2006-2007 EBD #4.9
2006-07 BARC #22 (Revised 10/17/06)

TO: ALA Executive Board
Finance & Audit Committee
BARC

RE: ***ACRL/CHOICE Memorandum of Understanding***

ACTION REQUESTED/INFORMATION/REPORT:
Approval requested.

ACTION REQUESTED BY:
ACRL/CHOICE

CONTACT PERSON: Mary Ellen Davis, 312-280-3248
Irv Rockwood, 860-347-6933
Keith Michael Fiels, 312-280-1392

DRAFT OF MOTION:
Approve the Memorandum of Understanding as drafted 10/17/06 and approve that ACRL and CHOICE will reduce their planned transfers of monies from their operating funds to their endowments during the 4-year period from FY 2006 through FY 2009.

DATE: October 18, 2006

BACKGROUND:
ACRL and CHOICE are in the process of searching for suitable properties and conducting feasibility studies to secure a new facility to house the CHOICE operation in the Middletown, CT area. The purchase may require up to approximately $500,000 as a down payment from the ACRL/CHOICE operating fund – Net Asset Balance. Impact on the ALA General Fund with respect to forgone interest income has been calculated. Additionally, ACRL/CHOICE are both scheduled to make transfers from their operating funds in the endowment in the amount of $300,000 and $50,000 respectively. As such, there could be a negative impact of approximately $850,000 to the General Fund during FY 2007.

Attachment:
Draft ALA/ACRL Memorandum of Understanding

Memorandum of Understanding

made this ___ day of ____________________, [2006] between the American Library Association (hereinafter ALA), and its division, the Association of College & Research Libraries (hereinafter ACRL), regarding the potential purchase of office space property by ALA for the use and benefit of CHOICE, a publishing unit of ACRL (hereinafter CHOICE)

Having approved in concept the use of ALA/ACRL/CHOICE non endowment net assets to purchase a building to house the CHOICE office in Middletown, Connecticut, and to undertake a detailed feasibility study of one or more potentially suitable properties, (EBD #12.1 2006-2007; BARC #19.1 2005-2006), ALA and ACRL do hereby agree that:

1. In order to offset the projected loss of interest income to ALA caused by the accelerated transfer of ACRL/Choice assets for the proposed property purchase, ACRL and CHOICE will reduce their planned transfers of monies from their Operating funds to their Endowments during the four year period from FY 2006 through FY 2009 as indicated below: This calculation is based on an anticipated expenditure of $550,000 toward the purchase of a property.

	ACRL		CHOICE	
	Planned	Adjusted	Planned	Adjusted
FY2006	$300,000	$150,000	$50,000	$0
FY2007	$100,000	$0	$50,000	$0
FY2008	$100,000	$0	$50,000	$0
FY 2009	$100,000	$100,000	$50,000	$0
Totals	$600,000	$250,000	$200,000	$0

2. All purchase, financing, operating, and maintenance costs of any such property shall be paid by CHOICE from non-Endowment assets.
3. Financing shall be obtained by ALA
4. CHOICE shall reimburse ALA for all direct costs incurred by ALA as a result of its assistance with purchase and financing—e.g., legal fees, and closing costs such as loan origination fees, appraisal fees, taxes, etc.
5. Any net equity in the property will be carried as an asset purchased by ALA with Choice funds for the use and benefit of ACRL/Choice. The ALA audit footnotes will note the transaction as such.
6. In the event of a sale of the property, ACRL/CHOICE may reinvest any proceeds realized in another CHOICE office space property, return them to ACRL/CHOICE net assets, or some combination of the above.
7. In the event proceeds from any sale are not reinvested in office space property for Choice, ACRL/CHOICE shall pay to ALA 100% of the then current internal ALA indirect cost rate on the assets realized from the sale or refinancing, less the original purchase price of the property.
8. In the event a decision is made to not purchase a property, the transfers to the LTI will be made as previously planned in the first available fiscal year.

for ACRL

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Mary Ellen Davis, Executive Director, ACRL

date: ____________________

for ALA

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Keith M. Fiels, Executive Director, ALA

date: ____________________

for CHOICE

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Irving E. Rockwood, Editor & Publisher

date: ________________________