

PRELIMINARY REPORT  
DALNET GOVERNANCE OPTIONS

The Detroit Area Library Network (DALNET), composed of libraries in the Detroit Metropolitan Area, is being formed for the purpose of enabling libraries to provide improved service to their users through:

1. State-of-the-art technology in cooperative programs; and
2. Cost effective shared library automation.

Before the Libraries can come together to share the costs and benefits of an automated library system, it is necessary to define:

1. How the project will be managed, and,
2. How the costs will be divided among the participants.

In order to identify the best governance and cost allocation options, a DALNET Task Force on Governance was established in June, 1984. This Task Force began by gathering data on governance and costs from the literature, from other library networks, and from institutions legal counsel.

The results of their investigation will be a report, which is intended for discussion with library directors/administrators prior to proceeding any further with planning.

Governance must be defined to enable the parent body of each participating DALNET library to contractually obligate its institution to the cooperative automation effort. Consensus about decision making for the DALNET automation project is needed soon.

While reviewing the governance options available to DALNET, the Task Force discovered that the model selected was directly related to the method of funding for the central site and start-up activities.

Here are the two most frequently encountered models:

Model 1: Service Bureau

When a single institution funds the central site start-up costs for all participants, it becomes a service bureau. It owns the central site hardware and software licenses. The other participants contract with it for services. The institution contracts with vendors and other service bureaus, as needed.

Funding by the single institution can be done by borrowing money, receiving a grant, paying from its own funds, or a combination.

Advisory bodies of the other participants are organized to help manage the project.

Legal documents include contracts and bylaws.

Model 2: Network/Cooperative/or Consortium

When funding for the central site start-up is shared among the participants, they form a network, cooperative, or consortium. The members of the network jointly own the central site hardware and licensed software. The members contract with the network for services. The network can contract on behalf of its members, e.g., with vendors or service bureaus.

Funding can be done by borrowing money jointly, receiving a joint grant, having each member contribute a proportionate share, or a combination.

A governing board, responsible to the members, manages the staff who operate the project on a day-to-day basis.

Legal documents depend on the legal structure selected -- either a not-for-profit corporation or a joint venture agreement. The documents include articles of incorporation or a joint venture agreement, contracts, and bylaws.

Both of these options are presumably open to DALNET. The report of the Task Force will present some advantages and disadvantages to each model and will detail the Network Model as an option to DALNET. An assumption made by the Task Force is that the Network Model could be easily redesigned to the Service Bureau Model, should that option be selected.

DALNET Task Force on Governance

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October 5, 1984