

TO: ALA Executive Board

DATE: April 8, 2021

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 FY2022 Budget
- Approval of the Endowment Trustees' Recommendation for 6% Payout for FY2022
- Approval to adjust personal member dues for FY2022

ACTION REQUESTED BY:

BARC and F&A

CONTACT PERSON:

Peter Hepburn, BARC Chair, peter.hepburn@canyons.edu, 661.362.3758

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

DRAFT OF MOTIONS:

1. Approve 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.
2. Approve the ALA Endowment spending/payout rate of 6%, without precedent, in support of the FY22 budget as presented in EBD#13.4.
3. Approve the preliminary FY22 Budget as presented in EBD #3.25 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 financial projections for LibLearnX and Annual 2022 for a pragmatic forecast and provide data supporting the assumptions
 - Align expenditures with revenue projections

BACKGROUND:

Members of the ALA Budget Analysis and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) held a joint meeting on Thursday, April 8, 2021 to discuss and review several financial issues and are pleased to report to the Executive Board on our activities. Below is a list of the primary topics discussed:

- FY 2021 Year-to-Date Financial Results *EBD #3.24, 24a*
- FY 2022 Preliminary Budget *EBD#3.25*
- Executive Director Report *EBD #12.35*
- 5-Year Plan Draft *EBD #3.26*
- Publishing Department Overview *EBD #12.30*
- Conferences Services Report *EBD #12.31*
- Membership Report *EBD #12.29*
- Endowment Trustees' Report *EBD #13.4, 4a*
- Development Office Report *EBD#6.1*

Detailed Informational Items:

ALA FY2021 Financial Review

FY 2021 Results of Operations, Three Month Financials, November 30, 2020, EBD#3.24, 24a

A reminder that the Finance Office, with support of the F&A and the Executive Board, has moved from monthly to quarterly reports to streamline financial operations. Quarterly reports are on track to meet the announced timelines. The 2nd Quarter Report will be finalized May 10, 2021.

ALA realized revenues for the 1st quarter of FY 2021 of \$7.8M, lower than FY 2020 revenues by \$2.0M and lower than FY 2019 revenues, the most recent two-conference fiscal year, by \$1.3M. Within Total ALA revenues, the General Fund, Divisions, Round Tables and Grants and Awards missed budget by 16%, 8%, 28% and 22%, respectively, for the 1st quarter of FY 2021.

ALA expenses for the three-month period were \$8.8M, lower than budget by \$283k. For the same period in FY 2020, total ALA expenses were higher than budget by \$479k. While the Divisions, Round Tables, Grants and Awards and the Endowment saw expenses lower than budget for the 1st quarter of FY 2021, the General Fund (-12.1% unfavorable) was higher than budget.

Overall, ALA is reporting a net loss of \$934k for the 1st quarter of 2021, representing a budget shortfall of \$1.4M. Detailed commentary for the General Fund, Divisions, Round Tables, and outstanding loan/Endowment Transfer is available in EBD #3.24. Additional commentary is available in EBD#3.24a that provides insights to financial details. BARC and F&A recommended to Interim CFO Denise Moritz that all ALA Units and Divisions provide a commentary in forthcoming reports.

ALA Preliminary FY2022 Budget

BARC and F&A reviewed the first iteration of the FY2022 Budget and Annual Estimates of Income, EBD#3.25. The budget currently shows a \$1.6 million deficit. ALA management will continue to look for cost savings across the Association working with Units and Divisions to balance the budget. The preliminary budget includes the proposed member dues increase, 6% Endowment Payout, and no furloughs. The budget also outlines FY2022 Capital Requests, FY2022-FY2025 Division transfers to their endowments, and a preliminary Annual Estimates of Income of \$71,276,339. BARC and F&A approved the preliminary budget with specific directives to ALA management to address the following concerns:

- Create a final balanced FY2022 budget
- Build the contingency fund to manage unexpected events and include a budget line to reflect it
- Examine financial projections for LibLearnX and Annual 2022 for a pragmatic forecast and provide data supporting the assumptions
- Align expenditures with revenue projections

5-Year Plan Draft

A draft 5-Year Budget Plan FY2017-FY2026 was discussed, EBD#3.26. This initial plan incorporates the strategic goals of the Pivot Plan. In addition, the 5-Year Plan included total ALA payroll, FY2022 gross revenue overview Division details, and short-term investment totals.

Membership Dues

BARC and F&A reviewed membership dues according to the ALA member approved process to establish a five-year 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 FY2022, this adjustment would not exceed the 1.4% CPI and would result in either a \$1 or \$2 increase in membership dues. The ALA Executive Board did not approve the annual dues increase for FY2021. The

adjustment would result in an ALA revenue increase of approximately \$52,000. BARC and F&A members discussed the impact on ALA members, current programs to support members who have been laid off/furloughed during the pandemic, and the new donation initiative to support member renewals. BARC and F&A approved the membership dues adjustment for consideration by the ALA Executive Board.

ALA Endowment FY2022 6% Payout

Senior Trustee Pat Wand provided an update for BARC and F&A on the ALA Endowment and various Endowment Trustee activities, EBD#13.4. As of February 28, 2021, the ALA Endowment was \$60,871,248 and the current estimate is \$62 million. The Endowment Trustees continue to look for Environmental, Social, and Corporate Governance (ESG) and minority/diversity investment opportunities in support of ALA values. ESG makes up 51.7% of the funds. The Endowment Trustees recommend exceeding the payout policy of 3-5% to 6% in recognition of the financial needs for ALA operations, awards, and projects during a difficult economic time. This will provide \$816,301 from the Future Fund to the ALA General Fund and up to \$2.6 million in spendable payouts for all funds across the total Endowment. BARC and F&A supports and recommends approval to the ALA Executive Board a 6% endowment payout rate.

BARC Discussion

Due to time limitations, BARC will cover the following items via ALA Connect: BARC FY2021 Goals, Liaison Reports, and Preparation for ALA Annual (virtual).

Additional Meeting

F&A met in closed session on April 7, 2021 to discuss FY2020 Audit to be conducted in June 2021 and ALA Finance Office operations. No actions were taken.

Acknowledgement

BARC and F&A commend the Finance Office for improvements in report information and formatting that enables member leaders to better understand ALA's complex financing. The following finance staff contributed to a successful meeting: Denise Moritz, Holly Robison, Keith Brown, Brad Geene, and Joanne Lee.

Respectfully submitted:

BARC Peter Hepburn, Chair
Ann Ewbank
Brett Bonfield
Carl Harvey
John Lehner
Rodney Lippard
Larry Neal
Karen Schneider

F&A Maggie Farrell, Chair
Ed Garcia
Peter Hepburn
Maria McCauley
Patricia Wong