

TO: ALA Executive Board

DATE: April 7, 2022

RE: Joint Meeting report for the Budget, Analysis, and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) to the Executive Board

ACTION REQUESTED/INFORMATION/REPORT:

- Approval of ALA Preliminary FY2023 Budget
- Approval to adjust personal member dues for FY2023

ACTION REQUESTED BY:

BARC and F&A

CONTACT PERSON:

Rodney Lippard, BARC Chair, RodneyL@usca.edu, 803.641.3460

Maggie Farrell, ALA Treasurer and F&A Chair, maggie.farrell@unlv.edu, 702.895.2286

DRAFT OF MOTIONS:

1. Approve the preliminary FY2023 Budget as presented in EBD #3.21
2. Approve the annual increase in personal member dues for FY23 in alignment with a 3-year average of the national Consumer Price Index (CPI) of 3.6%. as highlighted in EBD #12.31.

BACKGROUND:

Members of the ALA Budget Analysis and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) held a joint meeting on April 5 and 6 to discuss and review several financial issues and are pleased to report to the Executive Board on our activities. Below is a list of reports considered and discussed:

- FY2022 Q1 Financial Results *EBD #3.20*
- 5–Year Financial Plan Update *EBD #3.22*
- FY2023 Preliminary Budget and Annual Estimates of Income *EBD#3.21-21a*
- Executive Director Report *EBD #12.30*
- Publishing & Media Department Update *EBD #12.30*
- Continuing Education Update *EBD #12.30*
- Conferences Services Update *EBD #12.30*
- Development Office Report *EBD#6.2*
- Endowment Trustees’ Report *EBD #13.2*
- Membership Report *EBD #12.30-31*
- Operating Agreement Workgroup Update *EBD#10.9*

Detailed Informational Items:

FY2022 Q1 Financial Results, EBD#3.20

For the first quarter of FY2022, total revenue for ALA exceeded budget by \$2.5M. Revenue for the 1st quarter of FY2022 was \$11.6M, higher than FY 2021 revenues by \$2.3M and higher than FY 2020 revenues, the most recent Division two-conference fiscal year, by \$1.7M. Within Total ALA revenues, the General Fund, Round Tables, and the Endowment Fund exceeded budget by 44%, 8% and 370%, respectively; the Divisions and Grants and Awards missed budget by 8% and 18%, respectively, for the 1st quarter of FY 2022.

ALA expenses for the 1st quarter of FY2022 were \$9.3M, 8% under budget. Expenses for the 1st quarter of FY 2022 were higher than FY2021 by \$376k and lower than FY2020 by \$2.8M due to continued close monitoring and cost containment. In comparison to the 1st quarter of FY2021, the General Fund and the Endowment Fund saw expenses lower than the 1st quarter of FY2022. Divisions, Round Tables and Grants and Awards expenses were lower in the first quarter of 2022 compared to 2021.

Overall, ALA is reporting net revenue of \$2.2M for the 1st quarter of FY 2022, representing a positive budget variance of \$3.3M. FY2022 Q1 is in a stronger positive position compared with Q1 of FY2020 and FY2021.

ALA Preliminary FY2023 Budget, EBD#3.21-21a - ACTION

BARC and F&A reviewed the first iteration of the FY2023 Budget and Annual Estimates of Income that is a balanced budget which includes budget alignment strategies. ALA units are being encouraged to align expenses with revenues and additional work to refine the FY2023 budget is underway including the desire to build a contingency or small surplus. The FY2023 budget includes the following budget assumptions: 2% ALA staff salary increase, no furloughs, 26.5% overhead rate, and continued freeze on Net Asset Balances. The Preliminary Budget also includes an up to 5% endowment payout for operations, awards, scholarships, etc. The estimated Annual Estimates of Income is \$113.7 million.

Motion: The Executive Board approves the preliminary FY23 Budget with an Annual Estimates of Income \$113.7 million as presented in EBD #3.21

5-Year Financial Plan Update, EBD#3.22

The Finance Office presented an updated Five-Year Financial Plan that incorporates the Strategic Pivot Plan. The Plan includes the total ALA payroll, Division details, overhead projections, and liquidity. The short-term cash position has dramatically improved which was commended by BARC and F&A members.

Membership Dues - ACTION

BARC and F&A reviewed membership dues according to the ALA member approved process to establish personal dues adjustment not to exceed the percentage change in the national average Consumer Price Index (CPI) beginning with FY2019 dues and running through FY2023. Annually, personal member dues will be reviewed by the ALA Executive Board, which may approve a dues adjustment not to exceed the percentage change in the national average CPI for the previous calendar year, rounded to the nearest dollar. For calendar year 2021, the national Consumer Price Index was 7% which is higher than recent years when CPI has averaged between 1-3%. Association benchmarking shows that dues increases closer to or above 10% result in higher-than-normal attrition due to price sensitivity. In light of declining membership due to cost, it is not viable to increase dues in alignment with CPI as we have in recent years. The ALA Membership Committee recommended a 3-year average of 3.6% to increase dues for FY23. The alternate option that was considered was to maintain the 2020 increase of 1.4%. However, since costs are increasing, and the change in price at the dollar level for the individual member was \$1-\$3, it was agreed to recommend dues in alignment with a 3-year average. BARC and F&A approved the membership dues adjustment for consideration by the ALA Executive Board.

Motion: The Executive Board approves the annual increase in personal member dues for FY23 in alignment with a 3-year average of the national Consumer Price Index (CPI) of 3.6%. as highlighted in EBD #12.31.

ALA Endowment Update EBD#13.2

Senior Trustee Mario Gonzalez provided an update on the ALA Endowment and various Endowment Trustee activities. As of February 28, 2022, the ALA Endowment was \$62,054,000. The book value, however, is \$12,273,000 and focus is required to strengthen the core of the ALA Endowment. Trustee Gonzalez reviewed global issues that will likely influence financial markets and the ALA Endowment. The Endowment Trustees continue to look for Environmental, Social, and Corporate Governance (ESG) and minority/diversity private investment funds in support of ALA values. ESG and Diversity makes up 58.8% of the funds. The Endowment Trustees approved up to 5% payout and that is factored into the FY2023 Preliminary Budget.

BARC Discussion

BARC also outlined their 2022 Annual Conference meeting schedule, discussed their FY2022 goals, and the BARC Liaison program. It was determined that BARC will request a meeting with the Transforming ALA Governance Task Force in May to discuss possible financial structures and processes. Additionally, BARC Chair Lippard will schedule discussions with Division Executive Directors, possibly during the June BARC/Division/PBA meeting, on the role of liaisons from the Division perspective.

Closed Session

BARC and F&A met in closed session on April 5, 2022, to discuss a possible membership fee model. No actions were taken.

Acknowledgement

BARC and F&A extends its sincere thanks to the many ALA staff for their report preparation and meeting with the committees. In addition, the ALA finance staff contributed to a successful meeting: Dina Tsourdinis, Holly Robison, Denise Moritz, Keith Brown, and many others.

Respectfully submitted:

BARC Rodney Lippard, Chair
Tamika Barnes
Maggie Farrell
Susan Hildreth
John Lehner
Kevin Reynolds
Alexandra Rivera
Karen Schneider
Deb Sica

F&A Maggie Farrell, Chair
Libré Booker
Rodney Lippard
Larry Neal
Lessa Kanani'opua Pelayo-Lozada