

DALNET Finance Committee
Wayne State University
Meeting Minutes
December 7, 1998

Present: Margaret Auer, UD-M; Gerald Bosler, MCC; Patricia Senn Breivik, WSU; Robert Harris, WSU; Phyllis Jose, OC - L.

The Finance Committee met to continue its consideration of the cost of DALNET participation to new members, information providers and customers.

The committee reviewed its position on recouping developmental costs vs. marketing DALNET participation with an attractive pricing schedule. The libraries at Madonna University, Sacred Heart Seminary and Greenfield Village have all considered Horizon. The first two have decided to implement stand alone systems. The library at Sacred Heart Seminary could not afford the ongoing costs that DALNET estimated. The library at Greenfield Village is still considering its options. Pricing the DALNET / Horizon is an important issue in a mix of considerations before a decision can be made.

The costs involve capitalization, maintenance, hardware and software.

Questions To Be Answered:

In looking at equity among all members does DALNET need to make up front costs for new members close to being equal with historic DALNET members?

Can the ongoing costs be reduced if a additional amount of up-front costs are set aside to support the ongoing expenditures of new libraries?.

Can historic members afford to finance new members in order to attract them.

Does DALNET want a pool of money for entrepreneurial options or do they want new members to pull their fair share in paying for costs incurred on a comparable basis?

DALNET members would like to make a profit so as to have a pool of money for enhancement and to keep ongoing costs to a minimum. However, from a market standpoint, if DALNET prices itself out of the market so as to make a profit, it will not attract new members.

There are economic of scale considerations. DALNET can include new libraries and just pay Ameritech \$10,000 for each new member to facilitate new software licensing and then assess ongoing costs. However, a compromise could be considered. Payments can be structured so that they are agreeable to new members: high up front and low ongoing costs or low up front and high ongoing payments.

Nevertheless, DALNET needs to be marketable; the concept of Southeast Michigan Hub is important. The DALNET consortium and the new information hub has value and is worth pursuing despite the lack of a clear cost benefit. The value added benefit has long term advantages with the implementation of the Information Hub concept which may be worth something in terms of dollars at a later date. In the meantime, developing a richer database and investment in grant application possibilities is a risk worth taking for many libraries.

One of the goals of the Finance Committee in agreeing to the DALNET Ameritech Partnership was to make the costs to members less than they were. This goal has been successfully achieved because WSU is underwriting DALNET. Now, the historic DALNET members are being asked to underwrite the new members in order to endorse the vision of the information hub. In order to market DALNET as an information hub it is necessary to bring in as many members as possible to get a richer database, better access to grants and the possibility of cost reduction based on economies of scale. The problem of financing the DALNET system, isn't just one-time money, it's ongoing money and the ongoing pool of money being gathered for contingencies.

DALNET needs to provide long-term financial viability with maximum options. In arranging a compromise that allows participating libraries to finance DALNET, some libraries need immediate financial relief from capitalization costs (upfront costs), other libraries need consideration in covering the ongoing costs and the yearly inflation rate. What can be done for new members?

The DALNET Finance Committee is looking for a formula that can be applied uniformly with some fairness and equity. Consider assessing up front capitalization minus 5%. Balance of capitalization goes into an account to be collected and invested at 5% interest.

Example: take the capitalization of Greenfield Village if they were to be a free standing Ameritech library they would probably pay \$64,000. DALNET would offer 5% less or \$61,800. \$10,000 goes to pay Ameritech. DALNET is left with \$51,800 which would be split 60% to WSU and 40% to the DALNET pool. This amount would never be less than \$7,500 or the amount the lowest tier DALNET member is assessed.

Is this for a term of years or forever: for the term of the agreement? 4 years? Or indefinite?

The cost is reflective of whatever is greater: \$7,500 or Ameritech ongoing cost minus 5%

The DALNET money would be used for a capital pool for the future

New library members cannot be charged as historic library members because historic libraries are operating two systems and new libraries can only be charged for being on the new system.

New library members should be made aware that they are expected to endorse a commitment to networking within the DALNET consortium and that they will have to support DALNET committees with participation of their staff members.

What is a reasonable cost? Tiers for historic members, tiers for new members based on holdings or on records

Example take full capitalization whatever a new library would pay Ameritech minus 5%

Should new members simply be charged a flat \$11,000 to enter

Charge them half of what DALNET would charge in DALNET but what reasonable comes close to what they would pay for Ameritech Horizon to come up as a stand alone system. Charge half but never less than the smallest DALNET member pays \$7,500

It may be important philosophically to take a risk to enrich the databases and the investment opportunities in trying to keep DALNET historic member costs from going up. Adding new members may allow DALNET to pay less over time depending on how many new members sign DALNET agreements

Basic tenants

DALNET needs new members to reduce overall costs. In order to attract new members from a cost standpoint DALNET must look at assessing smaller capital costs or smaller ongoing costs or both.

In order for DALNET to be an information hub DALNET needs to increase its membership

No new member will pay less than the lowest tiered DALNET member.

The DALNET Finance Committee is considering the following recommendation to the Board:

For new libraries that want to come up on Ameritech's Horizon System, DALNET will charge 5% less than Ameritech will quote for a stand alone system. Of the money received by a new library for capital costs, \$10,000 will go to Ameritech for the software licensing of the new library. Of the remaining amount 60% will go to WSU and 40% will go to DALNET. The ongoing cost of to each new DALNET member will never be less than the lowest tiered library in DALNET

In terms of tiered membership, new members may pay less than comparable tiered, historic members in order to attract new members so as to have money for enhancements

Problems to solve:

What happens when there is a new capital need? How do we assess costs for new capital improvements?

When its time to come up with additional money how will it be accomplished? Who will have a say?

Community Information Providers fall into three categories: info/dissemination, services, financial/support.

Discussion of SEMCOG ensued

Questions: How to price, Hard and fast ruels or case by case

Aphilisophical statement must be made ass to the partnering agreement of what we are willing to do in the seven county area. Reconsider seven county area Different types of agreements are necessary depending on who owns the information

Question on the U of D - M Dental School using the Reserve funtion of Horizon to inventory and control detal records. This can be pursued as a pilot project. U of D - M should cost out and handle arrangements in house.

Facilitation of DALNET Marketing to Macomb County Libraries was considered

Dee Calloway Guest Follow-up on Archdiosisis of Detroit Libraries as well as Oakland County Libraries How does DALNET tap into Horizon markets in Monroe, Livinston and Washtenaw Counties. It was agreed to try to go to these counties for an economic development and an allied health wellness perspective There is a need to create tailored DALNET promotional materials. In another initiative, meidicatl librarians will be requested to meet at Shiffman Library for a discussion of community health wheher DALNET can be marketed.

There is a need for DALNET to run a focus group strategy meeting for vision on a long term plan for health infomation access via DALNET Horizon