

EBD #4.4
BARC #4.4



ALA Three Year Investment Plan

October 25, 2018

Agenda

- **Vision**
- **Investment Strategy: Our Plan for Success**
- **Funding Strategy: How We'll Pay For It**
- **ALA Three Year Investment Plan: Path to Sustainability**

Background

- **While total membership has stabilized, ALA has seen declining membership over the past 10 years**
- **ALA's main lines of business (Publishing, Conferences, and Membership) have seen flat or declining revenues since 2008**
- **Although ALA generated operating surpluses in FY14 and FY15, FY16 and FY17 saw unexpected operating losses**
- **Historical strategy of expense reduction to balance budgets exacerbated problems by harming longer term productive capacity (innovation)**

To address the trends above and ensure continued achievement of ALA's mission, a Plan for Re-invention and Re-investment are required

“A Modern Association for A Modern Profession”

The Strategy

Improve Mission Capabilities by Investing in 3 Key Areas



Information Technology

Advocacy

Development

While Streamlining Organizational Structure to Focus Existing Resources on Mission and Growth



Re-allocation of Resources from Non-mission Critical Uses

- **Occupancy**
- **Administrative and Support**

Simultaneously, the Association is embarking on several studies to answer key questions re. governance, membership model, and org structure

The Strategy

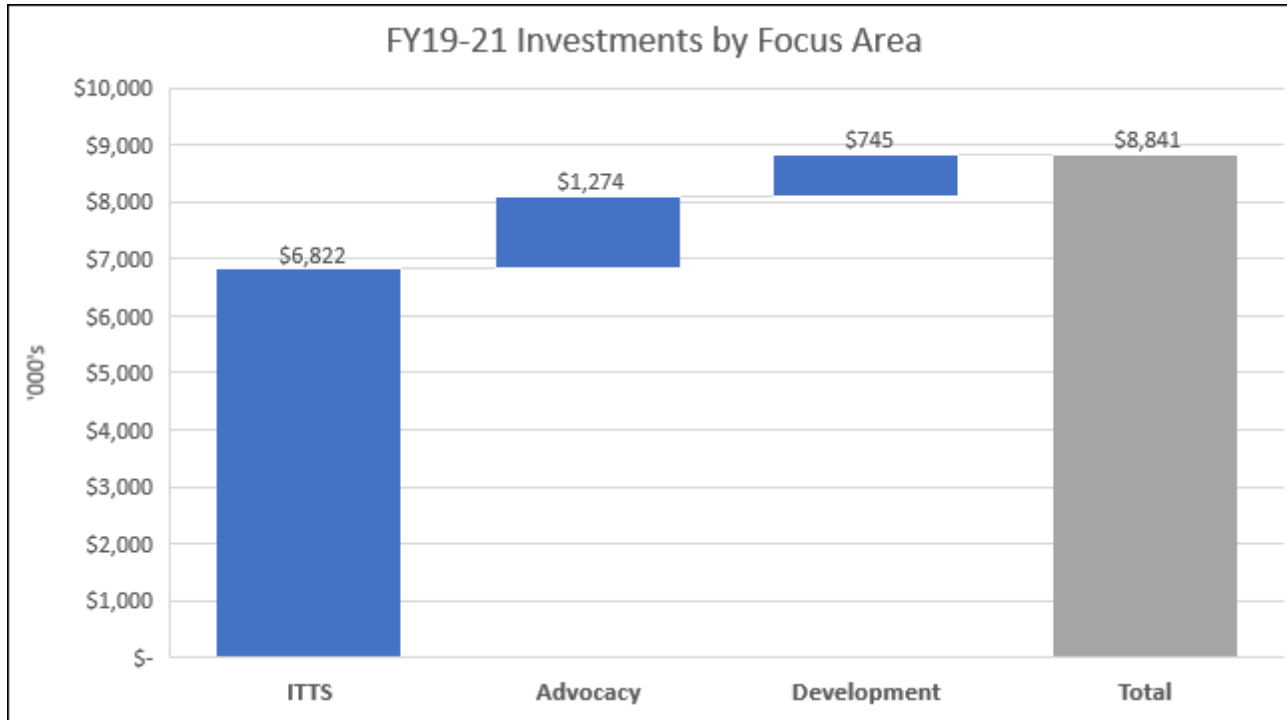
	FY2018				FY2019			
	Sept-Nov	Dec-Feb	Mar-May	Jun-Aug	Sept-Nov	Dec-Feb	Mar-May	Jun-Aug
Initiative								
Real Estate Study		█						
IT Assessment				█	█			
Membership and Communication Study				█	█			
Organizational & Governance Review				█	█			

KEY QUESTIONS:

- How can we monetize our assets to best serve the Association?
- What capabilities, skills, and staff are needed to attain our IT needs?
- What is the ideal membership model to sustainably serve our members?
- What is the ideal governance structure needed for ALA today versus 30 years ago?
- What is the ideal organizational structure needed for ALA today versus 30 years ago?

These multiple “change initiatives” will help us determine our 21st century model

Investment Plan



NOTE: \$6.8M in proposed IT Investments includes initiatives to enhance Advocacy and Development. See page 18 for list of IT investments FY19-23

Invest \$8.8MM in initiatives and infrastructure to improve mission capabilities and financial sustainability of Association

Expected Return on Investment

<u>Focus Area</u>	<u>Anticipated Benefits</u>	<u>Potential ROI Metrics</u>
Information Technology	<ul style="list-style-type: none"> • Better Member Service • Increased Employee Productivity • More Successful IT Projects 	<ul style="list-style-type: none"> • Member Satisfaction Scores • Projects Delivered On Time/Budget • IT Expense as % of Revenue
Advocacy	<ul style="list-style-type: none"> • Stronger, More Effective Member Relationships with Key DC Stakeholders • Enhanced Professional Development Opportunities • Targeted, More Efficient Relationship Building Strategies 	<ul style="list-style-type: none"> • Number of Advocates • Number of Connections • Number of Strategic Visits • Number of Participants at State and Local Levels
Development	<ul style="list-style-type: none"> • Additional Revenues for the Association • Increased Member Engagement 	<ul style="list-style-type: none"> • Total Additional \$ Raised • Additional GF \$ Raised • Number of donors • Median gift/Average gift • Number and \$ planned pledges

To ensure benefits are realized, ALA management will track and report on specific key performance metrics (KPI) by investment area. These can be reported along with key outcome metrics, such as ALA's Net Promoter Score (NPS)

NPS: Net Promoter Score. *Per the "ALA FY2018 Final Survey Report," p.31 from Ave M, "NPS...is a measure that captures future customer loyalty.. and has been shown to correlate with business growth."*

Funding Strategy

Our Two Pronged Funding Strategy

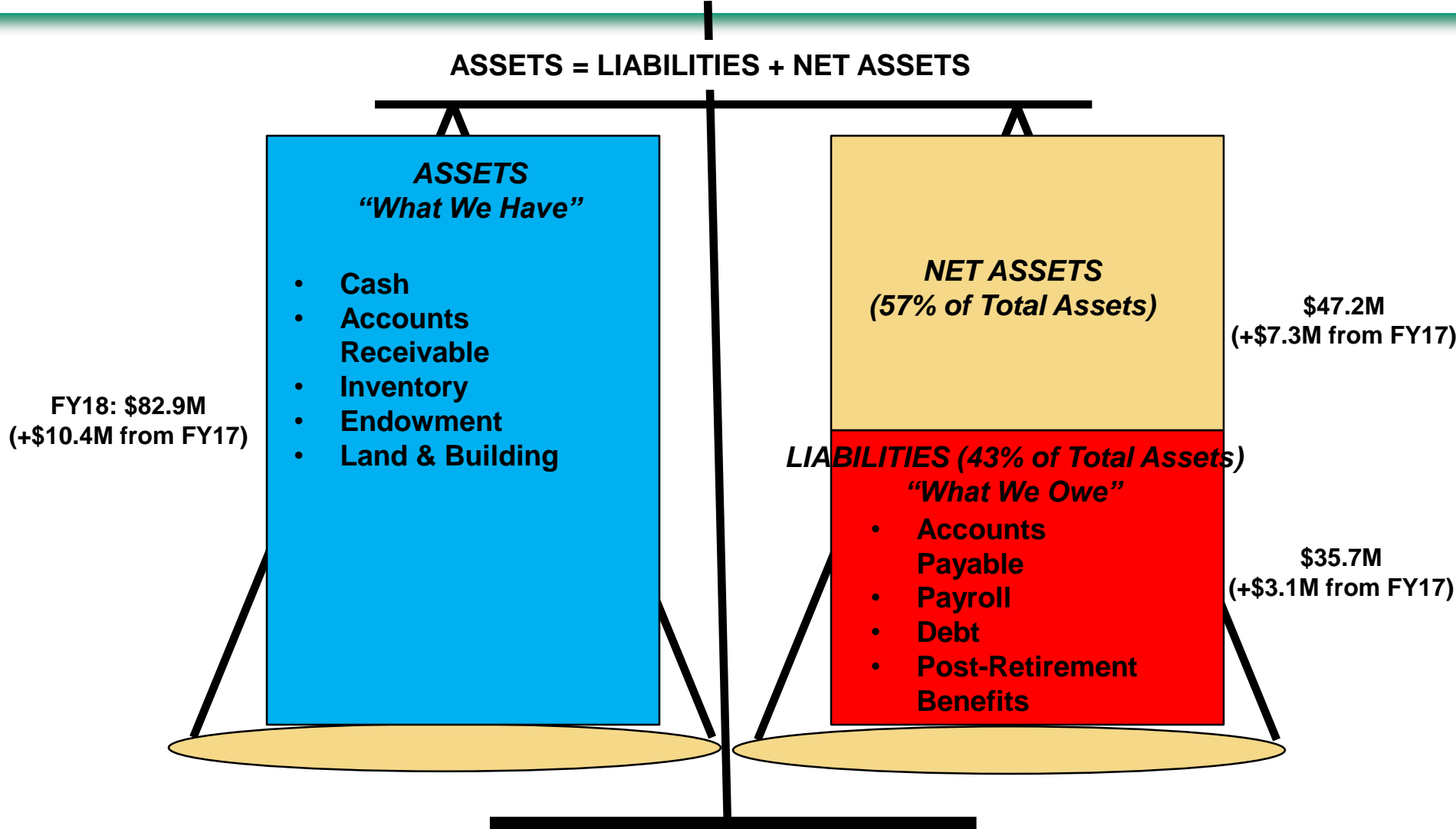
1 Re-allocate Existing Funding

- Fixed Occupancy Expenses
- Admin/Support Expenses to Mission/Revenue Generating Centers

2 Leverage ALA's Balance Sheet

- Borrowing
- Asset Sale

ALA's Balance Sheet as of FYE 2018 PRELIM



In FY18, ALA's Net Asset Balance grew by \$7.3M to 57% of Total Assets

Funding Strategy: Match Uses and Sources

USES = Investments by Focus Area

	FY19	FY20	FY21	Totals
<i>Operating</i>				
IT	632,200	908,200	2,481,200	4,021,600
Advocacy	300,000	370,000	370,000	1,040,000
Development	176,750	276,000	292,000	744,750
Total Operating	1,108,950	1,554,200	3,143,200	5,806,350
<i>Capital</i>				-
IT	728,298	605,298	1,466,965	2,800,561
Advocacy	110,000	62,000	62,000	234,000
Development				-
Total Capital	838,298	667,298	1,528,965	3,034,561
TOTAL	1,947,248	2,221,498	4,672,165	8,840,911

SOURCES = Funding by Source

- Operating Expense Decrease/Re-allocation
- Incremental Revenues

- Debt
- Asset Sale

Operating Need

\$1.1M - \$3.1M from FY19-21

Capital Need

\$3.0M FY19-21 Total

Funding Strategy: Match Uses and Sources

SOURCE

- Operating Expense Decrease/Re-allocation
- Incremental Revenues

Operating Need

\$1.1M - \$3.1M from FY19-21

STRATEGY

- Operating Expense Decrease/Re-Allocation of \$1.5M
 - \$500k GF Offices
 - \$300k Support Services
 - \$500k Occupancy Cost
 - \$200k Other TBD
- Incremental Revenues of \$1.6M
 - \$400k Endowment Income*
 - \$300k New Fundraising
 - \$100k Purchasing
 - \$600k Existing Business (2% growth)
 - \$200k New Revenue TBD

- Debt
- Asset Sale

Capital Need

\$3.0M FY19-21 Total

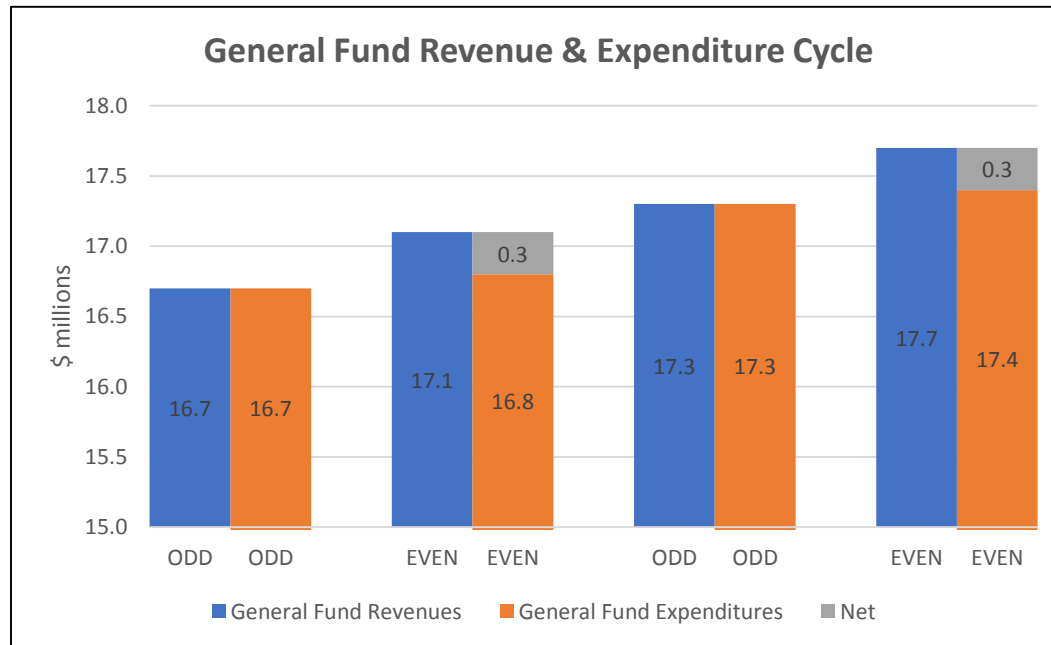
- \$6-8M Bank Borrowing
- \$9-20M Gain from Sale

* Additional \$400k assumes \$7MM-\$9MM of additional capital in Endowment

GF Funding Cycle and Path to Sustainability

Sustainability requires

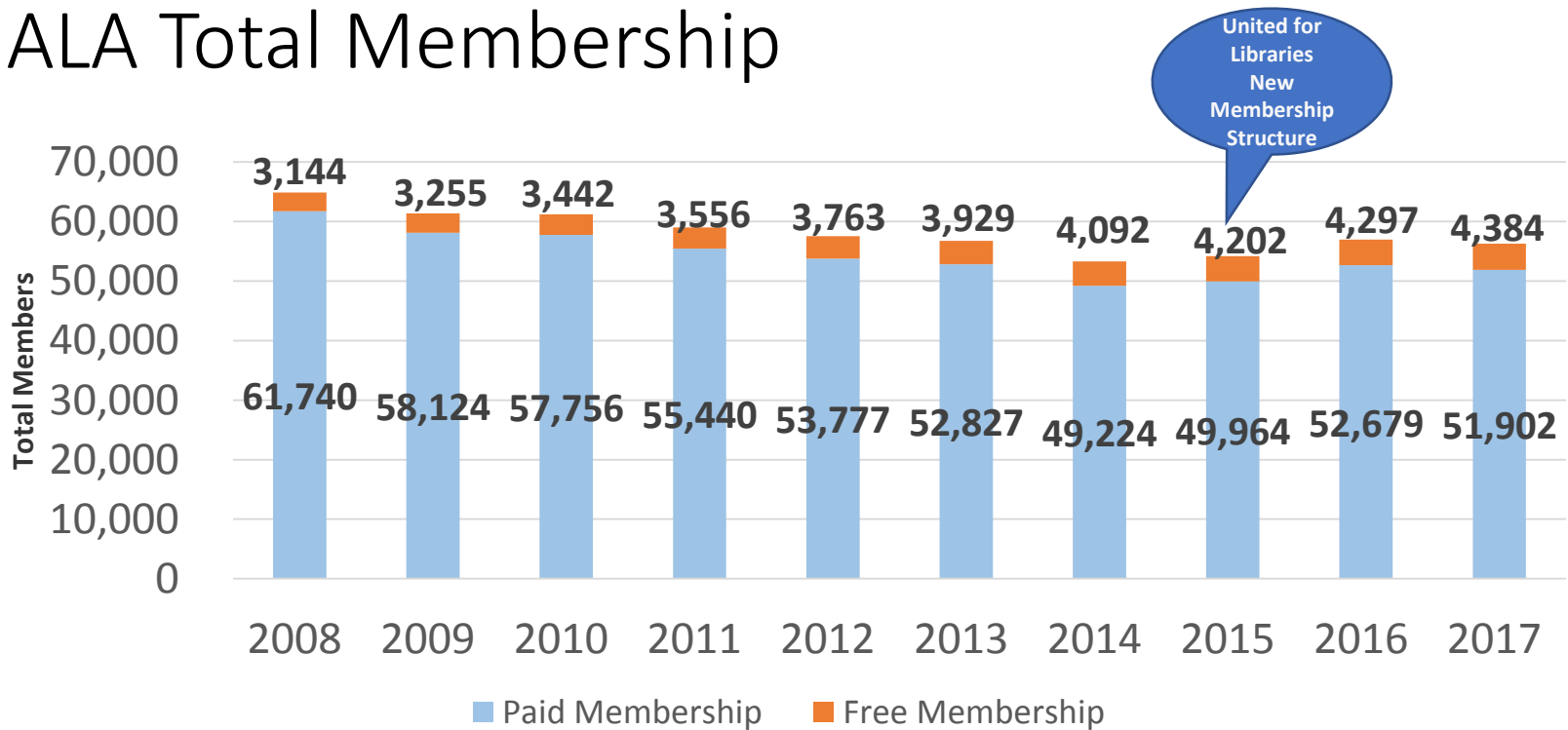
- GF office and supporting service expenditures no more than projected spend down/odd year revenues
- Consistent growth of GF revenues in line with increases in projected personnel expense and inflation (assume increases of 2% COLA, 7% medical expense, and 2% inflation)
- Reinvestment of surpluses in two conference/even years in ALA infrastructure and new products and services



To reach sustainability, General Fund revenues must grow 2-3% p.a. to cover requirements above

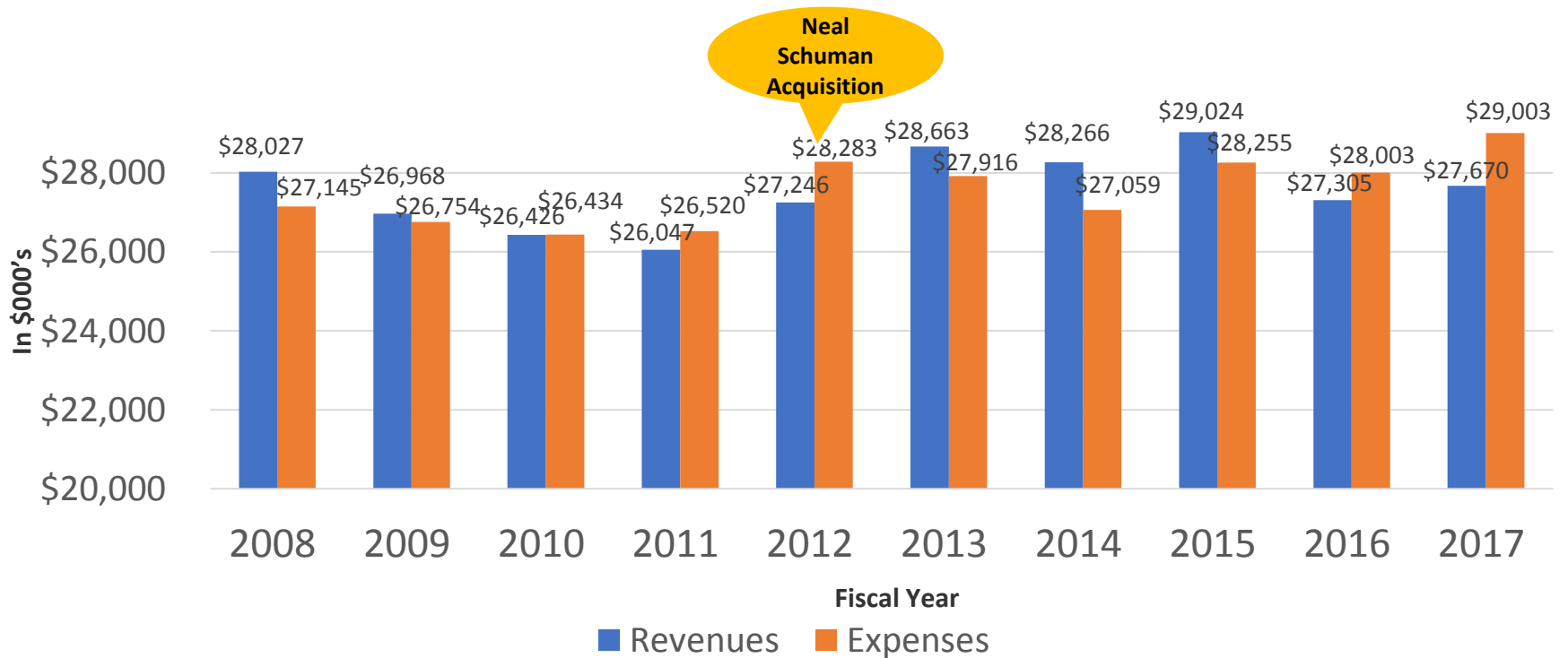
APPENDIX

ALA Total Membership



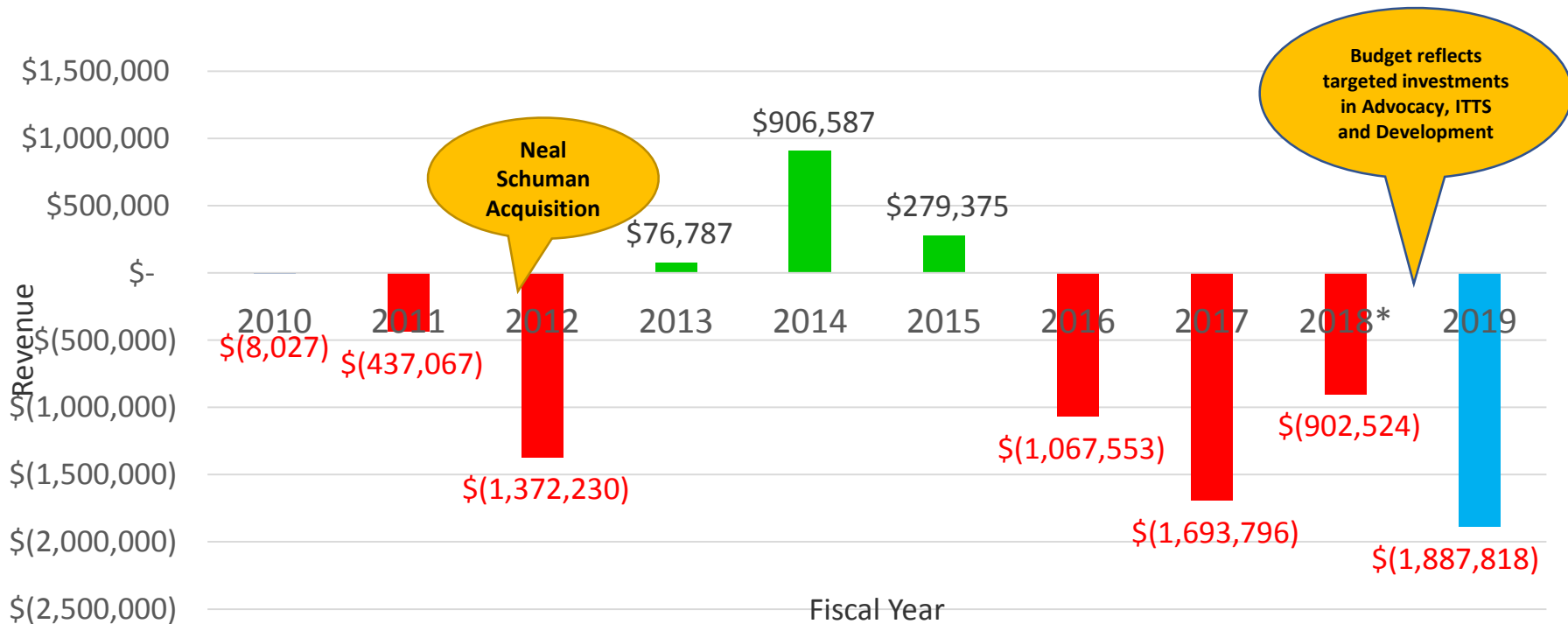
Average over 10 years = 58,350 members and a -13.3% change since 2008.
 Source: Membership Stats Reports.

ALA General Fund Revenues & Expenses



Source: ALA Audited Financial Statements

ALA General Fund Net Revenues (Expenses)



*FY18 Third Close Results - Unaudited
 Source: ALA Audited Financial Statements

INVESTMENT DETAIL - IT

ALA ORGANIZATIONAL INVESTMENTS FY19-21							
Category	Type	Description	Expense Type	FY19	FY20	FY21	
IT	Personnel	Project Mgr	Operating	140,000	140,000	140,000	
IT	Personnel	Drupal Developer	Operating	115,000	115,000	115,000	
IT	Personnel	Automation Rules Specialist for Connect	Operating	84,500	84,500	84,500	
IT	Personnel	Personalization Specialist for Connect	Operating	84,500	84,500	84,500	
IT	Personnel	Data Analyst	Operating	90,000	90,000	90,000	
IT	Nonpersonnel	Gravitate Nucleus Dashboard	Operating	106,200	106,200	106,200	
IT	Nonpersonnel	CRM License	Operating	12,000	12,000	12,000	
IT	Nonpersonnel	CRM Implementation	Capital	48,000			
IT	Nonpersonnel	Laptop/monitor rollout	Capital	150,000	150,000	150,000	
IT	Nonpersonnel	Virtualization server platform	Capital	70,000			
IT	Nonpersonnel	Managed Services	Capital	124,000	124,000	124,000	
IT	Nonpersonnel	PC Services	Capital	26,298	26,298	26,298	
IT	Nonpersonnel	eCommerce System Improvements	Capital	150,000	150,000	150,000	
IT	Nonpersonnel	Security Audit Remediation	Capital	75,000	75,000	75,000	
IT	Nonpersonnel	LMS RFP	Capital	85,000			
IT	Nonpersonnel	LMS License	Operating		20,000	20,000	
IT	Nonpersonnel	SSO Assessment	Operating		10,000		
IT	Nonpersonnel	SSO Implementation	Capital		50,000		
IT	Personnel	Systems Integration Specialist	Operating		100,000	100,000	
IT	Personnel	AMS Trainer	Operating		90,000	90,000	
IT	Nonpersonnel	Financial system migration	Operating		36,000	36,000	
IT	Nonpersonnel	Internal File (LAN) migration	Capital		30,000		
IT	Nonpersonnel	Internal File (LAN) migration	Operating		20,000	20,000	
IT	Nonpersonnel	iMIS Assessment	Operating			100,000	
IT	Nonpersonnel	iMIS Update/Replacement	Capital			500,000	
IT	Nonpersonnel	DaaS Design	Operating			62,500	
IT	Nonpersonnel	DCaaS Design	Operating			65,500	
IT	Personnel	User Experience Director	Operating			150,000	
IT	Personnel	Server Administrator	Operating			120,000	
IT	Nonpersonnel	DaaS Implementation	Capital			175,000	
IT	Nonpersonnel	DaaS Implementation	Operating			435,000	
IT	Nonpersonnel	DCaaS Implementation	Capital			216,667	
IT	Nonpersonnel	DCaaS Implementation	Operating			600,000	
IT	Nonpersonnel	DAMS Assessment	Capital			50,000	
IT	Nonpersonnel	DAMS Implementation	Operating			30,000	
IT	Nonpersonnel	CMS RFP	Operating			20,000	
			TOTAL	1,360,498	1,513,498	3,948,165	
			Change from PY		153,000	2,434,667	

INVESTMENT DETAIL – Advocacy & Development

ALA ORGANIZATIONAL INVESTMENTS FY19-21						
Category	Type	Description	Expense Type	FY19	FY20	FY21
Advocacy	Nonpersonnel	CRM	Capital	60,000	12,000	12,000
Advocacy	Nonpersonnel	Outreach and Engagement	Operating	200,000	200,000	200,000
Advocacy	Nonpersonnel	Outreach and Engagement	Capital	50,000	50,000	50,000
Advocacy	Nonpersonnel	Advocacy Fly-In	Operating	100,000	100,000	100,000
Advocacy	Nonpersonnel	Natl Leg Day Revamp	Operating		70,000	70,000
			TOTAL	410,000	432,000	432,000
			Change from PY		22,000	-

ALA ORGANIZATIONAL INVESTMENTS FY19-21						
Category	Type	Description	Expense Type	FY19	FY20	FY21
Development	Personnel	Development Coord Upgrade	Operating	33,000	34,000	35,000
Development	Personnel	Prospect Research Assoc	Operating	18,750	75,000	78,000
Development	Nonpersonnel	Mailing/Advertising	Operating	50,000	55,000	65,000
Development	Personnel	Asst Dir Major Gifts	Operating	60,000	92,000	94,000
Development	Nonpersonnel	Travel AD Major Gifts	Operating	15,000	20,000	20,000
			TOTAL	176,750	276,000	292,000
			Change from PY		99,250	16,000

Increase in GF Expense By Category and Percentage from FY19

ASSUMPTIONS:

- **Salary Increase 2% = \$240k**
- **Medical Benefit Increase 7% = \$153k**
- **General Inflation 2% = \$70k**

	FY19B						
Salary Expense - GF Only	12,045,552						
Medical Benefit Expense - GF Only	2,186,540						
GF Nonpersonnel Expense	3,494,233						
	Percentage Increase						
	1%	2%	3%	4%	5%	6%	7%
Salary Expense - GF Only	120,456	240,911	361,367	481,822	602,278	722,733	843,189
Medical Benefit Expense - GF Only	21,865	43,731	65,596	87,462	109,327	131,192	153,058
GF Nonpersonnel Expense	34,942	69,885	104,827	139,769	174,712	209,654	244,596

Based on assumptions above, General Fund expenses will increase \$460k, or 2.7% of total General Fund budget, annually

Endowment Income Analysis

Source: Merrill Lynch Analysis, 6/13/18

<i>Projected Additional Endowment Income</i>			
	Capital Needed @75% Confidence Level	Capital Needed @95% Confidence Level	Will Fund
\$1M/Yr - Growing 4% Annually for 20 Yrs	\$ 18,624,755	\$ 24,664,369	
\$600k/Yr - Growing 4% Annually for 20 Yrs	\$ 11,174,587	\$ 14,798,826	Total ALA Salaries 2% Growth + Benefits 7% Growth
\$400k/Yr - Growing 4% Annually for 20 Yrs	\$ 7,499,898	\$ 9,865,742	GF only Salaries 2% Growth + Benefits 7% Growth
\$360k/Yr - Growing 2% Annually for 20 Yrs	\$ 5,649,886	\$ 7,407,858	Total ALA Salaries 2% Growth
\$240k/Yr - Growing 7% Annually for 20 Yrs	\$ 5,873,536	\$ 7,890,372	Total ALA Benefits 7% Growth