

TO: ALA Executive Board

FROM: Dina Tsourdinis, Chief Financial Officer
Brad Geene, Director Budget & Planning

DATE: March 31, 2022

RE: **FY 2023 Preliminary Budget memo**

Introduction

On Tuesday, April 5, 2022, the Budget Analysis & Review Committee (BARC) and Finance & Audit Subcommittee (F&A) will be asked to take action to approve ALA’s Fiscal Year 2023 Preliminary Budget.

On Saturday, April 9, 2022, Maggie Farrell, ALA Treasurer, will present the Fiscal Year 2023 Preliminary Budget and annual estimates of income for Executive Board action and approval.

Preliminary FY 2023 Budget – All funds

ALA uses a participatory and inclusive budgeting approach. Within this framework, managers with departmental budget responsibilities spent approximately five weeks, from late January to early March, calculating their Unit’s fiscal year 2023 revenue and expense data within all ALA fund types.

These initial budgets were guided by the Fiscal Year 2023 Budget Assumptions developed by ALA’s Senior Management and presented during the January 2022 LibLearnX meetings.

These assumptions included a staff salary increase of 2% on January 1, 2023, zero furlough days, an overhead rate of 26.5%, and a continued freeze of Division transfers into the Endowment.

After consolidation, the preliminary Total ALA budget draft projected gaps in expense to revenue in the General and Division funds. Fiscal Year 2023 is a non-conference year for PLA and AASL, so a portion of the odd-year deficit was expected. In addition, Division net expense was adversely impacted by Choice’s planned net financial results.

The General Fund initial consolidation was projected to be impacted by budget factors including new position costs (as a result of lifting the freeze mandated for key positions in FY21 and 22), travel and meeting expense, and the absence of the Endowment Fund transfer with terms that aided the previous two fiscal years’ planning.

Considering the above factors, Senior Management developed a set of alignment strategies which achieve a balanced Total ALA FY23 budget and are outlined below.

Alignment Strategies

Alignment strategies to remedy excess expense over revenue include onboarding savings derived from shifting most hiring start dates to November 1, rather than September 1, during the first quarter of fiscal year 2023, holding some positions with a plan to revisit and release if funds are available later in the year, and planned reductions to budgeted discretionary expense categories such as travel, professional services, meetings, conferences, and temporary hires.

Additional alignment strategies include the use of the approved 5% endowment payout amounts in all units with endowments as approved by the Endowment Trustees at their February 2022 meeting. Management will engage a cost consultant to review potential efficiencies and expense savings in credit card fees, bank processing fees, vendor centralization and consolidation and other association-wide activities. Lastly, managers overseeing multiple units will be asked to identify additional departmental savings within their areas.

These actions lead to a fully balanced fiscal year 2023 operating budget commencing September 1, 2022.

Fiscal Year 2023 Preliminary Budget Schedules

Additional fund and unit level detail for Total ALA, which is comprised of General Fund departments, ALA Divisions, and Round Tables as well as unit Capital Requests, and their operating expense impact on FY23, can be found within document **FY23 Preliminary Budget Schedules EBD/BARC #3.21**.

Annual Estimates of Income

The Annual Estimates of Income represents a conceptual total spending ceiling comprised of the aggregate of all previously generated Association net assets plus revenues expected to be generated during the next fiscal year.

ALA's projected net asset balance at the end of the current fiscal year, FY22, is \$65.2 million. The fiscal year 2023 preliminary budgeted revenues for all fund categories equal \$48.5 million. These total the preliminary FY23 Annual Estimates of Income of \$113.7 million.

Outstanding Loans

A fully detailed summary of ALA loan amounts and history can be found within **FY22 1st Qtr. Nov30 Financials - Executive Summary EBD/BARC # 3.20**. The loan balance as of February 28, 2022, was \$4.8 million as follows:

Endowment Fund Transfer with Terms = \$3.0 million

Chase Bank Equipment Financing = \$1.3 million

Economic Injury Disaster Loan = \$0.5 million

The outstanding loan balance of \$4.8 million is significantly lower than the historical loan balance of \$8.6 million as of August 31, 2021, and \$13 million as of March 31, 2021.

Note that Paycheck Protection Program (PPP) amounts have been fully forgiven.