

# **Confidential DALNET Board Document**

## **Detroit Area Library Network (DALNET) Financial Guidelines for 1999 Pilot Agreement**

**Revised July 22, 1999**

### **Philosophy**

The purpose of the DALNET / Ameritech Partnership Agreement is to create a partnership to develop and implement an open, integrated, library / information system as the central component of a regional information hub.

It is in the interest of the information hub to expand the Detroit Area Library Network. The types of participation in DALNET are: member, information provider and customer.

Participation in DALNET is open to profit and non-profit organizations as well as to academic, public, school and special libraries.

The advantages in adding participants to DALNET are: 1) richer databases, 2) better access to grants, 3) cost reduction based on the number of new DALNET participants, and 4) standardized information access for patrons.

### **Principles:**

DALNET organizational assets include: the combined informational resources of the participants, DALNET member staff support, DALNET system resources, DALNET systems staff support, and the DALNET help desk.

The long-term financial viability of DALNET is a primary focus.

As a vital information access resource, DALNET will seek to cultivate new members, information providers and customers.

Attractive pricing formulas should be offered to prospective participants.

Members, information providers or customers may be added at cost to DALNET if there is a perceived benefit by the Board.

## **Protocol**

Requests for participation in DALNET will be considered by the Board on a case by case basis. Likely participants will be initially contacted by a marketing team which shall consist of the DALNET Director of Marketing and one or more members of the DALNET Board. The marketing team will recommend to the Finance Committee which type of participation is appropriate. Classification will be based on the mission of the potential participant, affiliation, and the intended purpose in joining DALNET.

The type of participation will be considered and designated by the Board on the recommendation of the Finance Committee. Before making a recommendation to the Board, the Finance Committee will assess the ramifications of adding the new participant by consulting with the marketing team, the DALNET Accounting Office and the DALNET Systems Office.

The Accounting Office and the Systems Office will jointly attempt to itemize the actual costs. The marketing team will suggest the value-added merit of including the potential participant. General cost considerations borne exclusively by a participant will include: capitalization of Horizon hardware, software and enhancements as well as maintenance of the system over a period of years. Specific cost considerations for DALNET will include: server requirements, data conversion and loading costs, record loading costs, training costs, consulting costs and documentation costs.

Due to the individual requirements that each entity brings for consideration in requesting cost figures for DALNET association, each response must be tailored to the specifications of the institution, body or group making the request.

The Detroit Area Library Network (DALNET) Financial Guidelines for 1999 will be considered a pilot document, approved for one year. This first year will be considered a trial period to see if its provisions can be effectively implemented and efficiently applied.

For the duration of the pilot agreement of the DALNET Financial Guidelines for 1999, the members will bank all revenue generated from new members, information providers and customers to pay for future capital needs.

## **Members**

Members of the Detroit Area Library Network are committed to create, through their partnership and shared effort, a model regional information hub.

Members shall be institutions, corporate entities or organizations, profit and non-profit, which are accorded all the rights and privileges of a DALNET historic member. In almost all cases, members will be libraries.

Members will be located in the seven county southeastern Michigan region comprised of: Livingston, Macomb, Monroe, Oakland, St. Claire, Washtenaw and Wayne Counties

A pre-existing consortium of libraries or other legal entities previously joined together for a common purpose shall join DALNET as a single member.

To make the regional information hub possible, members are expected to endorse a commitment to networking within the DALNET consortium. Specifically this means a responsibility to add to the DALNET database, to staff DALNET committees and to support DALNET initiatives, services and programs.

A member will have the right to vote at Board meetings. Only members will have a vote to approve or reject proposals made to the DALNET Board

## **Member Financial Guidelines**

The Accounting Office will evaluate the potential member based on a tiered pricing model approved by the DALNET Board. The formula is based on a sliding scale depending on the number of records the new member will add to the DALNET database.

A record shall be defined as specific member information about resources and patrons which allow the integrated, online system to perform its function: e.g., bibliographic records, authority records, item records, holdings records, order records, patron records.

Flexible financing packages are necessary in order to encourage participation by new members. DALNET needs to provide a maximum number of financial options.

Examples:

- High up front and low ongoing costs, or
- Low up front and high ongoing costs, or
- Prepayments which will earn 5% annual interest, or
- Delayed, structured payments over a period of years at 5% interest.

Revenue derived from new member payments will be used to pay the expense in adding the member to the DALNET database and / or providing that member with DALNET services. Net revenue after the payment of expenses in bringing the new member online shall be divided: 60% to Wayne State University and 40% to DALNET.

Capital needs or improvements to the DALNET system will be approved and financed by the institutions represented by the Board members. DALNET funds realized by adding new members can be used for a capital expense pool or for any other purpose approved by the Board.

Standard practice shall dictate that existing members will not be responsible for underwriting the costs incurred in adding a new member nor for the ongoing maintenance costs of new members. Nevertheless, it is possible for DALNET to include new members on a cost recovery basis. The costs involved in breaking even when adding a new member are: 1) the Ameritech fee for a software license based on number of bibliographic records, 2) the DALNET Systems cost to specify and implement, and 3) the yearly maintenance costs.

Absent compelling reasons to leave DALNET, a new member is making a financial commitment to participate in the consortium for a period of not less than five years.

Efforts will be made to obtain grants, fellowships, subsidies and endowments to attract and support members.

## Member Models

Generally, the funding rule used for historic members will be used in estimating and assessing new member costs. In considering new members 3 operational models may be used. These optional funding structures may be used to accommodate all situations.

### Option 1 Standard Tier Pricing

A standard tier pricing formula was originally used to assign costs to historic DALNET members. As a general practice this standard tier pricing formula will be used in providing cost figures to potential new members.

As with historic members DALNET charges to new members will be comprised of two components 1) an annual maintenance cost to maintain the Horizon System and 2) a capitalization cost to acquire the Ameritech / Horizon integrated library system. The formula for annual operating costs, as initially approved in FY98, is as follows:

Tier 1 (minimum price) 0 - 50,000 records \$7,500

All subsequent tiers are 25,000 records in size (50,001 to 75,000; 75,001 to 100,000, etc.). The incremental price added for each tier is:

Tiers 2 - 3; 50,001 - 100,000 records add \$5,000

Tiers 4 - 20; 100,001 - 500,000 records add \$2,500

Tiers 21 + ; 500,001 + records add \$2,000

Example: A new member with 120,000 records would be priced at the 4<sup>th</sup> tier.

|                                    |              |
|------------------------------------|--------------|
| Tier 1: first 50,000 records       | \$7,500      |
| Tier 2: next 25,000 records        | 2,500        |
| Tier 3: next 25,000 records        | 2,500        |
| Tier 4: next <u>20,000</u> records | <u>2,500</u> |
| Totals: 120,000 records            | \$15,000     |

Capitalization costs are determined by multiplying the annual operating cost by 1.5. The capitalization cost would be  $\$15,000 \times 1.5 = \$22,500$ .

Consequently, in this example the annual operating cost is \$15,000 plus the capitalization cost of \$22,500 for a total of \$37,500 for the first year. In succeeding years, the annual fee will be at least \$15,000 plus the annual cost of inflation.

This model was developed in FY98, which is the index year for price calculations. Prices for subsequent years will be the calculated tier price adjusted for the percentage change in the DALNET Operating Cost Budget from the index year.

## **Option 2 Modified Tier Pricing**

Option 2 is offered as a benchmark in dealing with occasions where negotiation over the cost a DALNET membership is advantageous to both parties. The standard tier pricing formula will remain in effect for calculating costs for a new member. However, the formula will be modified so as to be more attractive to the potential new member. In such a case, DALNET will charge double the cost of capitalization, but one half the cost of the annual fee.

Example:

For the prospective member with 120,000 records, the modified tier pricing (in FY98 dollars) would be:

Capitalization cost = \$22,500 multiplied by 2 = \$45,000  
Annual Operating cost = \$15,000 divided by 2 = 7,500

In both of the examples above the Ameritech licensing costs are incorporated into these figures.

## **Option 3 Value Added Pricing**

This option is offered in unique situations in which the institution wishing new member status has unusual value to DALNET. The intent would be to attract a member rich in information resources. To exercise this option the DALNET Marketing Team, the DALNET Accounting Office, the DALNET Systems Office, the DALNET Finance Committee and the DALNET Board must agree that the potential member is an attractive addition to the consortium. Upon realizing that this entity is a desirable member, the charge for DALNET membership would not be less than \$10,000 plus the Ameritech software licensing fee, if applicable. The Ameritech fee will depend on the number of records to be loaded. Ideally, the ongoing maintenance fee would never be less than the amount paid by the historic DALNET member on the same record tier.

**These options, their estimates and provisions will be reviewed and revised by the DALNET Finance Committee on an annual basis.**

## **Information Providers**

Information Providers can be governmental, public, or private entities that have as their mission objective the dissemination of information to the general public. Because the information provided may come from a variety of sources, in a local, regional, state, national and global context, inclusion of this information will not be constrained by the DALNET / Ameritech Partnership Agreement which restricts full-members to the seven county, southeastern region of Michigan.

Information Providers furnish data which is loaded into the DALNET system. There are at least two reasons for becoming an information provider:

- to provide or disseminate information, e.g. publicly available consumer information (consumer studies) or financial / support information (grant opportunities, grant proposal assistance.).
- to offer information services, e.g. organize information, web page access and links, digitize information, archival information.

It is acknowledged that every information provider will present a different set of circumstances in joining DALNET.

Information Providers will be invited to send a representative to DALNET Board Meetings so as to participate in the discussion of relevant issues. Information Providers will not have the right to vote on DALNET motions and proposals.

The costs involved in providing DALNET / Horizon services to an information provider include: acquiring, formatting, maintaining, storing, and providing access to data.

Revenue derived from information provider payments will be used to pay the expense in adding the information provider to the DALNET database and / or furnishing the information provider with DALNET services. Net revenue after the payment of expenses in bringing the new information provider online shall be divided: 60% to Wayne State University and 40% to DALNET.

In the event that a viable information provider cannot finance the addition of their data to the Horizon database, options may be explored to subsidize the cost to a level acceptable by the DALNET Board. These options include external grants from outside sources or internal subsidies which may be offered by an individual DALNET member or a group of DALNET members.

Data added to the DALNET database by an information provider will not have an adverse effect on the Horizon system nor any member's response time. Information Providers will furnish DALNET with current data. Unless stipulated to the contrary, it is the information provider's responsibility to maintain the integrity of its data. The information provider will provide DALNET with an annual certification that their data is accurate and current.

## **Information Providers Scenarios\***

### **Scenario 1**

Provide contract Webmaster services to design, create, and maintain a Website for the information provider as a gateway from their information to Im@gine and the World Wide Web.

Cost elements (onetime and ongoing):

- a. personnel, either DALNET staff or contract services hired at \$34 per hour, 20 hours a week for 2 weeks = \$1,360.
- b. server(s) and disk storage: minimum implementation for a small server to be sized to the project with necessary peripherals and software at \$12,500+ for each server. In addition there may be a \$50-150 monthly storage fee on the DALNET server for interface requirements.
- c. software: if necessary is estimated at \$100
- d. telecommunications network (AADS): Internet: individual connect at \$17.95 per month or dedicated connect \$350 - 500 per month.

*Note:* Web Page design services are available from Web contractors in the area already. Such services run approximately \$200 - 300 per page depending on the complexity of the page and the information.

### **Scenario 2**

Provide database creation services to digitize, index, and develop an Im@gine Web interface for information provider's unique information resources. Databases can be textual (reports, documents, letters), images (photographs, slides, microfilm), statistical (spreadsheets, charts, graphs).

Future plans include: sound (tape recordings, radio programs, ads), and video (TV broadcast, videotapes). Digitization can be done to archival quality for preservation purposes, as needed by the information provider.

Cost elements:

- a. project management services to design, plan and oversee the project at \$34 per hour, 20 hours a week for 2 weeks = \$1,360.
- b. personnel to digitize materials at 10 images per hour, \$8 per hour; 200 images = 20 hours per week for 1 week = \$160.
- c. personnel to design and create indexes for intellectual access to digitized objects, at \$25 per hour, 5 records per hour for 200 images = 40 hours; 20 hours per week for 2 weeks = \$1000.
- d. personnel to design displays for users at \$25 per hour; 20 hours per week for 2 weeks - \$1000.

- e. server(s) and disk storage: a minimum implementation for up to 200 images will include a small server to be sized to the project with necessary peripherals and software at \$12,500+. There may be a \$50 - 150 monthly storage fee on the DALNET server for interface requirements..
- f. scanning equipment: if purchased separately is estimated at \$2,500.
- g. digital camera, optional at \$1,100.
- h. software: if purchased separately at \$700
- i. workstation for personnel, including computer hardware with 20" monitor, software, scanner and monochrome printer at \$6,500 - \$9,000. A workstation, purchased separately, is estimated at \$5,500 and a printer at \$1,200.
- j. telecommunications network consulting (AADS) Internet: individual connect - \$17.95 per month or dedicated connect - \$350 - 500 per month.
- k. training services for Information Provider's clientele/users at \$300 per day.

*Note:* parts of these costs could be negotiated to be shared with the information provider or contracted to third parties by DALNET. The Im@gine Web interface follows national standards for intersystem linkage. The equipment and time involved in digitizing will vary depending on the quality requirements for the images.

### **Scenario 3**

Provide contract services to develop the high quality subject content for the information provider's Website that is needed by their clientele / users. Services include identifying the best resources together with the resources of the information provider to be usable to their clientele, creating and maintaining the hyperlinks in their Webpages, and providing an Im@gine interface to the Website.

#### **Cost elements:**

- a. personnel with subject expertise \$20 per hour, 5 records per hour for copy cataloging, 10,000 records = 2,000 hours = \$40,000
- b. personnel with subject expertise @ \$30 per hour 2 records per hour for original cataloging, 4,000 records = \$60,000.
- c. server(s) and disk storage: a minimum implementation for up to 14,000 records: a small server to be sized to the project with necessary peripherals and software at \$12,500+ for each server. There may be a \$50-150 monthly storage fee on the DALNET server for interface requirements.
- d. software, if purchased separately \$700
- e. telecommunication network (AADS) Internet: individual - \$17.95 per month or dedicated - \$350 - 500 per month.
- f. training services for clientele / users at \$300 per day.

#### **Scenario 4**

Future plans are to provide contract services to deliver information provider's information to users via Geographic Information Systems (GIS) capabilities. Data and maps would be accessible via Im@gine on the Internet using standard Web browser software.

#### **Cost elements:**

- a. personnel to design system and create Web-based delivery at \$34 per hour  
20 hours a week for 2 weeks = \$1,360.
- b. server(s) and disk storage: a minimum implementation for up to 10,000 records:  
a small server to be sized to the project with necessary peripherals and software  
at \$12,500+ for each server. There may be a \$50-150 monthly storage fee on  
the DALNET server for interface requirements.
- c. software, such as ESRI's Internet Map Server software at \$10,500 plus ongoing  
charges.
- d. software (Desktop PC GIS Mapping software) \$1,000.
- e. telecommunication network (AADS): Internet: individual connect at \$17.95  
per month or dedicated connect - \$350 - 500 per month
- f. training services for clientele / users at \$300 per day.

**These scenarios, their estimates and provisions will be reviewed and revised by the DALNET Finance Committee on an annual basis. The prices quoted for the above services are guidelines which may fluctuate based on market price.**

*\*DALNET Scenarios for Information Providers  
L. Bugg and D. Callaway; April 21, 1999*

## **Customer**

The customer is one who wishes to purchase the use of the resources and / or services provided within the DALNET structure. Any organizations or libraries which do not subscribe as members or information providers may purchase DALNET services. Use of resources means:

- access to the DALNET database for resource and information searches.
- on-site borrowing of monographs from participating academic and public libraries.
- access to Horizon's Resource Sharing System and interlibrary loan privileges extended by participating DALNET libraries. .
- participation in joint purchasing agreements for informational resources i.e. electronic journals.
- access to DALNET Systems Office consulting services for technological information access delivery.

The types of customer will vary based on the required services. Initially, the following pricing can be outlined.

### **Commercial Customer**

An annual fee will be assigned to a commercial customer based on the size of the intended clientele and / or the intended use of the DALNET system. Because the customer is acquiring DALNET services, a sliding scale will be used to charge based on number of potential users not simultaneous users. The formula is:

|       |   |                |          |
|-------|---|----------------|----------|
| 1     | - | 500 users =    | \$ 5,000 |
| 500   | - | 1,000 users =  | \$ 7,500 |
| 1,000 | - | 2,500 users =  | \$10,000 |
| 2,500 | - | 5,000 users =  | \$12,500 |
| 5,000 | - | 7,500 users =  | \$15,000 |
| 7,500 | - | 10,000 users = | \$25,000 |

The annual fee can be expected to be adjusted for inflation as well as for major system improvements in value-added services.

Revenue derived from customer payments will be used to pay the expense in furnishing the customer with DALNET services. Net revenue after the payment of expenses in offering services to the new customer shall be divided: 60% to Wayne State University and 40% to DALNET.

In addition to the DALNET customer fee schedule noted above, Commercial Customers who wish to be included in the RSS (ILL) services will be charged for items borrowed based on the policies of the DALNET lending libraries.

In the event that a commercial customer wishes to access a commercial database (e.g. electronic journals) purchased by DALNET members, the customer will be assigned a percentage of the cost of the database. The charges will be based on what the vendor charges for that kind of customer, i.e. academic, school, corporate or profit / non-profit customers. The charges shall directly reflect the vendor costs.

Document Delivery services may be provided to customers based on the policy of the respective DALNET library. When fees are charged, it is the service provider's responsibility to charge and collect fees.

#### Library Customer

A library customer will have resources to offer and share with DALNET members which will enhance the DALNET Im@gine Information Hub. Consequently, a library customer may be charged less than a commercial customer. This special consideration is provided so as to provide an enhancement to patron empowerment within the regional Detroit area.

The library customer may only participate in one or two modules of the Horizon product (e.g. RSS). The fees for a library customer may fluctuate from year to year based on the usage of the DALNET Im@gine system.

The customer formula scale shall remain in effect until the DALNET Board acts on a recommendation from the DALNET Finance Committee to make a cost reduction.

Provision for interlibrary loan access to DALNET libraries will also need to be considered, i. e. existing ILL agreements, free or fee agreements. A library customer will participate in reciprocal interlibrary loan services with those libraries who choose to associate. DALNET participants (i.e. members, information providers and customers) may create reciprocal interlibrary loan agreements among themselves. DALNET will attempt to coordinate collection access so as to encourage the free flow of information

#### Example:

A library customer with less than 500 users would pay \$5,000 per year for use of the Horizon RSS software and for DALNET access. A library with a good collection of informational resources to network with DALNET member libraries and with fewer than 500 patrons may request and be given a cost reduction on the recommendation of the DALNET Finance Committee and the approval of the DALNET Board.

The DALNET Systems Office may provide consulting services for technological information access delivery to a customer. In such a case the charges will be based on the time involved. The recommended rate is \$50 - \$100 per hour based on the complexity of the request and whether the customer is a profit or non-profit enterprise.

**Charges, estimates and provisions made to all categories of customer will be reviewed annually by the DALNET Finance Committee.**