

AMERICAN LIBRARY ASSOCIATION
VIRTUAL JOINT BUDGET ANALYSIS & REVIEW COMMITTEE/FINANCE & AUDIT COMMITTEE
SPRING MEETING

Thursday, April 8, 2021

11:00 am – 5:00 pm ET/10:00 am – 4:00 pm CT/9:00 am – 3:00 pm MT/8:00 am – 2:00 pm PT

The Joint ALA BARC/F&A Spring Meeting was called to order at 10:00 am CT by BARC Chair Peter Hepburn and ALA Treasurer Maggie Farrell.

APPROVED, by CONSENT Joint ALA BARC/F&A Agenda, BARC #3.22

APPROVED ALA BARC Midwinter Meeting Minutes, EBD #3.23

APPROVED ALA F&A Midwinter Meeting Minutes, EBD #3.23

Executive Director Report, EBD #12.35

Executive Director Tracie Hall provided the following updates:

- Reminded the group that National Library Week events and social media engagement continue, and that Dan Rather will be discussing his latest book via a virtual event this evening.
- Tomorrow, ALA will announce a new relief fund of \$1.25 million. More details are to come, but she commended ALA Staff Michael Dowling and Mariel Colbert for their work on this with Chapter Relations, affiliates, and stakeholders.
- Acknowledged the work of PPA and the funding it has secured.
- Remember Fund, seeded with \$15,000, is proposing a membership retention strategy that will support library workers who have been laid off or furloughed.
- Supporting ASGCLA transition to ensure that work is transitioned, 90% which has already been assumed by RUSA and ODLOS.
- Planning the first wide-scale study of race and LIS workforce retention over the next two fiscal years, co-investigating along with all NALCOs.
- Noted that ACRL is overperforming for its conference and commended Kara Malenfant and ACRL member leaders.
- AASL is planning its conference later this year.
- Staffing updates:
 - ACRL ED search was underway but restarted.
 - PLA ED search underway and in its last rounds.
 - ODLOS Director search underway and approaching finalization.
 - CIO & CFO projected to hire by FY22.
 - Membership Specialist & Membership Accounting Specialist (grant-funded position).
 - YALSA Program Officer will be hired to replace vacated position.
 - IT Senior Technologist position will be filled.
 - In early FY 22:
 - Center for Future of Libraries Director, as well as Data Officer.
 - ODLOS Disabilities Officer (grant funded).
- 5-year Pivot Plan: In final stages to develop cross-functional teams. The first teams to be developed will be Communications, Conference Services, Continuing Education, EDI, Grant, Partnerships, and External Relationships, and International Relations, Membership, Publishing, and Performance Management.

Ms. Schneider asked for clarification on the grants supporting staff. Ms. Hall noted that the largest grant received was from the Mellon Foundation for \$2.5 million. \$500,000 will support the relief grants mentioned, and the other \$2 million supports operations, including staff positions. Ms. Schneider also asked for an update on the COO search. Ms. Hall noted that given the budget and critical priorities of a CIO and CFO, there are not funds currently for a COO position.

Publishing Department Overview, EBD #12.30

Mary Mackay, AED Publishing, provided the following highlights from the report:

- November numbers are provided in the report, but as of February, only running 3.4% behind the revenue goal, much of which is due to improvements in ALA Graphics and Editions.
- Projecting to end FY21 with a 5-7% revenue gap, offset by some expenses. Higher allocations for revenue predicted in the second half of the year, as the first half was anticipated to be more challenging due to the pandemic. The market remains volatile, particularly textbooks, and has not seen the rebound hoped.
- Significant changes to Publishing budget were made, including Neal Schuman goodwill write down.
- There is high inventory at the fulfillment house, and on June 30th, ALA will move to a new vendor. ALA will attempt to keep inventory down and printing minimal copies moving forward.
- Moving sale has so far generated \$35,000 in revenue, which reflects 1,300 units.
- In negotiations with new fulfillment center vendor, and there will be some financial implications.
- Some FY22 expenses, such as postage and printing, pose special challenges.
- Subscription earned revenue reports will come in for FY21, and *Booklist* will likely face challenges as access was opened during the pandemic. Reactivation campaign will begin to adjust readers who have grown accustomed to free access.
- Looking at bundling and content continuum, along with cross-collaborations with other units has been beneficial, such as those with PPO, which has written book purchases into a grant, and Graphics, which is working with ALSC for licensing in the Spreadshirt giftshop.
- Collaboration with trade publisher, Source Books, has seen \$6,000 in advances and expect future royalties.
- *Booklist* is working on a new product, described in detail in the report
- Trying to find sustainable, lower-priced model for *ALA Editions Neal Schuman*
- PLA collaboration on *Pivoting During the Pandemic* book. PLA is selling digital and Publishing print, reflecting \$10,000 in sales.
- RDA has some critical books coming out that support 3R project. Books and eLearning are selling well. There is also a 5-year high in subscription renewals for RDA, which is due to excellent marketing work by Ramon Robinson.
- Need to find ways to invest in digital strategy.

Conference Services Report, EBD #12.31

Paul Graller, Conference Services Consultant, provided the following updates:

- As of last Friday, Annual registration at 1,803, which is 11% to target
- Exhibits: 142 vendors reflecting \$267,000, which has exceeded budget
- Advance registration deadline in a couple weeks, so should see uptick

Ms. Schneider asked for clarification on the note that Midwinter 2021 is falling short of budget by 80% and the implications for Annual 2021, as well as clarification on LibLearnX 2022 projections and attendance breakdowns, as those numbers are very optimistic. Ms. Hall noted that the 80% number

reflected the particular membership category but not the overall performance. Ms. Moritz noted that Midwinter is currently projected to come in at 80% to budget, not a shortfall. Registration was budgeted at \$634,000 with \$506,000 actual. Exhibits came in at 102% budget. Mr. Graller noted that the LibLearnX numbers were dialed back, but Ms. Jones can provide more specifics. Ms. Hall noted the aggregate number for LibLearnX is 5,000 attendees, with 3,000 paid. Annual Conference numbers for 2022 were dialed back from 2019 numbers as well.

Mr. Garcia asked how many of the targeted 9,100 registrants for Annual are paid registrations. Annual 2021 projected paid registrants are 8,500 total. Mr. Garcia asked when the LibLearnX locations beyond 2023 would be confirmed by the Board. The locations will be presented to the Board later in the upcoming weekend's agenda.

Ms. Schneider noted that the gross revenues for LibLearnX is the same as Midwinter 2019 with half the anticipated attendance and asked if fees will be higher. Mr. Graller noted that higher exhibit rates are expected. Mr. Garcia asked if those numbers are attainable when many members will have to choose between conference, that or PLA or Annual. Ms. Schneider noted there is not generally a correlation between Midwinter numbers during a PLA year.

The group emphasized the need for Conference Services to be very pragmatic in its projections for LibLearnX.

Membership Report, EBD #12.29

Melissa Walling, Director, Member Relations & Services, provided the following updates:

- Looked at membership counts from the last few years, and the pandemic accelerated some of the trends. Student membership increased while regular membership declined.
- Down in membership by 10% with 52,000 members, but dues will still likely perform slightly better than budgeted.
- Focused on growth with a goal of 56,000 members by end of next year
- Working with accounting to get caught up with membership dues and subscription revenue, and processes moving forward should run more smoothly.
- Support from the Mellon grant to fund new staff positions of a growth recruitment position and joint position with accounting to focus on dues and renewal process.

The report includes a motion for a recommended dues increase:

- The proposed increase is in line with the ongoing policy to increase dues along with Consumer Price index (CPI), which was 1.4% last year.
- The document breaks down the dollar amount per member type, which is \$1-2 for each member. No corporate or organizational increase.
- New dues prices will go into effect September 1, 2021, for one year.
- Reflects \$52,800 revenue and reflected in FY22 Budget.
- New prices will take effect but will not be proactively announced.

The group discussed the financial benefits of the small increase versus the perception of raising dues during the pandemic. Other members noted that the small amount will compound and result in much higher rise down the line, whereas the small increase is probably manageable for most members.

Mr. Lippard moved BARC recommends to the ALA Executive Board approval of the proposed dues increase of 1.4%, as benchmarked to the CPI for 2020 from the Bureau of Labor Statistics and highlighted in EBD #10.6.

APPROVED that BARC recommends to the ALA Executive Board approval of the proposed dues increase of 1.4%, as benchmarked to the CPI for 2020 from the Bureau of Labor Statistics and highlighted in EBD #10.6.

Ms. Farrell moved that F&A concurs with BARC to recommend to the ALA Executive Board approval of the proposed dues increase of 1.4%, as benchmarked to the CPI for 2020 from the Bureau of Labor Statistics and highlighted in EBD #10.6.

APPROVED that F&A concurs with BARC to recommend to the ALA Executive Board approval of the proposed dues increase of 1.4%, as benchmarked to the CPI for 2020 from the Bureau of Labor Statistics and highlighted in EBD #10.6.

Endowment Trustees Report, EBD #13.4

Pat Wand, Senior Endowment Trustee, provided the following highlights from the report:

- Trustee investment discussions continue to be driven by the economic situations that affect the market, outlined in the report.
- Trustee activities:
 - Hired a minority-owned firm to manage investments and asked the firm to look for investment funds from women and minority owned investment groups. Two were identified: Ariel Investments with a rate of return for FY21 at 7% and Goldman Sachs GQ Partners International with a rate of return at 16%. Trustees chose Goldman Sachs.
 - Focus on environment, social, and governance issues (ESG) holdings. It is currently at 51.7% of our portfolio.
 - Continue to educate ourselves and our members. Trustees are close to finalizing an analysis of our fund management fees and the cost of maintaining the endowment. Trustees will create an FAQ on those costs as well.
 - Finalized a glossary of investment terms, EBD #13.4a.
 - Each Trustee has taken on the responsibility for monitoring a particular asset class.
 - Two trustees will be rolling off this Spring, and this is an opportunity for members to consider serving as a trustee. There will be an announcement going out soon.
- Market value at the end of December was \$60+ million and as of yesterday, it was at \$63,189,437.
- Book value of the American Library Association remains at \$15,870,000, which is a decrease due to the transfer with terms.
- For FY22, Trustees are recommending 6% payout rate to support the financial health of ALA during the pandemic, which is above the typical recommended rate of 3-5%. The portfolio has achieved a 6.5% rate of return, so this still falls below that rate. Trustees supported making this exception and asked F&A to endorse this rate and recommend approval to the Board. This would reflect a payout from the Future Fund to general operating support of \$816,301 with \$2.6 million total funds available in the endowment. The 5% payout would have reflected \$680,251.
- Time weighted Rate of Return chart reflects a \$50,000 contribution in February from a bequest.

Ms. Farrell noted that the 6% payout rate is a cap and may not necessarily be spent. Mr. Brown noted that rarely do units take out all funds available, with the exception of the Future Fund. The motion for the increased payout rate will be addressed later in the agenda.

Mr. Bonfield asked for an update on the cost structure report. Ms. Wand noted the report will be included in the Trustees' June report. Mr. Bonfield also asked for the expenses associated with the Goldman Sachs fund. Ms. Wand noted that she will follow up with that. Mr. Bonfield recommended that these fees are included in future reports. Mr. Bonfield also asked for confirmation that the 6% payout rate will not change policy moving forward. Ms. Wand confirmed this, noting it is an exception and reflected as such in the motion. Mr. Bonfield would recommend that F&A consider an additional loan rather than breaking with policy.

Development Office Report, EBD #6.1

Ms. Hall noted that a comprehensive 6-year campaign fund will be launched for \$20-30 million to support general operations and the endowment. An RFP will be released shortly for a campaign advisor.

Anne Manly, Assistant Director of Corporate and Foundation Relations, provided the following updates:

- Since Ms. Hall has come on board, there has been a new emphasis on general operations support to build our mission, and efforts have been very successful, particularly the \$2.5 million grant from the Mellon Foundation.
 - Includes \$1.25 million to libraries impacted by the pandemic.
 - Provides full or partial support for 21 positions.
- Another \$500,000 secured to support operations.
- ALA Staff continues to work with PAG, which will present to the Board this weekend.

FY 2021 YTD Financial Results Executive Summary & Commentary, EBD/BARC #3.24-24a

Interim CFO Denise Moritz provided the following updates:

- Report reflects only first quarter results, as well as narrative commentary from departments.
- FY21 Budget was prepared when the investment plan was still viable and reflected \$4 million investment budget. Since then, the FY21 fiscal strategy has changed.
- Reflects 23 days of furlough.
- Development achieved its contributed income goal by December 2020.
- In the first quarter, total revenue budget fell short by \$1.4 million with total expenses better than budget by \$283,000.
 - Includes \$1.5 million endowment transfer with terms.
 - \$287,000 variance for grants reflects a lag in reporting time.
 - Finance worked closely with PPO to get out payments in January 2021 for the Libraries Transforming Communities, which is causing variance.
 - Endowment Fund activity not reported here but will be on second quarter reports. There has been 4% growth since the close of FY20.
 - Membership dues deferred revenue must close in chronological order. When FY20 is closed, we will see those numbers, but anticipating better than budget by end of FY21. As a reminder, membership revenues were reduced by 28% for FY21 budget.
 - Publishing revenue was behind budget by 11% at \$267,000 but expecting to close that gap to 5-7%.
 - As of January 2021 report, Midwinter projecting 80% to budget on registration and 102% on exhibits/sponsorships. 5,000 attendees budgeted, with 7,000+ actual attendees.

- Executive Office variance of \$626,000 is due to timing of recording development office revenue.
- General Fund better than budget by \$271,000, with all units doing a good job of controlling expenses.
- Meetings, travel and professional services expenses \$164,000 better than budget.
- Resource attrition: frontloaded budget so that management can monitor closely. Through March, \$723,000 of \$1.2 million savings has been realized.
- In September 2020, there was a variance due to outgoing Executive Director retirement plan distribution. That number has been adjusted and zeroed out, so there is no budget impact.
- Four divisions have met budgeted revenue expectations and five have missed. As deferred revenue tables are closed, those losses will be closed, such as with YALSA and Core.
- All divisions have done a good job controlling costs:
 - PLA: \$31,000 cost savings
 - ACRL: \$60,000
 - AASL: \$18,000
 - ACRL: projecting a total \$253,000 cost savings
- PLA will fall short of budget, but has stronger than expected sales and providing virtual content
- CHOICE better than budget by \$114,000
- Added new schedule to executive summary which shows all loans and transfers with terms:
 - \$1.5 million endowment transfer with terms in both FY21 and FY22 with repayment by 2030.
 - \$8 million line of credit, with \$3.5 million drawn. For now, will keep line at \$8 million.
 - As of March, owe \$1.6 million for the financing of furniture and IT equipment for the move.
 - \$4.2 million in PPP funding. We will apply and expect forgiveness.
 - PPP 2nd round of funding of \$2 million.
 - EIDL: originally only received \$150,000, but received word we are eligible to apply for up to \$500,000.
 - In debt for \$13 million total as of March 1, 2021, with \$6.2 million forgiveness possible.
- Second quarter results are anticipated on May 10, 2021 and will be presented at Annual Conference.

Mr. Lehner asked for clarification on the interest rate for the Chase loan and noted due date June 30, 2021. Ms. Moritz noted that the rate is 3.25%, and the due date reflects that there is an annual renewal for the credit line.

Ms. Farrell and Mr. Garcia asked if all units should be required to provide commentary. Ms. Moritz noted that she requested commentary from all units but there is not 100% compliance, but she can pass on a directive from this group or the Board. The group expressed support for a directive for commentary from all units.

Mr. Garcia asked if the late fees associated with invoice payment backlog would be allocated back to units. Controller Joanne Lee noted that when payment of late fees is insisted upon, they are charged to general administration. Ms. Hall commended the work of Beth Nawalinski, collaborating with Finance, in creating a new workflow system for invoice processing.

FY22 Budget Update, EBD/BARC #3.25

Ms. Moritz referred the group to EBD/BARC #3.25 but provided the following highlights:

- The document reflects a first draft of FY22 budget, and there is still much work to do.
- Goal is to build contingency fund for unexpected events.
- Currently reflects a \$1.6 million deficit, which includes \$1 million PPP funding. This is still an improvement from where we were last year, which was at a deficit of \$6 million.
- Planning for no furloughs in FY22.
- Included \$1.5 million endowment transfer with terms and capital expenditures.
- Continue to examine Conference Services Revenue for LibLearnX and Annual.
- Payroll accounts for 54% of budget, and there will need to be future conversations on how to support the staff needed and to attract that funding.
- FY22 endowment transfers suspended and will be reflected in the next budget draft.
- Plans to operationalize the One ALA culture and will bring all divisions and units into that discussion.
- Brad Geene, Director, Budget & Planning, provided the following highlights from the preliminary budget:
 - The Endowment net is separated out due to the \$1.5 million transfer.
 - General Fund:
 - New line item for continuing education overhead and net revenue.
 - eLearning unit line item in Publishing is going away.
 - \$16.8 million revenue.
 - \$18.5 million in expenses, reflecting \$1.7 million in red.
 - \$4.2 million net in membership dues.
 - Midwinter line will fall off, while adding LibLearnX.
 - Conference services: \$2.6 million gross revenue for LibLearnX and \$5.8 million for Annual, with \$562,000 net revenue altogether.
 - Leadership Institute has moved from Executive Office to Core.
 - Development Office is budgeted to raise \$3 million.
 - Divisions on a biannual cycle, with two conferences this year.
 - \$12.6 million revenues
 - \$13.6 million expenses
 - Net loss of \$1 million
 - Round Tables
 - Exhibits Round Table line item going away.
 - \$500,000 revenue.
 - \$440,000 expenses.
 - \$60,000 net.
 - Capital requests come from Publishing, which are standard requests, and IT, which are reflected in the Midwinter Board document outlining IT investment plan for FY22-26. The costs are \$800,000+, but through depreciation, the impact on FY22 is only \$83,000.
 - Endowment transfer requests from ALSC and PLA for future years are included. Three-year notices are required.
 - Annual Estimates of Income: \$71 million, which will be brought to Council in June.

Mr. Bonfield asked for confirmation that the Membership dues increase with 56,000 membership goal is assumed in the budget. Ms. Walling confirmed it is.

Mr. Neal noted that it would be beneficial to have a worst-case planning scenario for Conference Services, given that we do not know how attendance will be, coming out of the pandemic. Ms. Moritz noted that she and Ms. Hall will reconvene with Conference Services to reassess the conference numbers and analyze compared to previous years.

Mr. Neal noted that the forecast for the PLA conference may be too conservative. It was noted that PLA was asked to forecast conservatively.

Mr. Garcia asked for clarification on the UFL drop in revenues for FY20. Ms. Moritz noted that there was some revenue booked in 2019 but checks were not received. The books are not closed on FY20.

Ms. Schneider noted that there are some numbers reflected in the budget without solid backup data, such as Conference Services, which has been discussed. The numbers for contributed income are also achievable, but without a current Development Director, this could be strained, and the numbers may be too ambitious.

Mr. Neal asked that a contingency budget line be included, even if \$0, as that is a stated goal. He also suggested rounding the numbers for estimates and considering there will be a 5-year financial plan, to possibly include two years out with the budget.

Mr. Garcia asked if this 6% endowment payout rate is included in the budget, and Mr. Geene noted that it is.

Draft 5-Year Financial Plan FY22-26, EBD #3.26

Ms. Farrell noted this plan will align with the 5-Year Pivot Plan. It is a forecasting tool, looking back 5 years and forward 5 years.

Ms. Moritz provided the following highlights from the report:

- New revenue lines included: contributed income and continuing education.
- FY22 & FY23 will continue in the red, but as new revenue streams are established, plans to be in black by FY24 & FY25.
- Assumptions:
 - Annual staff salary increase at 2%.
 - Healthcare costs increase 7% annually.
 - Inflation of 2% annually.
 - Payroll cost is at 54% of revenue against the ASAE metric of 40%. This will hopefully be reduced over time.
 - Divisions are in a seesaw pattern, but negative numbers outweigh positive overall. While balance may not be possible every year, need better alignment overall.
 - Goal to restore the short-term investment balance. In FY16, the short-term investment balance was \$14 million, but continuing as is, by FY26, will be negative \$1.5 million. Long-term sustainability is the ultimate goal.

- Occupancy costs for the new space are more expensive than the old Huron building, but the anticipated capital expenses for that space would likely have been \$20 million over 15 years.

Mr. Neal suggested bringing Round Tables into the plan. Ms. Moritz noted that staff is working to do so.

Mr. Lehner asked for clarification on strategy to bring payroll into line with the peer metric. Ms. Hall noted that as membership and revenue grow, staff grows with it, rather than the current trend of staff expenses growing while revenues decrease.

The Joint BARC/F&A Session adjourned.

The F&A Session was called to order by Treasurer Maggie Farrell.

Endowment Trustees Report, EBD/BARC #13.4-4a

Ms. Farrell moved that F&A supports and recommends to the Executive Board approval of the Endowment Trustee recommendation of a spending/payout rate of 6%, without precedent, in support of the FY22 budget, as presented in EBD #13.4

Mr. Garcia asked how often this increased rate occurs. Ms. Wand noted that it has not been considered before, but the context of the pandemic and its impact is once in a lifetime in its severity, and Trustees felt that this recommendation was therefore appropriate. She noted this is an exception and not a recommendation for future policy change. Ms. Farrell noted that Trustees are always able to review a range of payout rates.

APPROVED that F&A supports and recommends the Endowment Trustee recommendation of a spending/payout rate of 6%, without precedent, in support of the FY22 budget, as presented in EBD #13.4.

FY 2022 Preliminary Budget & Annual Estimate of Income, EBD/BARC #13.4-4a

Ms. Farrell moved that F&A has reviewed the preliminary FY22 Budget as presented in EBD #3.25 and recommends review and analysis by BARC and the Executive Board with the following directives to ALA staff:

- Bring forward a final balanced FY22 budget
- Build a contingency fund to manage unexpected events and include a budget line to reflect it
- Examine final projections for LibLearnX and Annual 2022 for pragmatic forecast and provide data supporting the assumptions
- Align financial reality with revenue projections

Mr. Garcia requested that a more detailed report of vacant staffing positions and prioritization be provided by Executive Director.

APPROVED that F&A has reviewed the preliminary FY22 Budget as presented in EBD #3.25 and recommends review and analysis by BARC and the Executive Board with the following directives to ALA staff:

- Bring forward a final balanced FY22 budget
- Build a contingency fund to manage unexpected events and include a budget line to reflect it

- Examine final projections for LibLearnX and Annual 2022 for pragmatic forecast and provide data supporting the assumptions
- Align financial reality with revenue projections

The F&A Session adjourned.

The BARC Session was called to order by BARC Chair Peter Hepburn.

FY 2022 Preliminary Budget & Annual Estimate of Income, EBD/BARC #13.4-4a

Mr. Hepburn moved that BARC has reviewed the preliminary FY22 Budget as presented in EBD #3.25 and forwards it to the Executive Board with the following directives to ALA staff:

- Bring forward a final balanced FY22 budget
- Build a contingency fund to manage unexpected events and include a budget line to reflect it
- Examine final projections for LibLearnX and Annual 2022 for pragmatic forecast and provide data supporting the assumptions
- Align financial reality with revenue projections

Mr. Bonfield asked for some clarification on the language in the final directive. Ms. Farrell noted this reflects earlier discussion of ALA staff examining the need to align expenses with revenues.

APPROVED that BARC has reviewed the preliminary FY22 Budget as presented in EBD #3.25 and forwards it to the Executive Board with the following directives to ALA staff:

- Bring forward a final balanced FY22 budget
- Build a contingency fund to manage unexpected events and include a budget line to reflect it
- Examine final projections for LibLearnX and Annual 2022 for pragmatic forecast and provide data supporting the assumptions
- Align financial reality with revenue projections

The remaining BARC Agenda items will be conducted via email or at a later BARC meeting.

The BARC Session adjourned.