

**METROPOLITAN LIBRARY COMMISSION
OF OKLAHOMA COUNTY**

**FINANCE COMMITTEE
AGENDA**

Members: David Greenwell, Chair
Nancy Anthony
Scott Duncan
Greg Womack

Tuesday, March 6, 2007 at 4:00 pm
Belle Isle Library
5501 N. Villa
Oklahoma City, OK 73120
Telephone: (405) 843-9601

NOTE: Comments from the general public will be limited to 15 minutes with time prorated among speakers. Preference will be given to residents of Oklahoma County. Persons signing up to address the committee must list their residential address and personally sign a speaker form.

- I. Call to Order and Establishment of Quorum – David Greenwell, Chair
- II. Discussion, Consideration, and Possible Action: Recommendation from Administration to revise current policy regarding the selection of an audit firm (suggested policy will be sent via email prior to meeting).
- III. Discussion, Consideration, and Possible Action: Recommendation from Administration to adjust insurance values to match current appraisals received from Gallagher Bassett Services, Inc.

Cc: Metropolitan Library Commission
Administrative Team
President, Staff Association
Managers and Supervisors

Stewardship of Financial Resources

SF 200 Purchasing

Adopted: 1/86; Revised: 5/86, 4/88, 10/94, 8/00, 6/04; Draft: 3/07

Finance Committee
Agenda Item # II
MLC FY 2006-07
March 6, 2007

I. Legal Background

The Metropolitan Library Act (62 O.S. 1971, Section 551 et seq.) empowers the Metropolitan Library Commission to administer the expenditure of funds derived from the library tax levy and from fines, fees, sales of personal property and other miscellaneous income.

II. Annual Budget's Role in Purchasing Authority

Commission approval of the annual budget serves as the principal authority for the Library to encumber and expend the funds necessary to operate. This authority begins with approval of the preliminary budget (estimate of needs), normally adopted in June. Recognition of the preliminary budget as an operating budget is necessary because the new fiscal year begins on July 1. Expenditures such as personal services, materials, utilities, insurance coverage, maintenance, repairs and supplies must be in place with "first day" funding and reasonable assurance of adequate funding throughout the year. The final budget, incorporating necessary changes to the preliminary budget, is normally adopted in August.

III. Budget Documentation of Commission-Approved Purchases

The annual budget overview/summary, along with the line item budget submitted to the Commission, documents details of routine and non-routine proposed expenditures.

Some line items, such as office supplies, technical processing supplies, etc., are normally routine or self-descriptive and require little or no explanation in the budget overview/summary. Other categories, such as salaries and related personnel expenditures, require and receive more detailed explanations in the budget document. Proposals for purchases of furniture, fixtures, equipment, vehicles, automation hardware, capital improvements and other major, tangible items are listed individually in the proper accounts of the line item budget.

Except for items removed from the list or designated as "tentative" by a majority of the Commission during the budget adoption process, approved items may be purchased by the Library at the appropriate time without further Commission review. The purchase price shall not be greater than the budgeted amount plus the lessor of ten percent (10%) or \$500. When the competitive bidding procedure is required, the Commission reviews and approves or rejects a contract or purchase award at the time bids are submitted for review. The Commission may also choose at any time, by a majority vote, to reverse its approval given during the budget process to any item not yet purchased.

To ensure adequate funding for the approved preliminary budget, capital improvement projects, unless approved by the Commission in a prior year and funded within the Library's cash reserve plan, should not be implemented until the final budget is approved by the Commission.

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IV. Monthly Commission Review of Claims

The list of claims for which checks have been issued during a given month is attached to the financial statement presented at the Commission's monthly meetings. The list serves as final documentation for audit purposes.

V. Definitions

Library Materials: All books and non-book items such as periodicals, films, records, prints, videos, CDs, cassette tapes, electronic databases and other products to which the public has direct access.

Capital Improvement Projects: Construction, remodeling and renovation, or major repairs or improvements to library facilities.

Personal Services: A category of the annual budget containing line items beginning with the number "1" or "2", including salaries, wages, payroll taxes, direct-cost benefits, janitorial services, security services, professional/consulting services, etc.

VI. Policies

1. The library administration shall establish and maintain a purchasing procedure to:
 - a. Assure that each encumbrance is a legal and just claim and is within the authorized available balance of the appropriate budget categories
 - b. Certify that purchased items are satisfactorily received
 - c. Provide accurate records for audit and keep such records on file for not less than three years
2. Major jobber contracts for purchases of library materials shall be awarded following the competitive bidding procedure at least every five years unless such procedure is waived by the Commission.
3. Acquisitions including capital items and construction contracts expected to cost \$10,000 or more each and not listed under State Contract shall be purchased via a competitive bidding procedure as described in Item 14 below. Items listed under State Contract may be purchased directly from the vendor, regardless of cost, with no further bidding procedure required. Purchases of similar items or groups of items should not generally be subdivided into multiple purchases of less than \$10,000. The Commission shall be advised if exceptions are made.
4. Contracts within the Personal Services category shall be governed by the Personal Services policy.
5. The following acquisitions and contracts shall not be subject to competitive bidding procedures:
 - a. Utilities and other services for which fees or rates are regulated by federal, state or local government

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- b. Sole source contract. Any department requesting products or services by sole source contract shall attach to the requisition an affidavit signed by the chief administrative officer of that department to indicate it is indeed a sole source contract
 - c. Professional services contract, such as architectural, engineering, actuarial, training, consulting, auditing, performing and etc. For these types of contracts, requests for a professional service bid shall be sent to qualified providers. Bids shall be evaluated by the Executive Director and staff involved in the requisition. Both cost and technical expertise shall be considered in determining the best bidder. A documented evaluation report shall be completed prior to awarding a professional service contract
- 6. In an emergency situation requiring swift action when no regular or emergency Commission meeting is scheduled or practical under the circumstances, the administration may contract to handle the emergency. A report of the emergency acquisition will be presented to the Commission at the next scheduled Commission meeting.
 - 7. Library employees holding job titles designated as "Purchasing Officers" by the Metropolitan Library Commission may act in that capacity. Attachment A is a list of Purchasing Officers. This list may be amended by the Commission as needed. All Purchasing Officers shall be bonded in the amount of not less than \$25,000.
 - 8. The Library's Business Office shall be the central purchasing agency through which requests for the purchase of all library materials and operational items are routed and accounted for; the Director of Finance shall be the system's designated Encumbering Officer. The Executive Director, Deputy Director of Information Technology and Deputy Director of Public Services are also authorized to sign purchase orders as Encumbering Officers.
 - 9. Library checks (warrants) may be signed by any two of the following: Chair, Vice-Chair, Disbursing Agent, Secretary (Executive Director) of the Commission, Deputy Director of Information Technology, Deputy Director of Public Services and Director of Materials Services. The Secretary (Executive Director), Deputy Director of Information Technology, Deputy Director of Public Services and Director of Materials Services may not sign checks or warrants in which they are the payees of checks in payment of goods and services or when they have signed the respective purchase order as "Purchasing Officer".
 - 10. The "Request for Reimbursement of Out-of-Pocket Expenditures"(Form #417) shall be used for cash reimbursements under \$50.
 - 11. Request for Purchase (form #410) must be completed by the requesting agency/department as the authorization to issue a purchase order and procure the requested item or service. Exceptions to this requirement are:
 - a. Cash reimbursement for out-of-pocket expenditures under \$50, supported by form #417
 - b. Utilities and other services for which the fees or rates are regulated by federal, state or local government

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- c. Service or maintenance contracts awarded by the Commission, of which the fees or rates have been specified in the bid and subsequent contract award.
- 12. The Library will not knowingly purchase nor accept bids to purchase any item from:
 - a. Commission members
 - b. Library employees
 - c. Children, parents, grandparents, grandchildren, brothers and sisters of the above individuals and their spouses
 - d. Firms or enterprises in which any of the above individuals have a vested interest involving ownership, partnership, sales commission or other direct and immediate gain resulting from such purchase

This policy does not prohibit the purchase of items from any firm or enterprise in which an individual defined in C above is employed or owns stock but who does not have a vested interest as defined in D above.

- 13. The Commission gives preferential consideration when purchasing supplies or services through the competitive bidding procedure, to Oklahoma County residents and businesses whose property taxes directly support the Library. Preferential consideration is given only when all other factors used in determining lowest and best bidder are equal, and when the difference between the local and non-local vendor's bid price does not exceed five percent (5%) or \$1000, whichever is less.
- 14. For acquisitions or contracts expected to cost \$10,000 or more and not listed under State Contract, and in each situation involving a competitive bidding arrangement, the following procedures shall be followed:
 - a. The Library will seek current, qualified vendors to whom specifications will be sent inviting bids
 - b. A notice inviting bids will be published not less than two times in an Oklahoma County newspaper
 - c. The library will allow not less than 14 days for bids to be received
 - d. The bid proposal shall specify that the Commission retains the right to reject all bids and to waive any formalities and technicalities
 - e. Each bidder shall submit an "Affidavit for Filing With A Competitive Bid" to ensure a true competitive bidding process
 - f. Contractors engaged in service for the Library shall provide and maintain Workers' Compensation and employers' liability insurance coverage for the contractor and all employees of the contractor or the subcontractors engaged in any service contracts awarded by the Commission
 - g. The bidding and contract award procedures for construction contracts and building improvements shall be administered in accordance with the Public Competitive Bidding Act of 1974, unless the Commission procedures described in this section are more stringent than those provided for in the Act

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- h. When required by law, all contractors engaged in library construction projects shall pay prevailing wages to their employees. The administration shall analyze acceptable bids received from vendors and recommend the vendor who has submitted the lowest and best bid to the Commission for approval.
 - i. The Commission shall review the bids and accept the lowest and best bid, retaining the right to reject all bids.
 - j. The administration shall then purchase the item via the established purchase order procedure.
 - k. Each contractor who is awarded a contract by the Commission shall execute an "Affidavit for Contract or Claim". This affidavit shall be for the entire contracted amount and/or for the entire fiscal year in which the contract is awarded.
15. The administration shall review all contracts at least annually and, depending on vendor performance, shall submit a recommendation regarding extension, renewal, cancellation or rebidding to the Commission. All contracts in force for three consecutive years, which exceed \$10,000 in any one year, shall be subject to rebidding at the end of the third year unless this requirement is waived by the Commission.
16. For items or services expected to cost less than \$10,000 and not listed under State Contract, the following procedures shall be followed:
- a. For acquisitions between \$2,500 and \$9,999 the Library will solicit informal written quotes from available qualified vendors and award to the vendors with the best and lowest quotes. This procedure may be waived by the Executive Director in an emergency situation requiring immediate action when the procedure is not practical under the circumstances.
 - b. The records of written quotes will support the award to the lowest and best bidder, and will be attached to the Request for Purchase.
 - c. The requirement of proper and adequate insurance coverage (see paragraph 14 F & G) for construction and service contracts will also apply to the successful bidder under this procedure.
17. For contracts with the financial auditors will extend for five years. The auditing firm may be retained for subsequent five-year periods if the firm agrees to rotate its audit partner or audit manager for the contracting period.

Appraisal for:

Metropolitan Library System

February 2007





Gallagher Bassett Services, Inc.

February 15, 2007

Mr. Lloyd Lovely, Business Manager
Metropolitan Library System
Ronald J. Norick Downtown Library, Business Office
300 Park Avenue
Oklahoma City, OK 73102

RE: Replacement Cost Appraisal

Dear Mr. Lovely:

Enclosed is the appraisal completed for the Metropolitan Library System.

The purpose of this appraisal is to indicate estimated Replacement Cost. After a physical inspection wherein building measurements and construction details were obtained, the replacement values were calculated from detailed information supplied by the Marshall Swift/Boeckh Valuation Service.

The replacement value shown is not necessarily an indication of mortgage values or market values. Values for those purposes are affected by other factors not relevant to insurance.

Upon completing your review of this document we strongly suggest you discuss your insurance plan with your broker to make certain you are properly insured.

WHAT IS AN INSURANCE APPRAISAL PROGRAM?

An insurance appraisal is an inductive cost-estimating method which works from parts to the whole or particulars to generals and total building cost is the sum of its elements: elements build units, which build components which build models.

Element costs, such as bricks, mortar, labor hours, and other basic costs are combined into unit-in-place costs (one square foot of an entire wall in place including bricks, sheathing, studs, etc.). Component-in-place costs, for example, the cost of an entire building in place. The smallest elements in a building are combined into a larger and more useable piece of information for use in replacement cost estimating.

Wage rates, material, prices, and other base costs are combined into a unit-in-place cost which is then grouped into component-in-place costs. Our cost database utilizes time-location multipliers to adjust building base costs to local costs and to the current date using the first three digits of the U.S. Zip Code system and Canadian City Codes Multipliers are developed by continually monitoring 115 elements consisting of labor rates and material prices in over 250 U. S. and Canadian cities. Approximately 29,000 individual prices are contained in the database.

THE GALLAGHER CENTRE
TWO PIERCE PLACE
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630-773-3800
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www.gallagherbassett.com



February 15, 2007

Mr. Lloyd Lovely

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Time-location multipliers are researched continuously and obtained monthly. Multipliers are developed for each of the over 880 zip code areas in the country. To produce these multipliers, the elements used to develop the model-in-place costs are recompiled into weighting schedules that specify the percentage of the cost of each trade and building material in relation to total base building cost.

Time-location multipliers are calculated by computing the average cost of all construction elements in each zip code, as of the current date.

HARD COSTS

Labor rates for 19 different construction trades are researched. This information is obtained from building trade councils, associated general contractor organizations, local unions, and contractors and state and local government agencies.

MATERIALS

Using a similar nationwide network, government agencies, and local suppliers check prices for local materials. Costs for these items include state and local taxes, freight charges, and contractor discounts.

SOFT COSTS

Overhead and Profit - Every contractor has general costs of operating and maintaining a business in addition to specific costs related to a particular job and is entitled to a profit from construction activities. The allowance included in the commercial base cost for normal general contractor and subcontractor overhead and profit combined is 20 percent.

ARCHITECTURAL FEES

An architect designs structures utilizing technical and aesthetic abilities. Engineers apply their knowledge and skill to structural integrity and the effective layout and design of buildings. A national average for these services is considered to be seven percent.



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CONTINGENCIES

A contingency is an amount added to the final bid price of a construction project to cover unknown factors. This amount can range from 0-15 percent. Our database uses a five percent variation.

Since insurable values are based upon replacement cost, it is important to understand what that means. Replacement cost is the cost to construct or replace, at one time, an entire building of equal quality and utility modern materials and current methods, designs, and layouts are used for replacement. This is not to be confused with reproduction cost, which is the cost to replace the subject building with an exact replica.

INSURANCE EXCLUSIONS

Certain items of insured property are either not insured or are specifically excluded from coverage depending on the particular terms of an insurance policy. The four most common exclusions are basement excavation, below grade foundations, underground plumbing, piping and conduits.

CATASTROPHIC OCCURRENCES

In the event of a catastrophic loss or multiple catastrophic loss occurrences including, but not limited to tornado, hurricane, earthquake losses, or other disaster, the actual cost of replacement may greatly exceed the appraised values due to temporary distortions in the marketplace because of shortages of labor and material. Gallagher Bassett Appraisal Services will not be responsible for any disparity in any such event.

Gallagher Bassett Appraisal Service Division closely follows the Uniform Standards of Professional Appraisal Practices. All of our conclusions, opinions, and analysis are unbiased.

If you have any questions, please feel free to contact our office.

Cordially,

Dave Thorpe
Assistant Vice President
Appraisal Division

Enclosure



Gallagher Bassett Services, Inc.
Appraisal Division
The Gallagher Centre
Two Pierce Place
Itasca, IL 60143-3141

CERTIFICATE OF APPRAISAL

Prepared for:

Metropolitan Library System

Building Insurable Replacement Value: \$39,252,121

Building Replacement Value is based on cost formulas derived from analysis of actual construction costs, using local labor rates, material pricing, manufactured equipment, and contractors overhead and profit. It is based on replacing each building as a complete unit at one time. Consideration has not been given to labor bonuses, material premium costs, additional costs to comply with building codes, ordinances, or other legal restrictions. Neither is consideration given to demolition costs in connection with reconstruction or removal of destroyed property. The value of land and site improvements has not been included. Building Insurable Replacement Value is the replacement value less any noninsurable items.

Replacement Value of Contents is the cost, new, as of the appraisal date, of replacing items at said property. This value assumes replacement of these items with the same, or similar items, new, including the cost of installation. If the manufacturing of an item has been discontinued, the value of a comparable item has been substituted. Depreciated Value of Contents is the replacement value less a deduction for physical wear and tear.

We hereby certify that, we have made a personal inspection of the property that is the subject of this report. This report has been prepared with conformity with the Uniform Standards of Professional Appraisal Practice. All conclusions, opinions, and analyses are unbiased. We have no present or prospective interest in the property that is the subject of this report. Our compensation is not contingent upon any action or event resulting from the analyses, opinions, or conclusions reported herein or from the use of this report. We have not examined into and do not pass upon the title to, or liabilities against, any of the contents appraised.

Date of Valuation: February 15, 2007

By: 
Gallagher Bassett Appraisal Services
Dave Thorpe, Assistant Vice President



Gallagher Bassett Services, Inc.

Gallagher Bassett Services, Inc. Building Summary of Values Metropolitan Library System

| Building Number | Building Name | Insurable Replacement Cost |
|--------------------|-----------------------|----------------------------------|
| 01 | Downtown Library | \$20,041,902 |
| 02 | Belle Isle Library | 1,997,430 |
| 03 | Bethany Library | 827,451 |
| 04 | Capitol Hill Library | 1,933,280 |
| 05 | Edmond Library | 2,909,515 |
| 06 | Midwest City Library | 3,337,256 |
| 07 | Ralph Ellison Library | 1,620,722 |
| 08 | Southern Oaks Library | 1,736,334 |
| 09 | Village Library | 1,516,529 |
| 10 | Warr Acres Library | 1,054,372 |
| 11 | Choctaw Library | 835,487 |
| 12 | Harrah Library | 231,275 |
| 13 | Nicoma Park Library | 243,943 |
| 14 | Wright Library | 139,803 |
| 15 | Jones Library | 41,909 |
| 16 | Luther Library | 179,306 |
| 17 | Maintenance Center | 605,607 |

Grand Total Buildings \$39,252,121

Commercial Property

Insurance Company: Federal Insurance / Chubb
 Policy Period: October 1, 2006 – October 1, 2007
 Policy Number: 3525-05-29

Schedule of Locations

| | Location Address | | Building | Contents & EDP | Ded |
|----|---------------------------------------|-----|--------------|----------------|---------|
| 1 | 5501 N. Villa, OKC | BI | \$1,715,303 | \$2,271,003 | \$2,500 |
| 2 | 3501 N. Mueller, Bethany | BE | \$575,083 | \$1,054,758 | \$2,500 |
| 3 | 334 SW 26 th , OKC | CH | \$1,404,218 | \$980,558 | \$2,500 |
| 4 | 10 S. Boulevard, Edmond | ED | \$2,680,895 | \$2,903,042 | \$2,500 |
| 5 | 2000 NE 23rd OKC | RE | \$1,223,867 | \$1,011,087 | \$2,500 |
| 6 | 6900 S Walker, OKC | SO | \$1,371,292 | \$2,186,587 | \$2,500 |
| 7 | 5901 NW 63 rd , Warr Acres | WA | \$899,394 | \$1,514,440 | \$2,500 |
| 8 | 2101 Exchange, OKC | WR | \$99,384 | \$87,275 | \$2,500 |
| 9 | 4509 SE 15 th , Del City | DC | | \$991,340 | \$2,500 |
| 10 | 1930 Church Ave, Harrah | HA | \$166,000 | \$185,842 | \$2,500 |
| 11 | 1364 NE 3 rd , OKC | | | | |
| | Bldg 1 – Outreach Maintenance | | \$633,849 | \$329,225 | \$2,500 |
| | Bldg 2 – Friends Storage | | \$28,664 | \$60,000 | \$2,500 |
| 12 | 10307 N Pennsylvania, | VI | \$1,495,293 | \$1,515,628 | \$2,500 |
| 13 | 8143 E Reno, Midwest City | MC | \$3,080,461 | \$2,382,306 | \$2,500 |
| 14 | 111 E Main, Jones | JN | \$19,656 | \$39,444 | \$2,500 |
| 15 | 300 Park Ave, OKC | DNI | \$23,166,780 | \$6,678,675 | \$2,500 |
| 16 | 2240 Overholser Dr, OKC | | | \$152,744 | \$2,500 |
| 17 | 2525 N Muzzy, Choctaw | | \$1,784,748 | \$831,237 | \$2,500 |
| | Loss Payee: City of Choctaw | CT | | | |
| 18 | 310 NE 3 rd , Luther | LU | \$108,108 | \$10,000 | \$2,500 |
| | Totals | | \$40,452,995 | \$25,185,191 | |

CONDITIONS: Causes of Loss – Special Form
 Valuation – Replacement Cost
 Agreed Amount Endorsement applies to Personal Property
 No Coinsurance Limit
 Inundation Exclusion applies to Locations 8 & 9