

TO: ALA Executive Board

FROM: Denise Moritz, Interim Chief Financial Officer
Brad Geene, Director Budgeting & Planning

DATE: October 16, 2020

RE: **FY 2021 Budget memo**

Introduction

On Monday, October 19th, the Budget Analysis & Review Committee (BARC) and Finance & Audit Executive Board Subcommittee will be asked to take action to approve ALA's Fiscal Year 2021 Final Budget. On Monday, October 26th, Maggie Farrell, ALA Treasurer, will present the FY 2021 Final Budget and Revised annual estimates of income for Executive Board action and approval.

BARC, along with F&A and the Executive Board, expressed concerns regarding conference service projections given the ongoing health crisis. For October, we will consider the FY 2021 budget with three scenarios that include a regular conference, virtual conference, and 40% conference (based on the SARS conference in 2003). We don't typically approve a budget with scenarios, but this year is atypical!

The Executive Board will make a decision regarding Annual Conference later this fall thus the budget scenarios. Should the Board determine that we need to go virtual, there is sensitivity around the decision - contracts need to be cancelled or not signed, sponsors notified, hotels informed, etc. Such conversations need to be confidential and timed as to announcements. Since our meetings are before that decision/process, we will need to approve a budget realizing that the budget will need to follow the scenario once determined by the Executive Board.

The final operating and capital budget schedules, which reflect managers' revisions to their budgets after ALA's September 1st virtual meeting, can be found in *EBD #3.10/ BARC #3.10*.

Final Adjustments to the FY 2021 Budget

Since the September 1st meeting, ALA Unit Managers, in conjunction with Finance Office staff, continued to review their FY 2021 budgets and have made revenue and expense adjustments reflecting their most current information and decisions.

In aggregate for total ALA, a net decrease of \$300k results from all revenue and expense changes. Material changes are summarized in the table below.

ALA's FY 2021 Final Budget, (\$,000)	
FY 2021 Budget presented September 1, 2020	\$ (500)
<u>Revenue increase (decrease)</u>	
Annual Conference (shift to virtual platform)	(5,600)
Grants	1,600
Contributed revenue, Development Office	500
Membership dues	100
Total revenue decrease	(3,400)
<u>Expense (increase) decrease</u>	
Annual Conference (shift to virtual platform)	3,300
Grants	(1,510)
Travel / meetings	950
Professional and legal	360
Total expense decrease	3,100
Final FY 2021 Budget (as detailed in EBD/BARC #3.10)	\$ (800)

FY 2021 Budget - Significant changes since September 1, 2020

Included in the October 2020 budget presentation are the following three scenarios for the 2021 Annual Conference:

1. Regular conference
2. Virtual conference
3. 40% conference

The scenario currently embedded in the Total ALA budget is the Virtual Conference, producing a \$2.3 million decrease in net revenue. To help offset this net revenue decrease, the Development Office has committed to an increase in contributed revenue of \$500k. Membership dues assumptions were revisited and the May/June 30% dues decrease was revised to a 28% decrease, resulting in additional revenue of \$100k. The net change resulting from grants is a \$92k increase.

If the 2021 Annual Conference moves to a virtual platform, travel and meetings expense is expected to decrease by at least \$950k across the Association.

Through discipline and close monitoring, professional and legal expense will provide \$360k in expense savings.

FY 2021 Final Budget Schedules

Additional fund and unit level supporting detail for Total ALA, General Fund departments, Divisions, and Round Tables can be found in “**FY21 Final Budget Schedules**” (BARC #3.10 EBD # 3.10).

Annual Estimates of Income (AEI)

The Annual Estimates of Income have changed as a result of the above. Following past practice, we will provide an update to Council at Midwinter on the revised AEI.

FY 2020 Projections and FY 2021 Budget

FY 2020 Projections: Adjustments were made to incorporate new information obtained since the September 1, 2020 meeting, changing the FY 2020 projected loss from \$11,050,770 to \$11,445,624.

FY 2021 Budget: After the September 1, 2020, budget meeting, ALA’s Budget & Planning Director sent out a call for all Budget Managers to review their budgets for the final time and complete the monthly allocations which will be heavily relied upon to monitor cash flow needs during the fiscal year. Travel expenses were reduced due to the anticipated shift of ALA’s January event (originally scheduled to take place in Indianapolis) to a virtual platform.

Furloughs

Included in the FY 2021 budget are 23 furlough days. The calculated savings from furlough is \$1.5m. Furloughs impact FY 2020 (5 days) and FY 2021 (23 days) only. Employee’s health and retirement benefits are not impacted, and the budget is being closely monitored for possible furlough adjustments if revenues exceed projection.

Outstanding Loans

1. Line of credit
 - Total line of credit – \$8,000,000
 - Used – \$3,500,000
 - Available – \$4,500,000
 - Interest rate – Higher of LIBOR + 2 ½ % or prime rate, currently at prime of 3.25%
2. Paycheck Protection Program loan
 - Amount - \$4,213,035
 - ALA will be applying for forgiveness for the full amount
3. Endowment Fund loan
 - Amount – \$1,500,000
 - Interest rate – 1% per annum
 - Due date – August 31, 2030

4. Financing on furniture and IT equipment related to move

Amount

IT equipment – \$412,604

Furniture – \$1,276,238

Interest – term out rate is set the date of funding; initial estimate is 1.9%

Due date

IT equipment – 4 years after execution of term out documents (in process)

Furniture – 5 years after execution of term out documents (in process)

Insurance Claim for 2020 Annual Conference

The insurance claim from the cancellation of 2020 Annual Conference is not included in the FY 2021 budget.

Contingent Payment from Sale of 40/50 East Huron Buildings

The contingent payment related to the sale of the 40/50 East Huron buildings is not included in the FY 2021 budget.