

TO: ALA Executive Board

DATE: April 12, 2023

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 FY2024 Budget and Annual Estimates of Income

ACTION REQUESTED BY:

BARC and F&A

CONTACT PERSON:

Karen Schneider, BARC Chair, kgs@freerangelibrarian.com, 510-207-5576

Peter Hepburn, ALA Treasurer and F&A Chair, peter.hepburn@canyons.edu, 661.362.3758

DRAFT OF MOTIONS:

1. the FY24 Preliminary Budget and the Annual Estimates of Income of \$115,143,000 as presented in EBD #3.24

BACKGROUND:

Members of the ALA Budget Analysis and Review Committee (BARC) and the Finance and Audit Subcommittee (F&A) held a joint meeting on Monday, April 11, 2023, to discuss and review several financial issues. We are pleased to report to the Executive Board on our activities. Below is a list of the primary topics discussed:

- FY 2023 Year-to-Date Financial Results *EBD #3.22, 3.22a*
- FY 2024 Preliminary Budget and Annual Estimates of Income *EBD #3.24*
- Executive Director Report *EBD #12.8*
- Endowment Trustees' Report *EBD #13.2*
- Operating Agreement Implementation Working Group *BARC #3.10*
- Carbon Offset Resolution *CD #37.1*

Members of F&A then moved into closed session to discuss a couple of topics:

- Endowment Trustees candidates *CBD #20.0*
- Staffing updates

DETAILED ACTION ITEMS:

ALA FY2024 Preliminary Budget and Annual Estimates of Income

BARC and F&A reviewed the preliminary iteration of the FY2024 budget and annual estimates of income, EBD #3.24. The committees noted that the budget aligns with the Pivot Plan and acknowledges that FY2024 is a two-conference year. The budget currently shows a \$124,000 surplus. Certain assumptions were built into the budget:

- A staff salary increase of 3.0%, effective January 1, 2024
- A continued overhead rate of 26.5%
- The continued freeze of net asset balance transfers to the Endowment
- A 5% endowment payout for units and divisions with endowments

The budget also outlines FY2024 capital requests and the annual estimates of income of \$115,143,000. BARC and F&A approved the preliminary budget and annual estimates of income.

DETAILED INFORMATIONAL ITEMS:

ALA FY2023 YTD Financial Review

The Finance Office is currently grappling with personnel shortages in the wake of the retirement of two longtime staff members. As such, the year-to-date reporting was for the first five months of the fiscal year, through to the end of January 2023, rather than two complete quarters.

ALA realized revenues for the first five months of FY 2023 of \$27.3M, higher than FY 2022 revenues by \$7.8M and higher than FY 2021 revenues, the most recent one-conference fiscal year, by \$9.5M. Within Total ALA revenues, the General Fund, Grants and Awards, and Long-term Investment surpassed budget while divisions missed budget by 3.5% and Round Tables by 23.8%. Contributed revenue and grants accounted for most of the surplus.

ALA expenses for the five-month period were \$19M, lower than budget by \$871k. Expenses are essentially lower by \$278k by comparison to the same point in FY 2022, but \$2.6M higher than in FY 2021. While the Round Tables and the Long-term Investment saw expenses lower than budget for the same period in FY 2022, Grants and Awards (6% unfavorable), Divisions (9% unfavorable) and the General Fund (18% unfavorable) had expenses higher than budget.

Overall, ALA is reporting a surplus of \$8.3M for the first five months of FY 2022, representing a budget variance to the negative of \$1.44M. BARC members did note and discuss that there is wide variability across the differing units in terms of fiscal performance, and that some traditional sources of revenue, such as Publishing, have underperformed. Detailed commentary for the General Fund, Divisions, and Roundtables is available in EBD #3.22a.

Operating Agreement Implementation Working Group

Co-chair of the Operating Agreement Implementation Working Group ALA Treasurer Peter Hepburn updated BARC and F&A on actions taken since LibLearnX by the Operating Agreement Implementation Working Group. Hepburn and co-chair ALA CFO Dina Tsourdinis along with ALA Executive Director Tracie Hall selected and hired an outside consultant, Michael Tarnoff. Tarnoff was Executive Vice President and Chief Financial Officer (EVP & CFO) of the Jewish United Fund and Jewish Federation of Metropolitan Chicago for 36 years. With the consultant on board, the working group has resumed regular meetings of its subgroup and has scheduled meetings of the larger group as well. Hepburn has also been in communication with Committee on Organization chair Andrew Pace and with Maggie Farrell, who co-chaired the predecessor group with Pace, to coordinate the working group efforts with the work being undertaken on policy. Because of the

delayed hiring of the consultant, the working group will not meet the original deadline of 2023 Annual and instead will need a couple of months past that to complete its work.

Carbon Offset Resolution

BARC will meet prior to ALA Annual to make a recommendation.

ACKNOWLEDGMENT

BARC and F&A commend the Finance Office for their efforts to provide timely delivery of information in the face of challenges. The following finance staff contributed to a successful meeting: Dina Tsourdinis, Denise Moritz, Keith Brown, and Brad Geene. Thanks also to Holly Robison from the Governance Office for ensuring smooth online proceedings.

Respectfully submitted:

BARC Karen Schneider, Chair
Tamika Barnes
Ana Elisa de Campo Salles
Peter Hepburn
John Lehner
Rodney Lippard
Kevin Reynolds
Alexandra Rivera
Deb Sica

F&A Peter Hepburn, Chair
Sara Dallas
Larry Neal
Karen Schneider