’s current balance is closer to the lower end of this range. The new Fund Balance Policy allows the Board flexibility to discuss during an annual review if the fund balance needs any adjustments.

**Motion by Marschall to adopt the Fund Balance Policy. Second by Parker. Motion carried.**

b. 2013 Preliminary Budget

Olson explained the adoption of the final budget happens in November 2012. At this meeting, the 2013 preliminary budget is given to the Governing Board to show where MELSA’s finances are at this time.

Noted comments:

Revenue
• Macy’s grant - no longer will be funding the Museum Adventure Pass Program ($45,000)
• MELSA is applying for LSTA grants
• State dollars for Legacy, RLTA and RLBSS are unknown until the State Library notifies us of the FY2013 allocations.

Expenses
• Jobs & Small Business Program - $75,000 for ongoing initiative – classes at local libraries, etc.
• Summer Reading Program - $25,000

**Motion by Johnson to accept the preliminary FY2013 Budget. Second by Parker. Motion carried.**

B. Regional Library Telecommunication Aid (RLTA) Distribution

The State provides $2.4M to help cover the costs for every public library’s T-1 line on a pro-rated basis. Historically MELSA has received about 40% of the true costs and reimburses these dollars to the systems. MELSA also provides a stipend for the T-1 on a monthly basis. MELSA has not received the final payments for FY2011 at this time.

**Motion by Johnson to agree to distribute RLTA funds received to date for the CY2011. Second by Lehrke. Motion carried.**

C. RLBSS Application for FY2013

Olson explained this application is very similar to what has been used in the past with the exception that the City of Lake Elmo in Washington County is not a member of Washington County Library System.

**Motion by Parker to approve the submission of the FY2013 application for Regional Library Basic System Support to State Library Services of the Minnesota Department of Education. Second by Stark. Motion carried.**
D. Legacy Fund Application for FY2013
MELSA is required to submit an application for the biennium similar to what we received last year. The allocations will remain the same: 60% for local activities; 30% for metro-wide activities; and 10% for statewide activities. Librarians set up the programming and MELSA works with the vendors on contracts and payments. The only exception is Hennepin County Library System – they handle their vendors’ contracts and payments directly and MELSA reimburses HCL.

Motion by Stark to approve the submission of the FY2013 application for the Arts and Cultural Heritage Fund Allocation to State Library Services of the Minnesota Department of Education. Second by Johnson. Motion carried.

E. Legacy Fund Formula Change Proposal
The Advisory Board, in conjunction with the other regional library systems in the state, has agreed to request from the Legislature a change to the Legacy Fund formula. After using the RLBSS formula for several years to distribute Legacy funds, the regional directors recognized that the equalization portion did not reflect an accurate factor. The group is recommending that a Qualifying System Entity will replace the equalization portion to represent the potential library units working with Legacy dollars in each region. MELSA will not lose any dollars in this new formula proposal. All of the other eleven regional library system boards have approved the Legacy Fund formula change.

Motion by Workman to support the proposed change to the Library Legacy Funding Formula which removes the equalization portion and replaces it with the Qualifying System Entities portion while retaining the current percentage for each formula factor. Second by Lehrke. Motion carried.

F. Phase Distribution Requests
Carver County Library has requested $50,000 for possible ILS upgrade/migration. Washington County Library has requested $24,500 to pay for maintenance costs for Symphony.

Motion by Degler to release Phase funds of $50,000 to Carver County Library and $24,500 to Washington County Library. Second by Lehrke. Motion carried.

G. Homework Help Proposal Acceptance
Olson reported MELSA received three proposals for the Homework Help product. After the evaluation group reviewed and tested the proposals, they used a ranking system. Brainfuse received the highest ratings by the group. The pricing is $250,000 per year for 70 hours/week with the prices locked in for two more years. Tutors are available from 1:00 pm to 11:00 pm.

Motion by Parker to approve Brainfuse for a homework help product for $250,000 per year for 70 hours/week for three years, including Spanish language tutoring. Second by Stark. Motion carried.
H. Other
None.

VI. REPORTS
A. Executive Director's Report
Olson reported Lake Elmo residents have been encouraged to purchase a non-resident card from other library systems and Lake Elmo will reimburse this cost. No further discussions have been held with MELSA since last fall and the library has withdrawn from Washington County Library System.

B. Other Staff, Team and MELSA Group Updates
None.

C. Other
None.

VII. ADJOURN
The meeting was adjourned at 1:40 p.m.