

**ALA Executive Board
2018 Spring Meeting**

TO: ALA Executive Board

RE: Planning for FY19 and Beyond

ACTION REQUESTED: Discussion and Action

DRAFT MOTION: *The ALA Executive Board received and discussed Management’s proposed FY2019 preliminary budget and refers it to the ALA Budget Analysis and Review Committee for further discussion, to come back to the Executive Board for discussion and preliminary approval, including any changes, at the 2018 ALA Annual Conference meeting of the Board.*

REQUESTED BY: Mary W. Ghikas, ALA Executive Director
Mark Leon, ALA Chief Financial Officer

DATE: 16 April 2019

BACKGROUND: The Planning and Investment to Date

At the Fall meeting of the ALA Executive Board in October 2017, based on the work of an expanded Management team, the Board reviewed a substantial amount of data, including:

- 10-year financial summaries for ALA business areas, completed by ALA Finance to support ongoing executive planning as well as the work of individual business groups;
- FY2017 Operating Budget results, as well as Balance Sheet information;
- A Development Audit, with accompanying implementation recommendations from Sheila O’Donnell (Director, ALA Development);
- An IT investment plan, developed by Sherri Vanyek (Director, ALA ITTS) and Jenny Levine (Executive Director, LITA);
- Membership 10-year summaries, developed by Cathleen Bourdon (AED, Communications and Member Relations) and Ron Jankowski (Director, Membership Development); and,

- A substantially revised (reduced) FY2018 budget, based on FY2017 results and other changes in the budget environment, including both additional grant overhead and favorable benefits negotiation outcome.

In presenting this data, Management strongly recommended (a) that in FY2019 ALA begin a multiyear investment cycle, designed to fundamentally change the operating and business environments of ALA to be sustainable in the 21st century, (b) that making needed investments – particularly in specialized personnel, would require internal reorganization, (c) that extraordinary investment steps would also be required to undertake these improvements, and (d) that ALA is now positioned – based on earlier work – to take advantage of such investment.

- The ten-year financial data showed flat or declining revenues in major business areas. This is not a sustainable position for any business, whether for-profit or nonprofit.
- Opportunities for innovation had not been fully realized due to underinvestment since the 2008 recession. Insufficient investment in areas such as IT negatively impacted both member and customer perceptions and staff productivity, digging the hole deeper.
- Both labor market decline and membership decline had negatively impacted growth and investment. Data relating to both employment trends and LIS program enrollments provide grounds for optimism. ALA’s market penetration also rests at about 50%, which variations between subsets of the marketplace. Again, this is a basis for optimism. The potential for growth exists.

Based on extensive discussion during the Board meeting, there was support for the following steps:

1. Management would proceed with the necessary internal reorganization. Internal reorganization is essential (a) to increase staffing in investment areas and (b) to enable new ways of working to respond to both new opportunities and new challenges.
2. Development of the FY2019 budget would proceed with the understanding that an “investment budget” could be developed.
3. Management was authorized by the Board to explore other options for “extraordinary” investment, including loans and use of ALA assets, including potential monetization of ALA real estate assets, with recommendations to go back to the Board for decision.

The attached FY 2019 proposed budget was developed in the context of the data and the discussion outlined above.

FY2017-2019 Budget and Strategy

Summary: FY17→FY18 Restructure/Revision→FY2019 Development

Coming out of a challenging FY2017, the priority for the new Management team at the beginning of FY2018 was to modify the FY 2018 budget (for Board review at the Fall meeting), based on FY2017 results, recast FY2018 assumptions, and new market information.

Total ALA

As of the 2017 ALA Annual Conference, the proposed FY2018 total ALA budget was \$51,775,544. As of Fall 2017, the proposed FY2018 total ALA budget was \$51,724,565. The revised budget reflected the following changes:

	Total FY18 Budget	Final FY18 Budget
Total ALA Gross Revenues	\$ 51,775,544	\$ 51,724,565
<i>General Fund</i>		
Overhead Contribution (A)	\$ 8,491,836	\$ 8,557,824
Net Revenues (B)	\$ 9,042,050	\$ 8,666,639
Total General Fund Operating Resources (A+B)	\$ 17,533,886	\$ 17,224,463
Total General Fund Operating Expenses	\$ 17,475,434	\$ 17,145,710
General Fund Net Revenue/(Expense)	\$ 58,452	\$ 78,753

Table 1: Total vs. Final ALA FY18 Total ALA & General Fund Budgets

- Based on consideration of FY2017 actuals, projected FY 2018 ALA Publishing gross revenues were reduced by \$911,007.
 - Expenses related to non-repeating artifacts in Publishing's FY2017 performance (the warehouse move, the ALA Store build) were set aside.
 - Projected revenues from the new AASL Standards (FY2018) were considered.
 - The impact of major Publishing staffing changes was considered.
 - All ALA Publishing unit budgets were reviewed and revised.
- Membership revenue (gross) was reduced by \$118,000
- Grant revenue was increased by \$1,504,337, based on new grants received or credibly in the pipeline.

ALA General Fund

The above changes resulted in the following impacts to funding for the ALA General Fund:

- There was a decrease of \$375,411 in net revenue and income to the ALA General Fund.
- The changes in gross revenue and total grants resulted in a small net increase in general overhead to the ALA General Fund.
 - Overhead from ALA Publishing was reduced by \$235,821.

- Overhead from Divisions was increased by \$99,309 (reflecting overhead on AASL and ACRL ad revenue).
- Overhead from Grants was increased by \$202,804. The largest portion of the increase in grant overhead was attributed to a new grant (through PLA) from the Bill & Melinda Gates Foundation, 2017-2019. 50% of the allowable overhead was moved into the FY 2018 budget; the remaining 50% was held for the FY2019 budget.

There were, then, necessarily changes to the ALA General Fund expense budget.

- Total General Fund expenses were decreased by \$325,724. Each department decreased budget an average of 2-3%. {Note: No decrease was made in the IT budget. Changes in the expenses for business units – Conferences and Publishing – were already reflected in the net revenue contribution.}
 - Of the decreased General Fund expense above, approximately \$210,000 was the result of flat healthcare insurance costs to ALA in calendar 2018 (FY2018). The budget had been prepared (spring 2017) with an assumed 7% increase, based on preliminary data. The revised (fall 2017) budget was based on actual 2018 rate proposals. The amount attributable to the ALA General Fund was approximately 70% of the total savings; savings also positively affected ALA Division budgets.
 - Subsequent to initial recalculation of the FY2018 proposed budget, budget for an extended ALA Executive Director search was added. The budget was rebalanced using salary and related savings from the combined ALA Executive Director and ALA Senior Associate Executive Director budgets. {Note: The FY2018 year-end projection represents yet another rebalancing, following the appointment of Mary Ghikas.}
- There were also modest investments retained or added to the General Fund FY2018 budget:
 - Planned IT capital investment of \$876,000 (a decrease of \$319,000 from FY2017) and operating budget of \$3.17M (an increase of \$94,000 from FY2017) were retained.
 - \$150,000 of one-time mission-related or revenue-generating initiatives were retained, funded by FY2017 donations.
 - The 2% salary increase for ALA staff was retained in the FY2018 and will carry through into FY2019.
 - A minor capital and operating investment was made, in the original budget proposal, to provide specialized productivity software in the ALA Office for Accreditation. That investment was preserved.
 - A Conference Content and Professional Development Manager position was already included in the preliminary FY2018 budget (within the Conference net revenue) and was retained.

- An initial investment in ALA Membership Recruitment/Engagement was made by the addition of a member engagement position in the ALA Communications & Member Relations Department.
- The revised FY2018 budget (Fall 2017) was effectively balanced at a budgeted net revenue of \$78,753.

Part I: FY2018 YTD Financial and FY2018 Year-End Projection

FY2018 Results YTD (Six Month Financial Results as of February 28th, 2018)

	H2 FY18A	H2 FY18B	Difference	H2 FY17A
Total ALA Revenues	\$ 23,188,119	\$ 23,405,835	\$ (217,716)	\$ 20,213,219
Total ALA Expenses	\$ 24,889,057	\$ 25,182,574	\$ 293,517	\$ 23,370,574
Net	\$ (1,700,938)	\$ (1,776,739)	\$ 75,801	\$ (3,157,355)

Table 2: Total ALA Six Month Financial Actuals vs. Budget

As of the halfway (6 month) mark for FY 2018, Total ALA financial results are roughly on budget, with total revenues missing budgeted revenues by 1% and total expenses beating budget by 1% and a smaller net expense than projected for the period.

	H2 FY18A	H2 FY18B	Difference	H2 FY17A
General Fund Overhead & Net Revenues	\$ 12,300,139	\$ 12,879,631	\$ (579,492)	\$ 11,826,187
General Fund Expenses	\$ 13,709,063	\$ 13,306,339	\$ (402,724)	\$ 13,731,618
Net	\$ (1,408,924)	\$ (426,708)	\$ (982,216)	\$ (1,905,431)

Table 3: ALA General Fund Six Month Actuals vs. Budget

For the same period, ALA's General Fund fell short of budgeted revenues by -4.5%, largely due to Midwinter Meeting performance and lower actual Division overhead contribution to revenues, with General Fund expenses 1% lower than budget.

FY2018 Year-End Projections

	Projected FY18	Budgeted FY18	Difference
General Fund Overhead & Net Revenues	\$ 16,775,754	\$ 17,224,463	\$ (448,709)
General Fund Expenses	\$ 16,642,659	\$ 17,145,710	\$ 503,051
Net	\$ 133,095	\$ 78,753	\$ 54,342

Table 4: Projected FY 2018 General Fund vs. FY 2018 Budget

Subsequent to the Midwinter Meeting in Denver, ALA management reviewed the Association’s five-month financial results, including the Denver Midwinter Meeting, and individual business line operating pipelines to project General Fund results for the remainder of the fiscal year.

Based on this exercise, management anticipates that the General Fund will meet its FY 2018 balanced budget target.

Despite Midwinter Meeting revenues that missed their target, projected lower General Fund personnel expenses related to re-allocation of positions within General Fund to meet mission priorities, stronger performance of selected Publishing units, higher grant overhead (PLA) and fundraising in second half of year should offset Midwinter Meeting performance. A key assumption in this projection is that ALA’s Annual Conference in New Orleans will meet its targets in June.

Part II: Preliminary FY 2019 Budget

Summary

The major challenge in a fiscally-constrained FY2019 is to begin a five-year program of organizational investment and change that will lead to revitalized revenue streams and more mission-effective operations in a period of rapid, continuing change and social stress. By the end of the five-year program of investment and organizational development, revenue growth -- looking across all revenue-generating areas, including Development – must support operations at a sustainable level.

The FY2019 investment budget is year one of a three-year total investment plan of \$8.8M in new positions, systems, and initiatives to build organizational capability that will lead to longer term financial sustainability for ALA.

Investment by Focus Area	FY 2019	FY 2020	FY 2021	Total
Development	\$ 176,750	\$ 276,000	\$ 292,000	\$ 744,750
IT	\$ 1,360,498	\$ 1,513,498	\$ 3,948,165	\$ 6,822,161
Advocacy	\$ 410,000	\$ 432,000	\$ 432,000	\$ 1,274,000
Total	\$ 1,947,248	\$ 2,221,498	\$ 4,672,165	\$ 8,840,911

Table 5: Three Year Investment Plan by Focus Area

FY19 Investment by Focus Area	Operating	Capital	Total	FY19 Impact
Development	\$ 226,947		\$ 226,947	\$ (226,947)
IT	\$ 397,919	\$ 49,330	\$ 447,249	\$ (447,249)
Advocacy	\$ 364,171		\$ 364,171	\$ (364,171)
FY19 General Fund Operating Net Expense			\$ (676,676)	\$ (676,676)
FY19 ALA Investment Budget				\$ (1,715,043)

Table 6: FY2019 Investment Budget¹

FY2019 Investment Budget Assumptions

Major starting assumptions for the FY 2019 budget include:

- FY2019 includes a single Division conference (ACRL), which reduces Division overhead to the ALA General Fund by approximately \$500,000, in comparison with FY2018 (or FY2020) with two Division conferences. This two-year zigzag is a recurring pattern within current ALA operations.
- 50% of the overhead from the latest Bill and Melinda Gates grant received in FY2018 was set aside to support the FY2019 budget; 50% is being currently used in the FY2018 budget.

¹ Differences in amounts from 3- year plan due to reclassification of certain projects (e.g. Advocacy CRM, a capital project) from one area (e.g. Advocacy) to another (e.g. IT) as well as recognition of capital projects as depreciation expense over the useful life of the asset produced (usually 5 years)

- A 10% increase in healthcare costs should be assumed, based on 0% increase in FY2018 and broader market experience. [Note that healthcare rates are based on a calendar year, not the ALA fiscal year. Calendar 2018 rates will carry through the first four months of the FY2019 fiscal year. Likewise, any rate increase for calendar 2019 will carry through the first four months of FY2020.] A prudent 10% increase is currently budgeted for FY2019, based on general market experience.
- The 2% staff salary increase (FY2018) will carry forward into FY2019; the General Fund impact is approximately \$250,000. This does not include position-specific increases related to position reevaluations.
- Continuing the recent pattern, non-personnel, non-IT spending in General Fund Offices was held flat.
 - Certain software expenses were increased due to vendor- imposed increases
- While major investments requirements are being identified in professional and leadership development, the process of developing consensus around direction, and the probable size of the required investment, are pushing that into FY2020.
- Scarce FY2018 resources would be invested in two studies, to provide a more solid basis for improved organizational effectiveness and potential revenue growth in FY2019: a communications study and a membership model study. Recommendations are expected by October 2018 (early FY19).
- Reorganization – including personnel changes – would be required.

Personnel Changes integrated into FY 2019 Proposed Budget

The ALA budget is heavily weighted on personnel (54% of the ALA General Fund expense) – though less so than many libraries. [Note that when you take out units with significant manufacturing or other production costs, the percentage of budget related to personnel – in ALA’s program offices, for example, rises significantly.] Critical funding in areas such as staff development has been largely removed as ALA struggled to meet growing demands in a post-recession environment. Significant personnel reductions have been made since 2008 – 49 positions in the ALA General Fund and a net of 35 positions for ALA overall. {Note: This does not include grant positions or contractual services used in lieu of staff in areas such as ITTS, Conference Services, Divisions and the Washington Office. In many cases, contractual services

are used to facilitate agile response to changing issues (Washington Office) or changing technology (ITTS).

The reorganizations outlined below have yield modest “salary savings” to support the FY 2018 budget. All positions have been reallocated to investment areas. There is no net gain or loss in total positions at this point.

	FY08	FY18B	Change
General Fund FTE's	214	165	(49)
Non-GF FTE's	86	100	14
Total ALA	300	265	(35)
GF FTE's as % of Total	71%	62%	

Table 7: ALA FTE's FY 2008 vs. FY 2018

Despite the earlier loss of positions, it was clear to Management that internal reorganization would be essential to meet to need for new/additional staffing in investment areas. As of this point, a number of changes have been made and are incorporated in the proposed FY2019 budget.

- ALA will run with one fewer Management position in the General Fund. With Cathleen Bourdon’s (Associate Executive Director, Advocacy and Member Relations Department) retirement in July 2018, Lorelle Swader has been appointed Associate Executive Director, ALA Offices and Member Relations, taking the budget line previously occupied by Mary Ghikas.
 - AED-OMR reporting group: ALA Library & Research Center, ALA Public Programs Office, ALA Member and Customer Service, ALA Membership Development, ALA Office for Accreditation, ALA Office for Diversity/Literacy/Outreach, ALA Office for Human Resource Development & Recruitment, ALA Office for Intellectual Freedom; ALA-APA. Danielle Alderson will remain in the new Offices and Member Relations Department, taking on Round Table liaison, with the aim of increasing consistency in information delivery.
 - The ALA Office for Library Advocacy will report to Kathi Kromer, AED ALA Washington Office; personnel in that office will remain in Chicago.
 - Other positions in both the AED, AMR and Senior AED, MPS reporting lines will shift to or remain with the ALA Executive Director: ALA International Relations Office/Chapter Relations Office, ALA Communications and Marketing (currently Public Awareness Office), ALA ITTS, ALA Conference Services, ALA Divisions. The Governance Office, Development Office and Center for the Future of Libraries were already reporting to the Executive Director, along with the Senior

Managers (AEDs) in Finance, HR, Marketing, Washington, and now OMR. Additional future changes should be anticipated.

- With the departure of Jeff Julian, the Public Awareness Office will become ALA Communications and Marketing.
- The ALA Library and ALA Office for Research have been combined. There is a combined staff of 3 (vs. 5 previously), including 2 librarians and 1 library assistant. The focus of the reorganized unit will be special library services in support of ALA and its members, research guidance (e.g., for ALA groups wanting to survey members), and research review and curation (e.g., reports such as *The State of America's Libraries*). Significant research projects will require contractual services.
- The ALA Governance Office will work with a staff of 3 (vs. 4.5 previously). This will require process streamlining, as well as effective collaboration between staff and member leaders.
- Reallocated positions have been shifted in the proposed FY2019 budget to ITTS and Development. The ALA Washington Office has made internal shifts, reducing from 3 groups to two; positions have been shifted within the ALA Washington Office.

Additional changes are probable as Management seeks to address the needs in areas such as IT and Marketing, and as the outlines of recommendations related to Membership, Communications and Organization Review become clearer.

Three-Year Investment Plan (FY 2019- 2021) and Funding Strategy²

The following investments are currently included in the proposed FY2019 budget. In each case, they are initial steps in a multi-year strategy.

- **Information Technology:** Major investments are being made in IT [see also EBD#12.33]
 - 2 new personnel in ITTS (Project manager, Drupal developer)
 - \$643,298 for 7 Capital projects (Depreciation is reflected in the FY19 budget.)
 - Laptop & monitor rollout
 - Server platform virtualization
 - Outsourced server management (managed services)
 - Outsourced PC management (PC services)
 - eCommerce system improvements

² Detailed descriptions of the investment initiatives, amounts, and anticipated member and financial benefits are provided separately to the ALA BARC, F&A, and Board members

- Security audit remediation
- Advocacy CRM [See #EBD#12.32]
- \$106,200 for ongoing Dashboard license

The requested investment in ALA’s IT infrastructure and staffing will dramatically improve members’ user experience and engagement and further ALA’s mission as well as support ALA’s existing lines of business, leading to more stable revenues and cost efficiencies.

- **Development:** Major investments are being made in ALA Development, to implement recommendations of the Development Audit (Fall 2017). See EBD#6.5
 - 2.5 in additional FTE (upgrade Development Coord, Prospect researcher, Major Gifts director)
 - \$65,000 in ongoing advertising and travel expense

The requested investment in ALA’s Development infrastructure to strengthen its financial position while bolstering engagement with ALA’s mission. Further, investments in new technology will enable better tracking of fundraising return on investment, ensuring that the Association use its resources efficiently and effectively. Development is a current growth area at ALA; the record of the past several years shows evidence of a clear return on investment in Development.

In a related area, the Deputy Director position in ALA Public Programs has been moved from split-funding (ALA/Grant) to full-time ALA funding, to enable that position support additional grant development and to work with ALA offices and divisions.

- **Advocacy and Information Policy:** Major investments are being made in Advocacy.
 - \$200,000 in ongoing outreach and engagement
 - \$50,000 in engagement software license expense
 - \$100,000 for Advocacy Fly-In
 - CRM to support Advocacy (see IT)

These investments support development of a national advocacy network to build stronger relationships in support of libraries issues and funding. (See EBD#12.36, Appendix 2, section 3: Summary Proposal: That ALA build – over the next 5 years – a national network of key advocates, at least one in each Congressional district, supported by ALA core resources in both Chicago and Washington DC, linked to and collaborating with – but not subsuming – the state networks existing within the various states, as well as a variable array of other ALA-based (or state-based) special focus networks.)

It also begins the process of reimagining on-site activities in Washington DC, adding a targeted “fly-in” to the mix. A combination of the “fly-in” and 2019 Annual Conference (Washington DC)-related activities will lead the way to a reimagining National Library Legislative Day in 2020.

- **Professional and Leadership Development:** While major investments requirements are being identified in professional and leadership development, the process of developing consensus around direction, and the probable size of the required investment, are pushing that into FY2020.

SUMMARY and NEXT STEPS

In light of changing (and challenging) markets and evolving member requirements from a professional development and mission advocacy standpoint, as well as unrealized opportunities for investment and innovation since the recession, ALA management strongly believes that a multi-year investment plan is critical to the Association. Our strategy is to make substantial, strategic investments, including structural changes, that will position the Association for continued success and financial sustainability going forward. Over the next three years (FY2019 – 2021) this will require the use of the net asset balance that the Association has built over many years of careful stewardship.

At the Annual Conference in New Orleans, will present a more detailed funding strategy to finance the \$8.8M investment plan presented here. This will include a review of options and a recommendation as to the “highest and best use” of ALA’s Chicago real estate. There will also be an update on other extraordinary investment – including investment by the Endowment Trustees in ALA new business development. We will also present an updated five-year ALA Financial Plan that details the anticipated mission and financial benefits from these investments over the longer term.

This will be an ongoing discussion. We cannot know at this point the final recommendations related to ongoing studies – of potential membership models, of communications changes, of ALA’s organizational structure. What we can be reasonably certain of is based on information from these studies and review by ALA governance groups, there are likely to be continuing changes over the coming years. The goal is a stronger ALA, equipped to support its mission and its members through the demands of the 21st century.

Attachments:

- ^ ALA Ten Year Financial Results (FY2008 – FY 2017), April 19, 2018
- ^ ALA5YrFinancial Plan FY19-23 4.17.18 FINAL
- ^ ALA Five Year Plan Assumptions as of 4-17-18

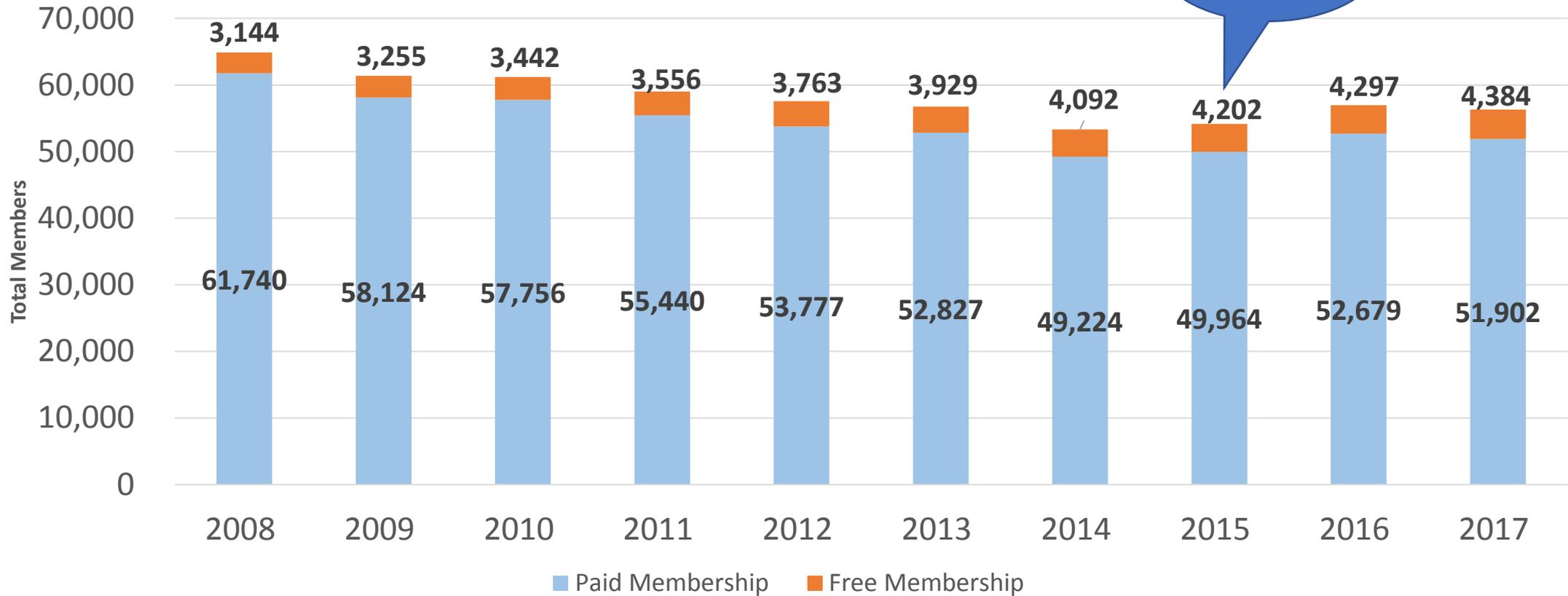
BARC #9.0
EBD #14.11
2017-2018



ALA Ten Year Financial Results (FY2008 – FY 2017)

April 19, 2018

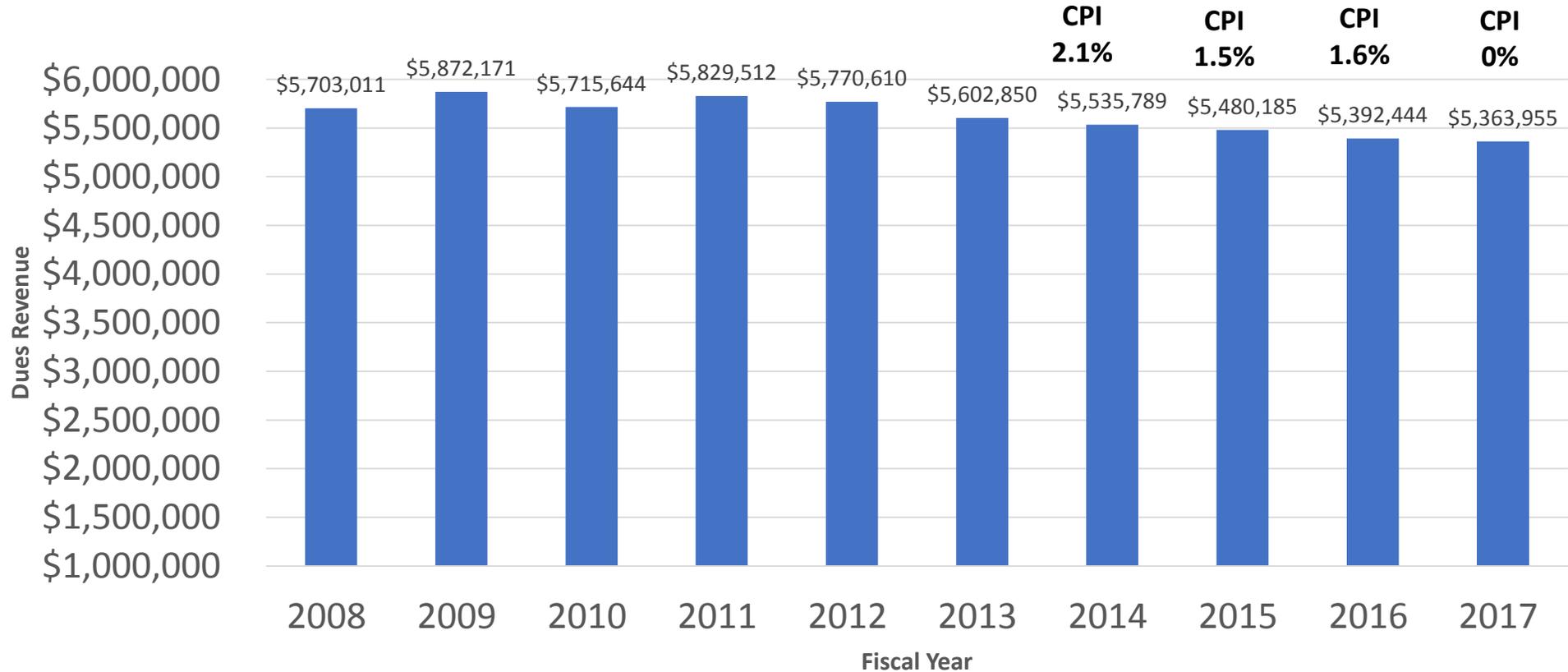
ALA Total Membership



United for Libraries New Membership Structure

Average over 10 years = 58,350 members and a -13.3% change since 2008.
 Source: Membership Stats Reports.

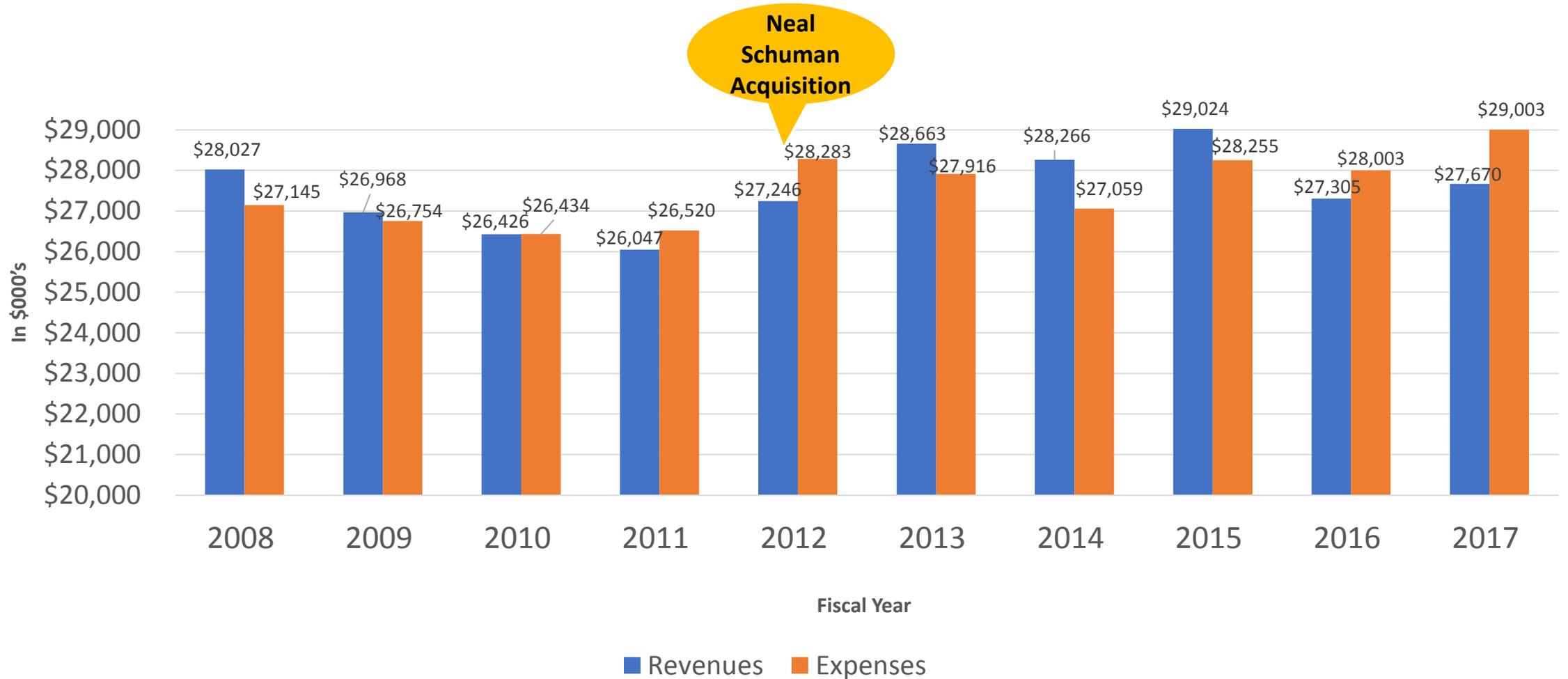
ALA General Membership Dues Revenue



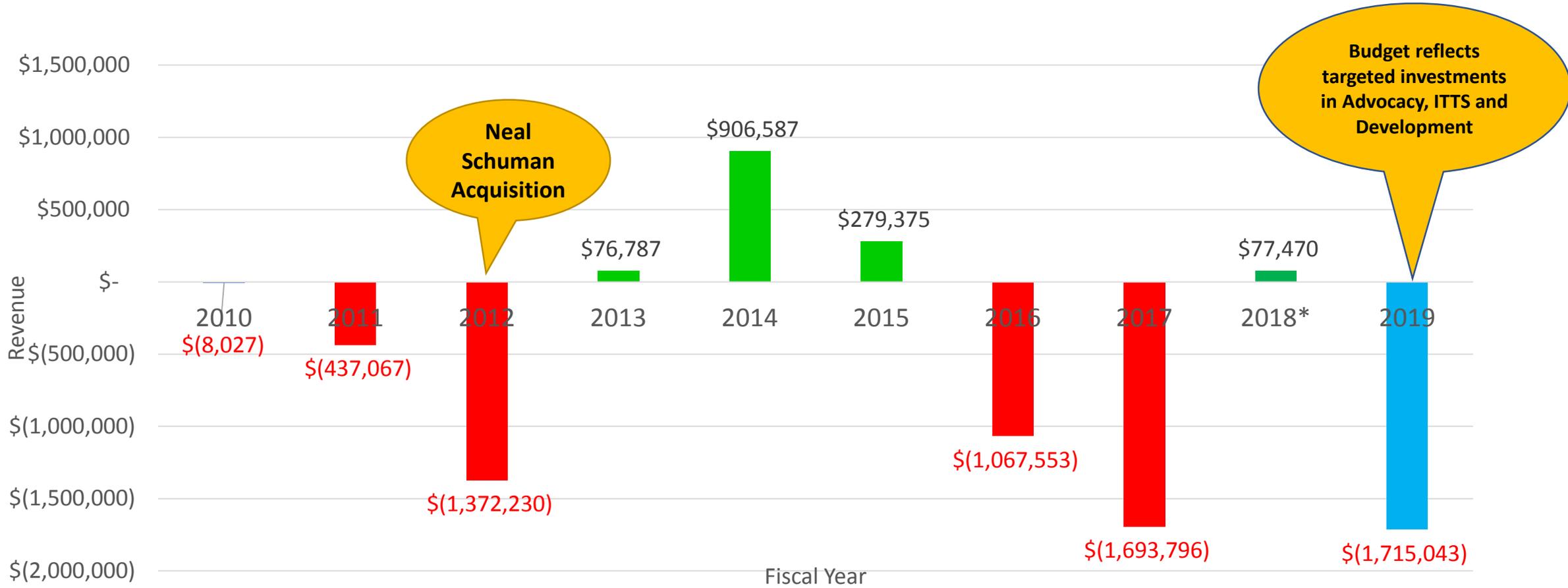
10 year average = 5,626,617 and a -5.9% change since 2008.

Source: ALA Audited Financial Statements.

ALA General Fund Revenues & Expenses

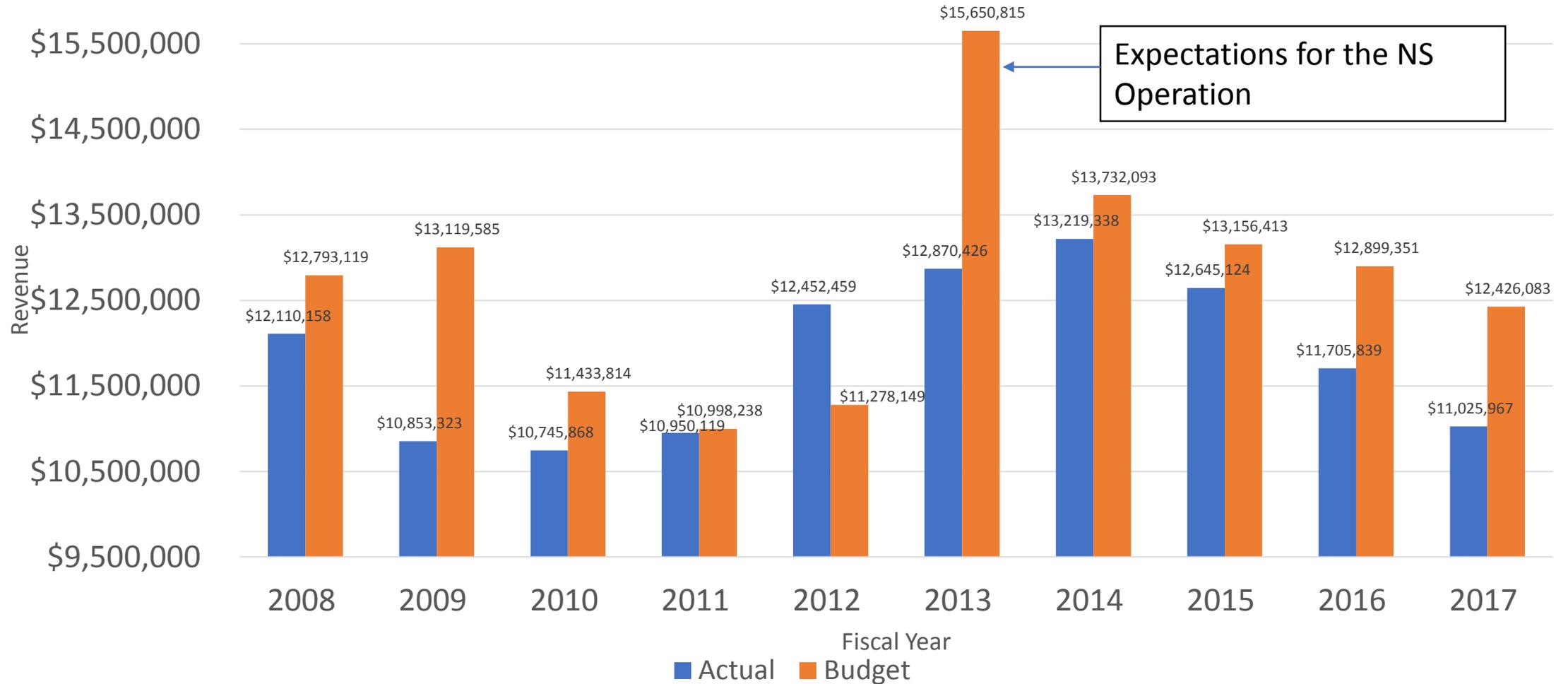


ALA General Fund Net Revenues (Expenses)



*FY18 Management Projection
 Source: ALA Audited Financial Statements

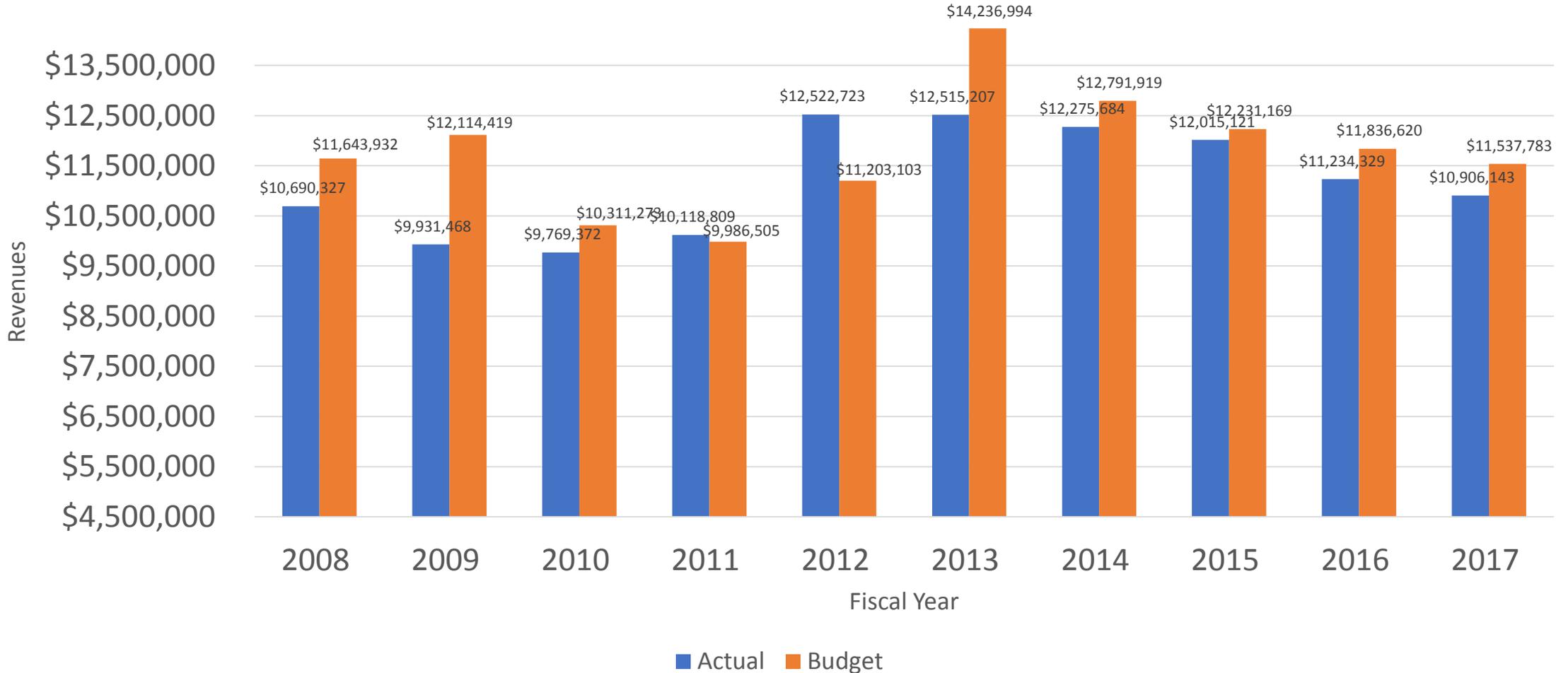
ALA Publishing Revenues: Budget vs Actual



Average Rate of Change Since 2014

	Publishing Revenues	Annual Change	Average Annual Change
2014	\$ 13,219,338	NA	-5.5%
2015	\$ 12,645,124	-4.3%	
2016	\$ 11,705,839	-7.4%	
2017	\$ 11,025,967	-5.8%	

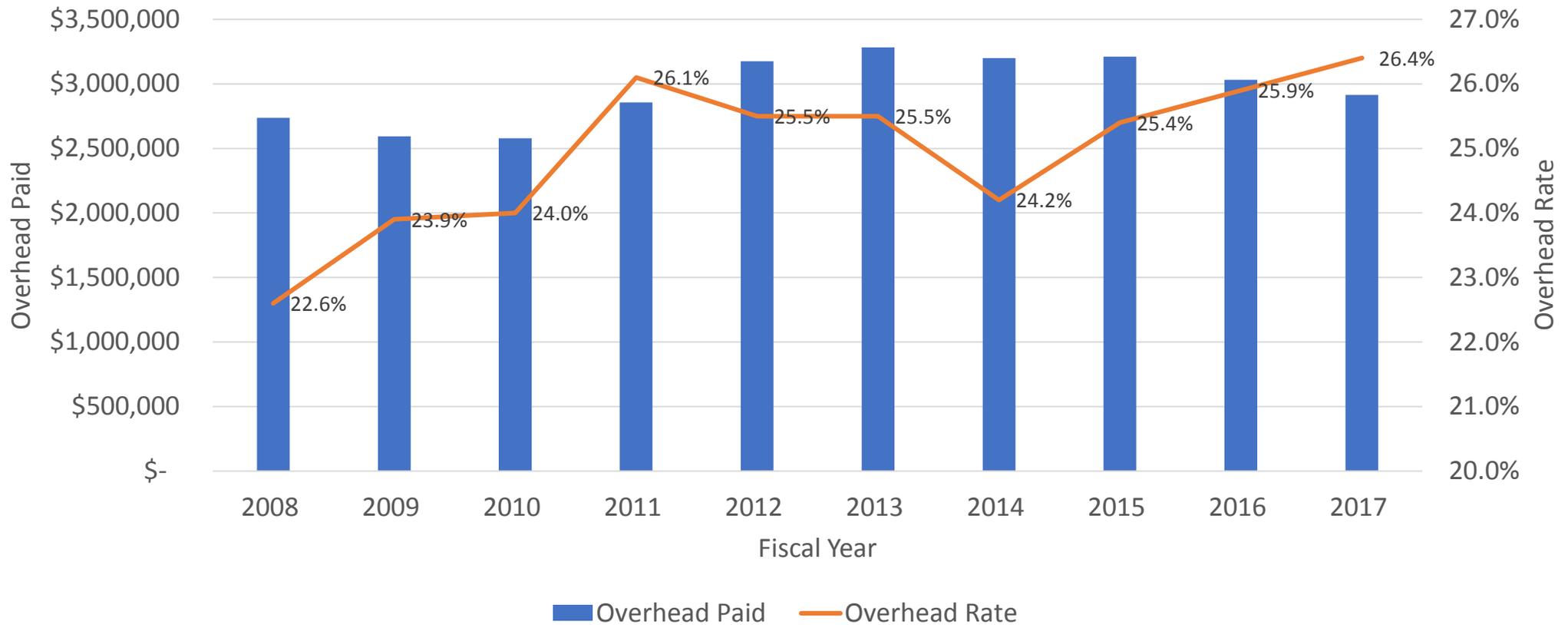
ALA Publishing Expenses



Average Rate of Change Since 2014

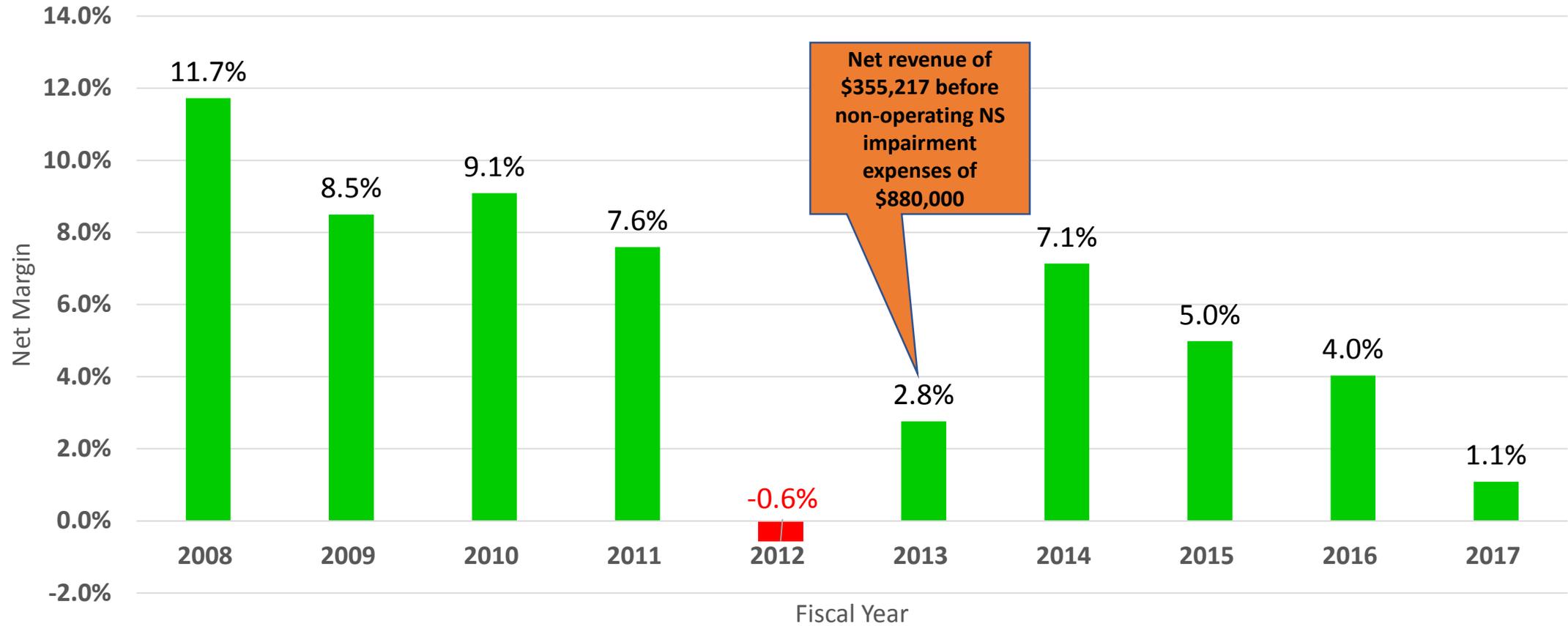
	Publishing Expenses	Annual Change	Average Annual Change
2014	\$12,275,684	NA	-3.8%
2015	\$12,015,121	-2.1%	
2016	\$11,234,329	-6.5%	
2017	\$10,906,143	-2.9%	

ALA Publishing Overhead Contribution



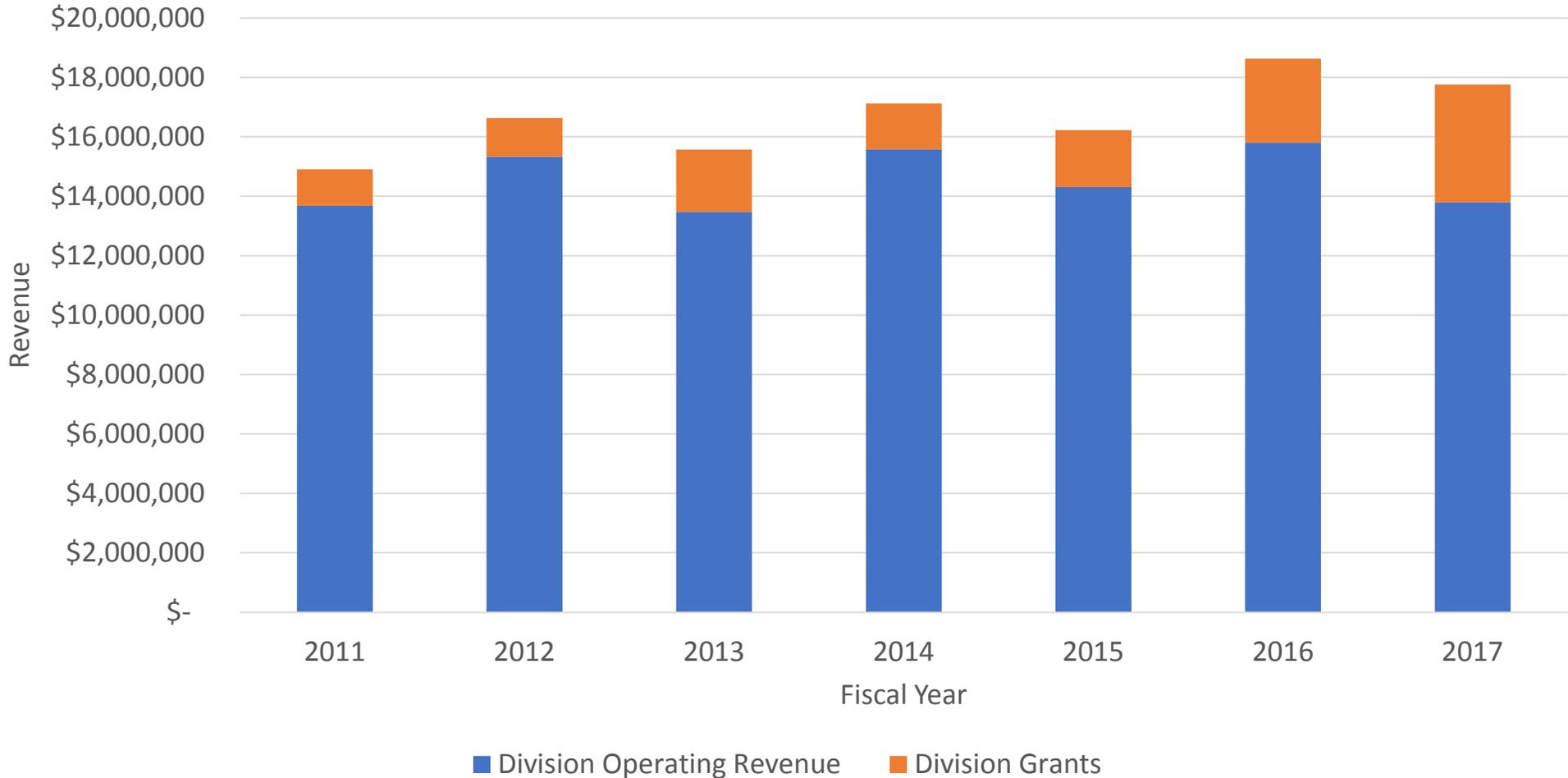
Source: ALA Audited Financial Statements and the annual Indirect Cost Study

ALA Publishing Net Margin



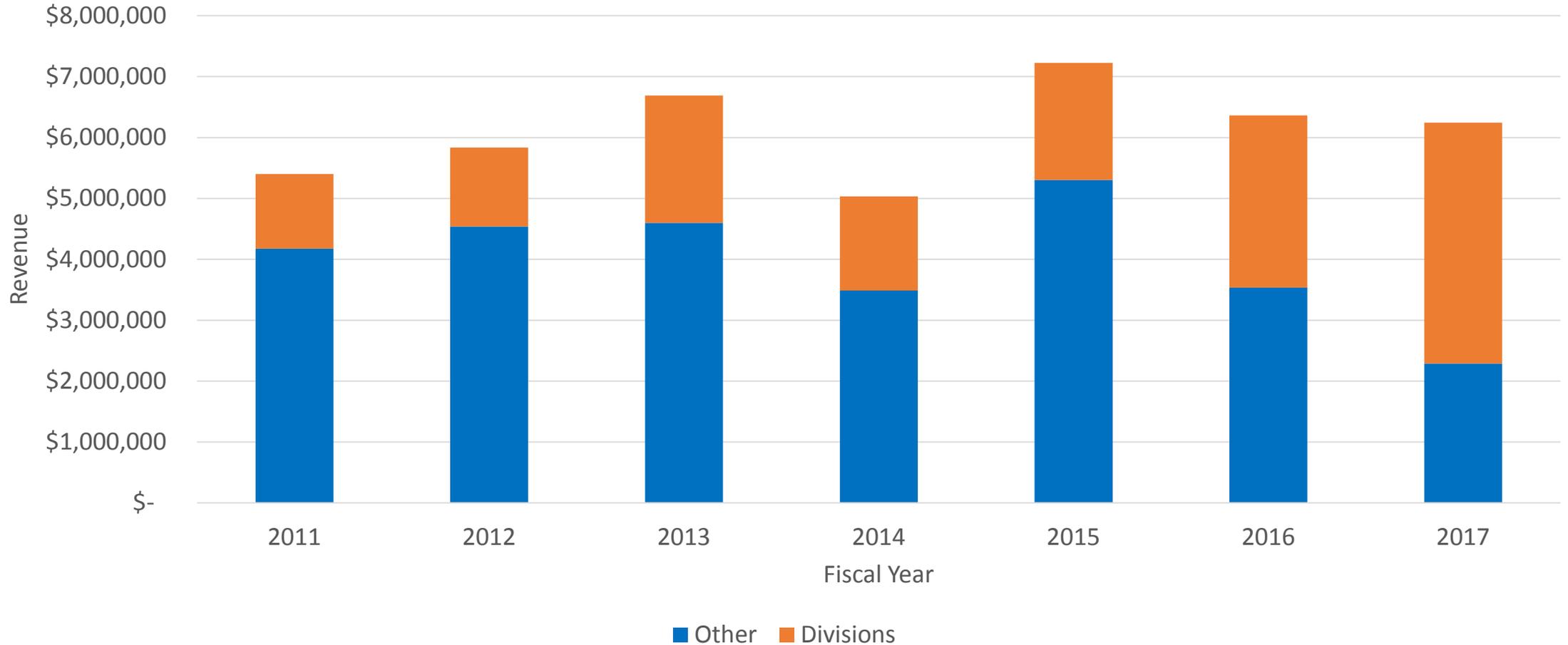
Net Margin = Net Revenue/Total Revenue
Source: ALA Audited Financial Statements

ALA Division Operating and Grant Revenue



Source: ALA Audited Financial Statements

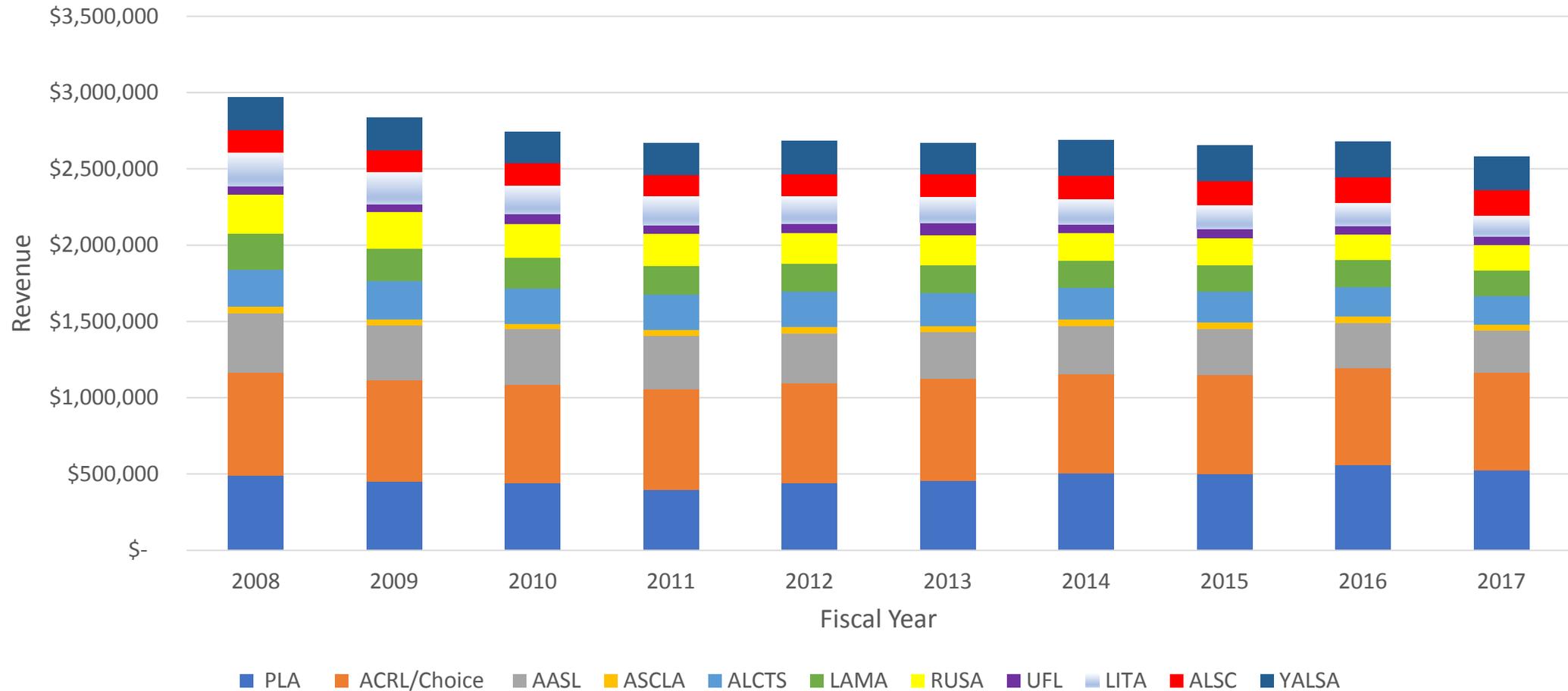
Division and Other Grant Revenue



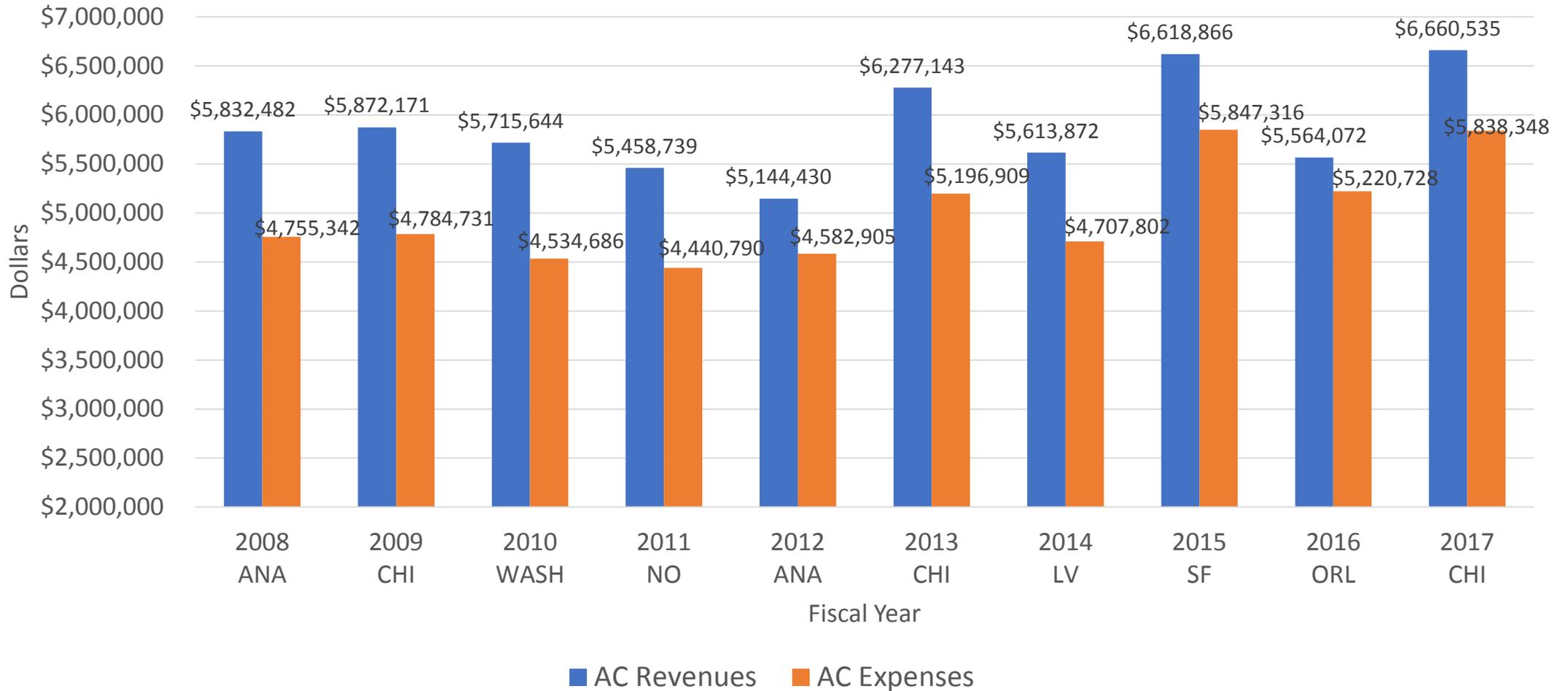
*Includes Public Programs Office, Round Tables, Offices and ALA Awards

Source: ALA Audited Financial Statements and the ALA Budget System

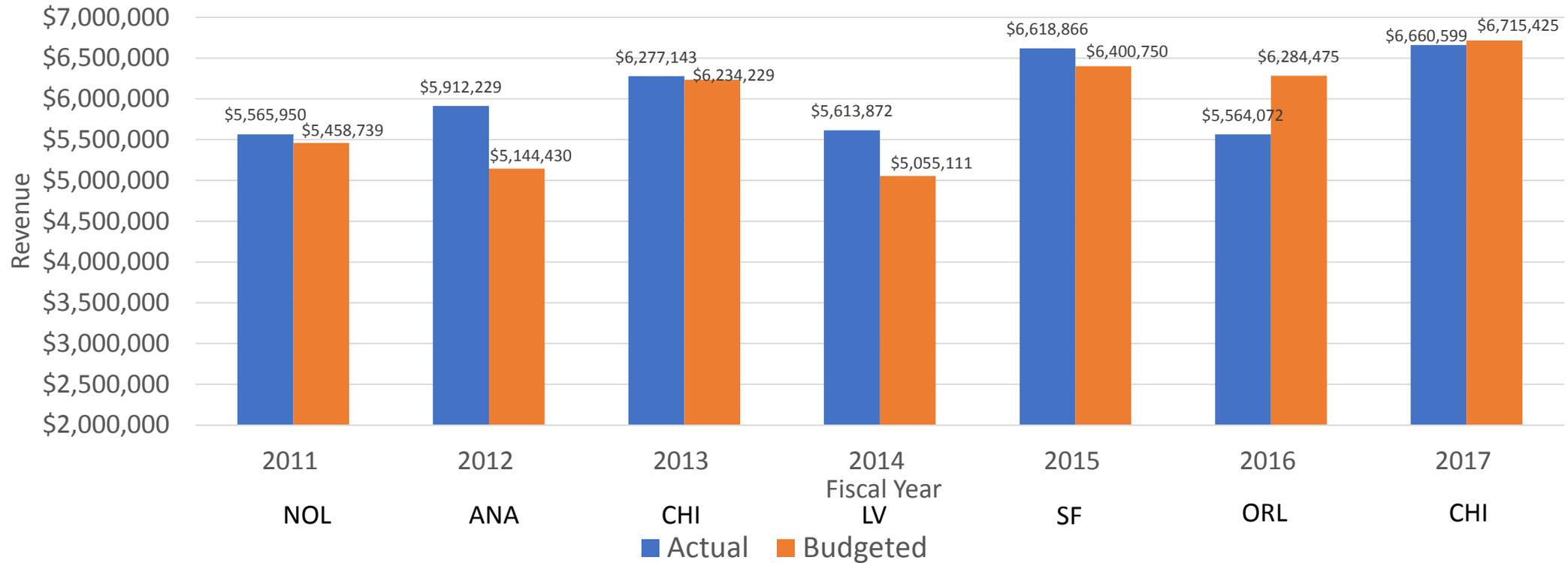
ALA Division Dues Revenue



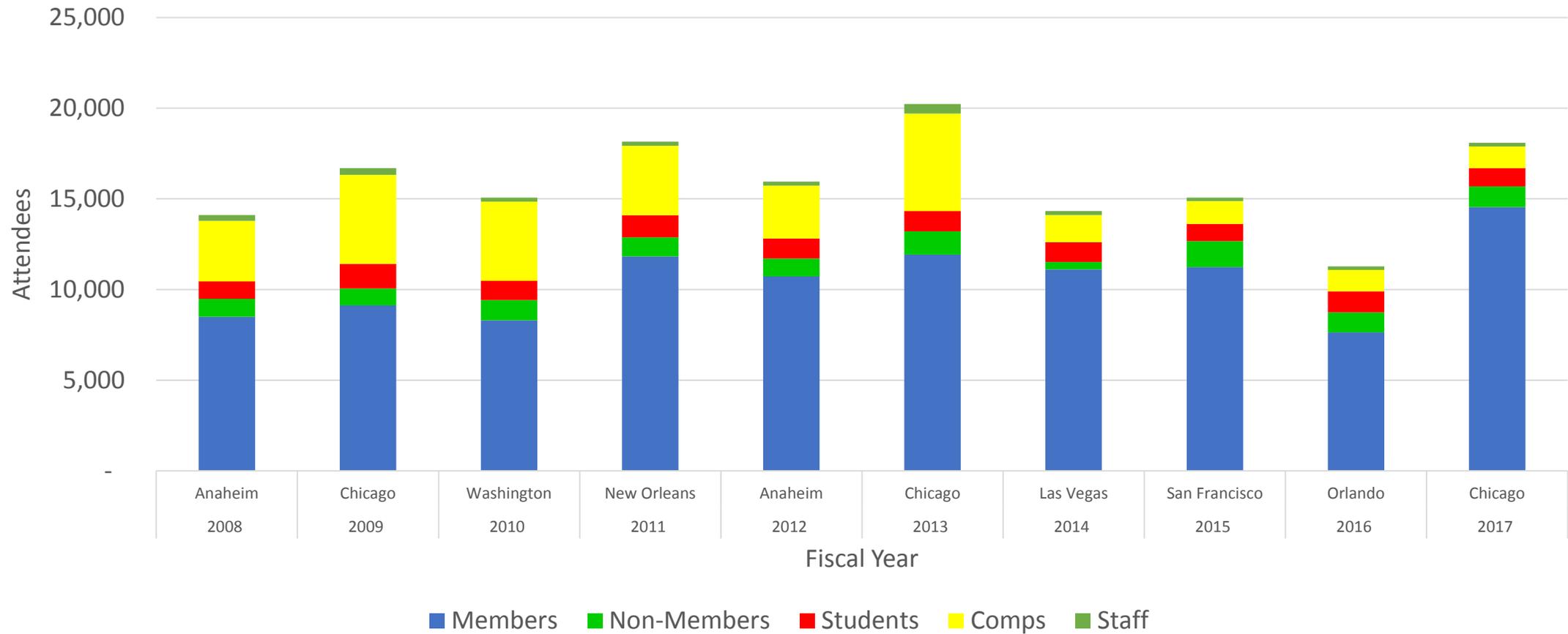
ALA Annual Conference Revenue & Expenses



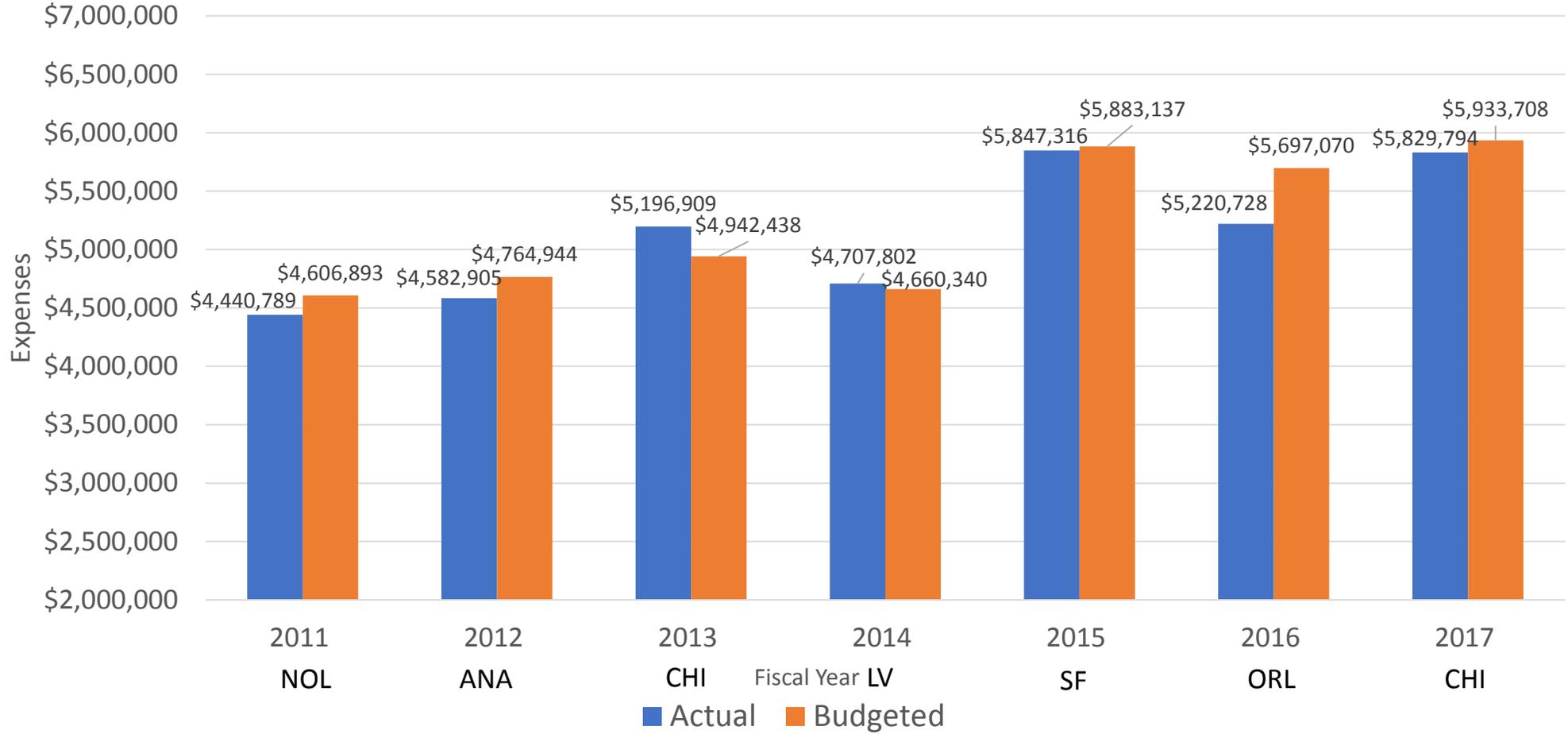
ALA Annual Conference Revenues



ALA Annual Conference Attendance

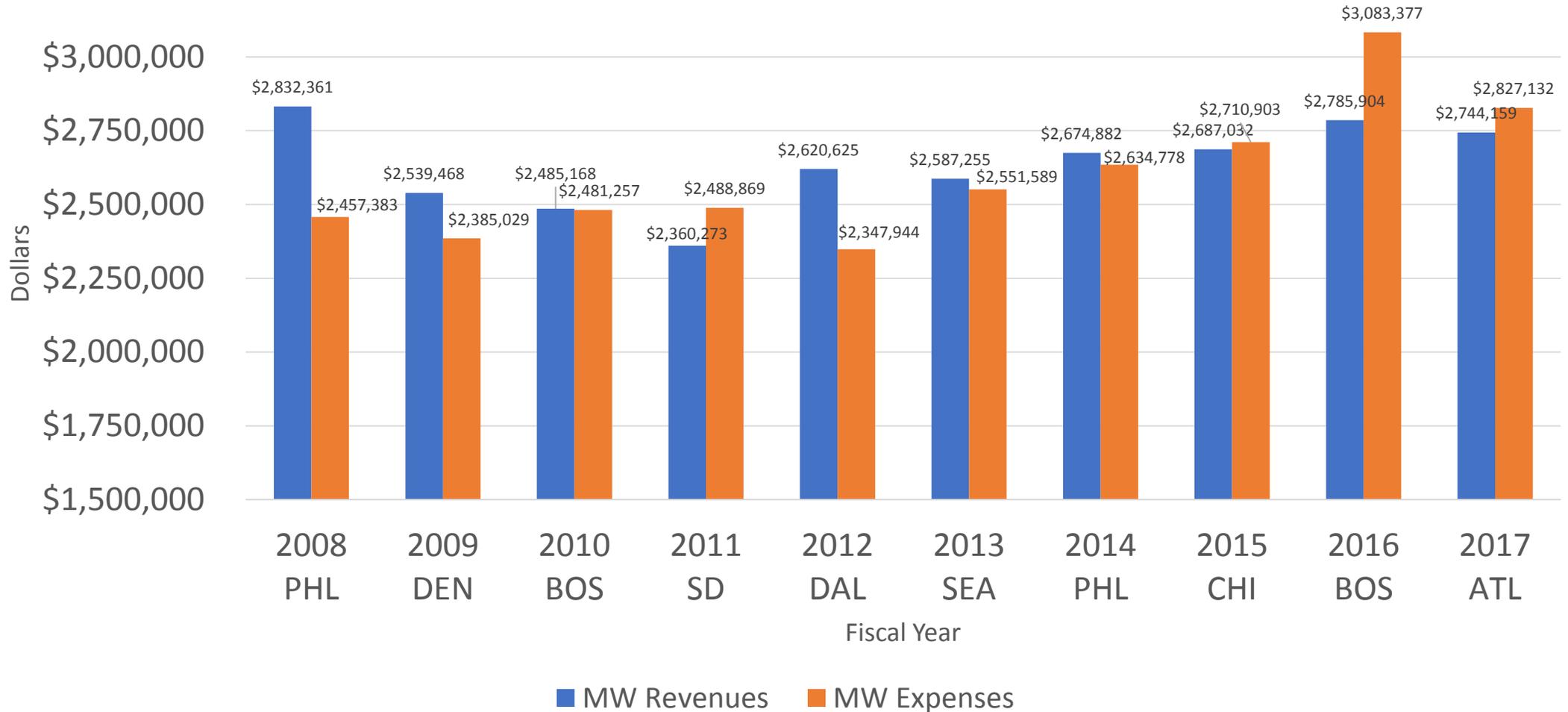


ALA Annual Conference Expenses

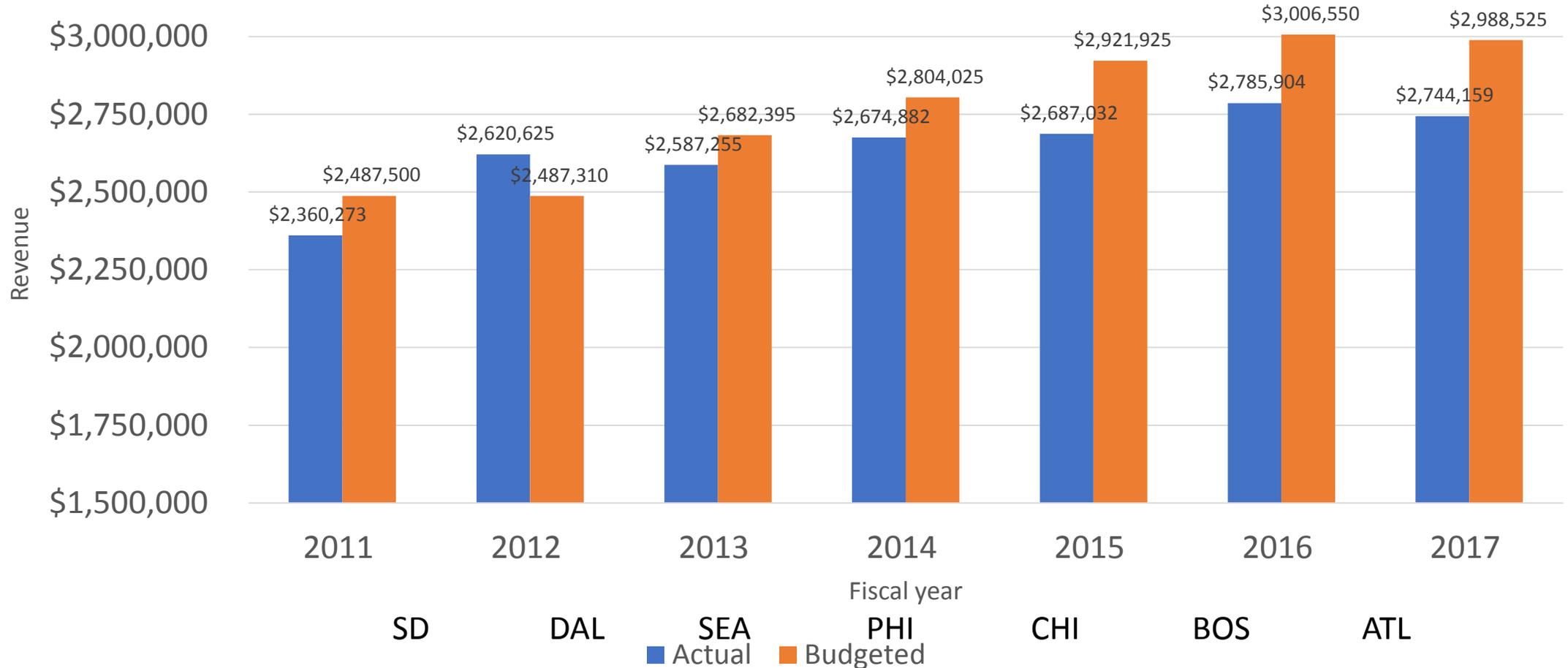


Source: ALA Audited Financial Statements, ALA Budget System

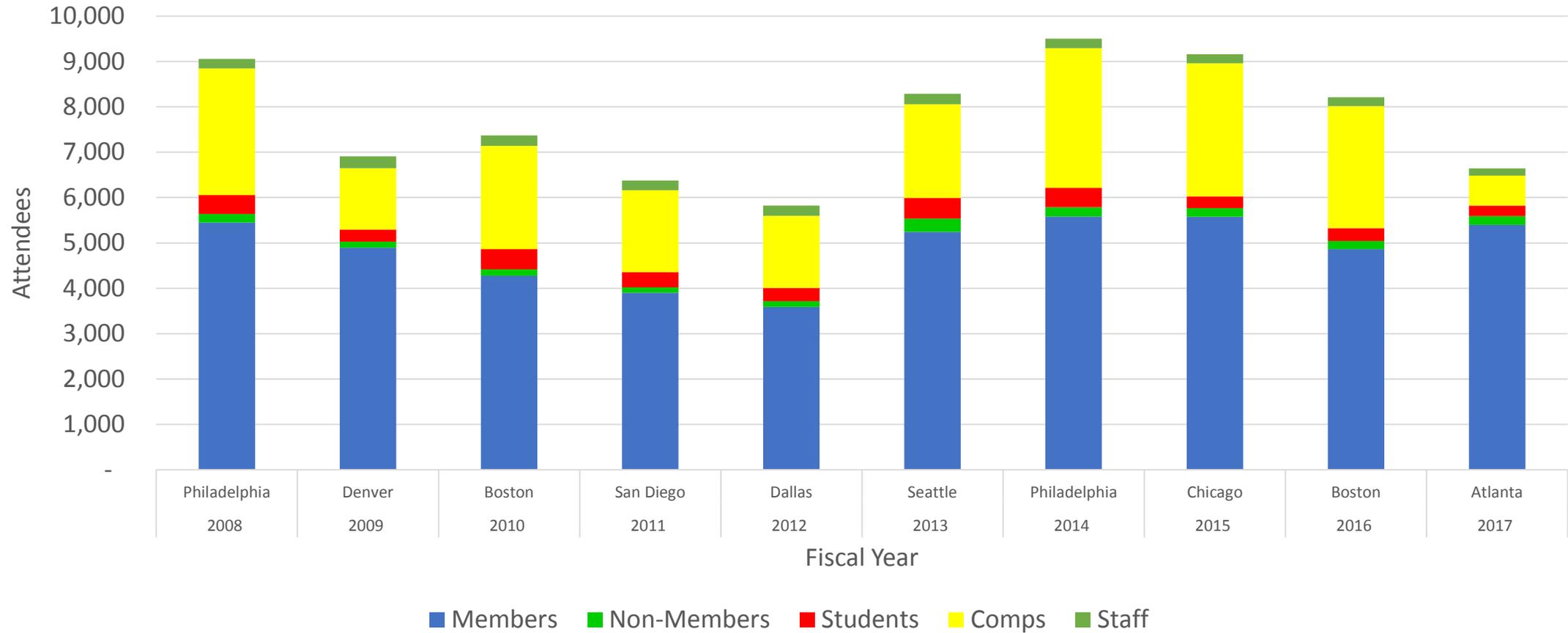
ALA Midwinter Meeting Revenue & Expenses



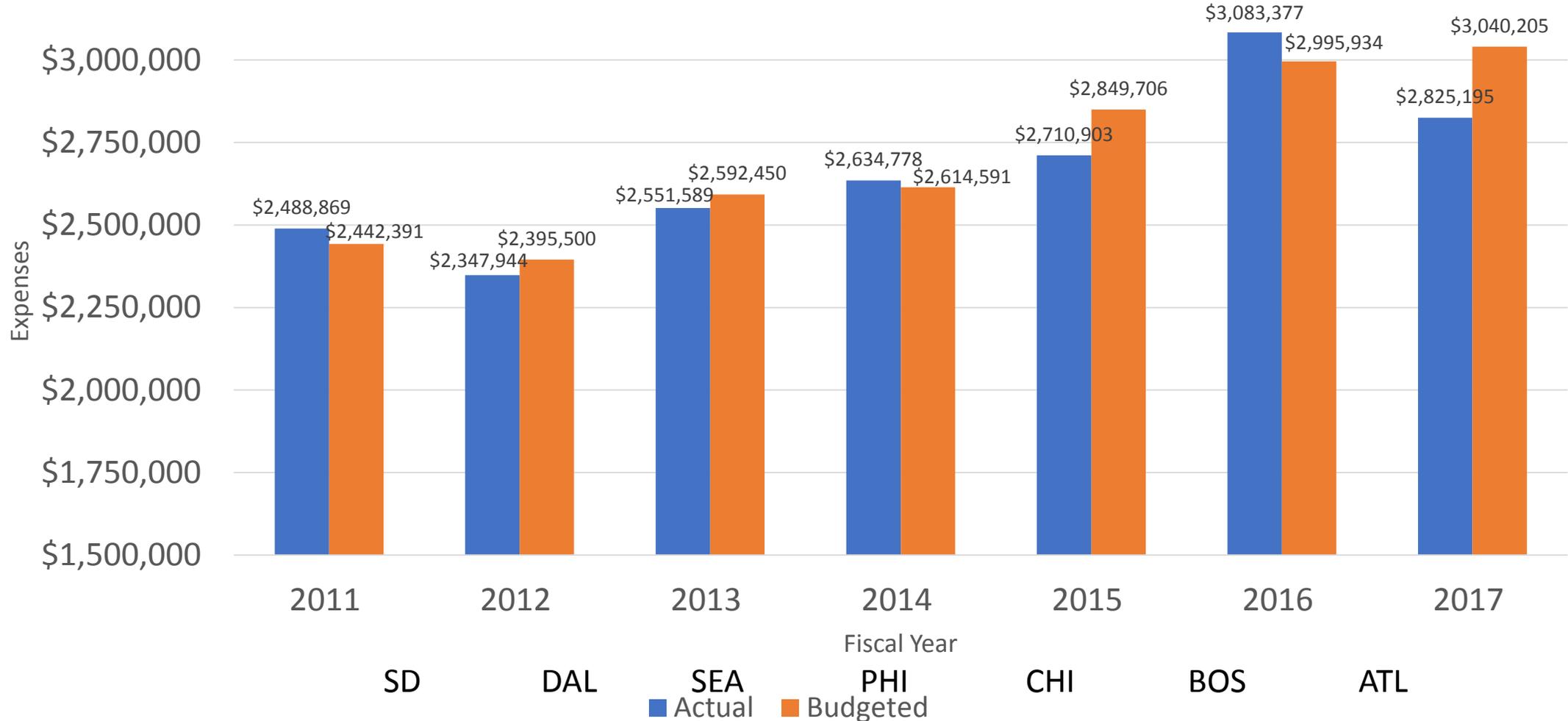
ALA Midwinter Meeting Revenues – Actual vs Budget



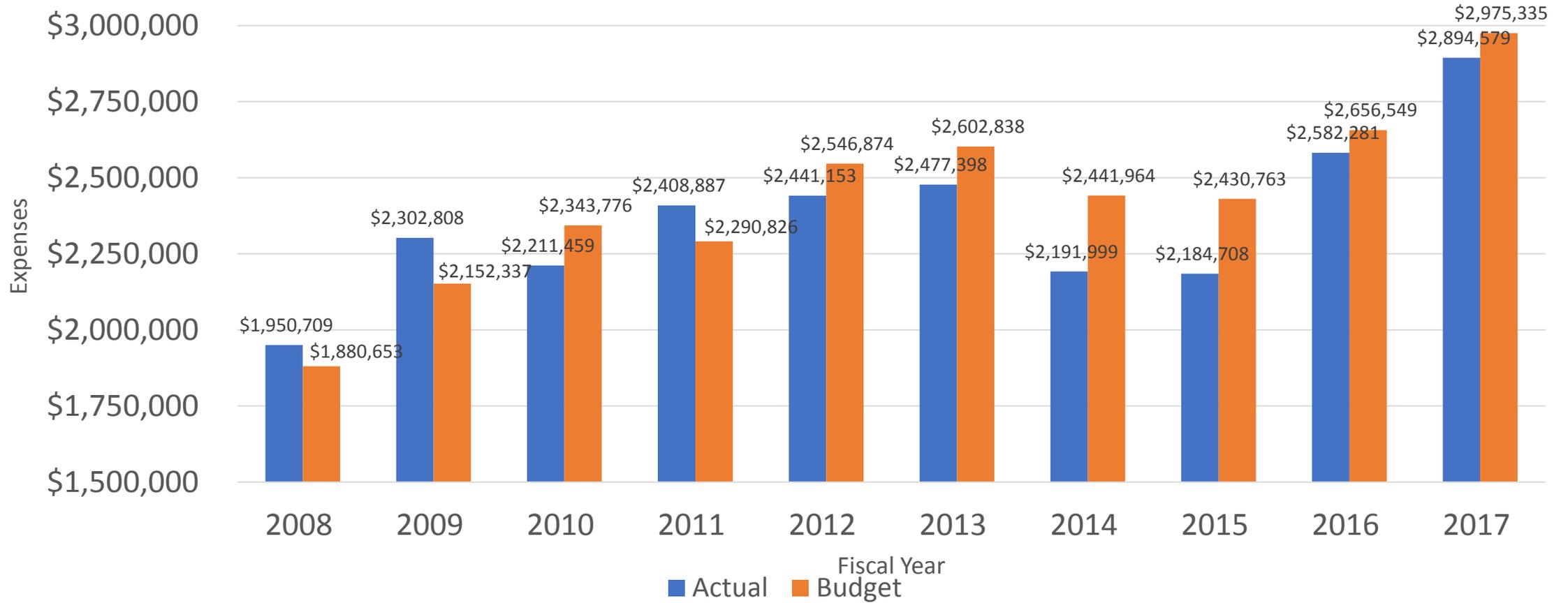
ALA Midwinter Meeting Attendance



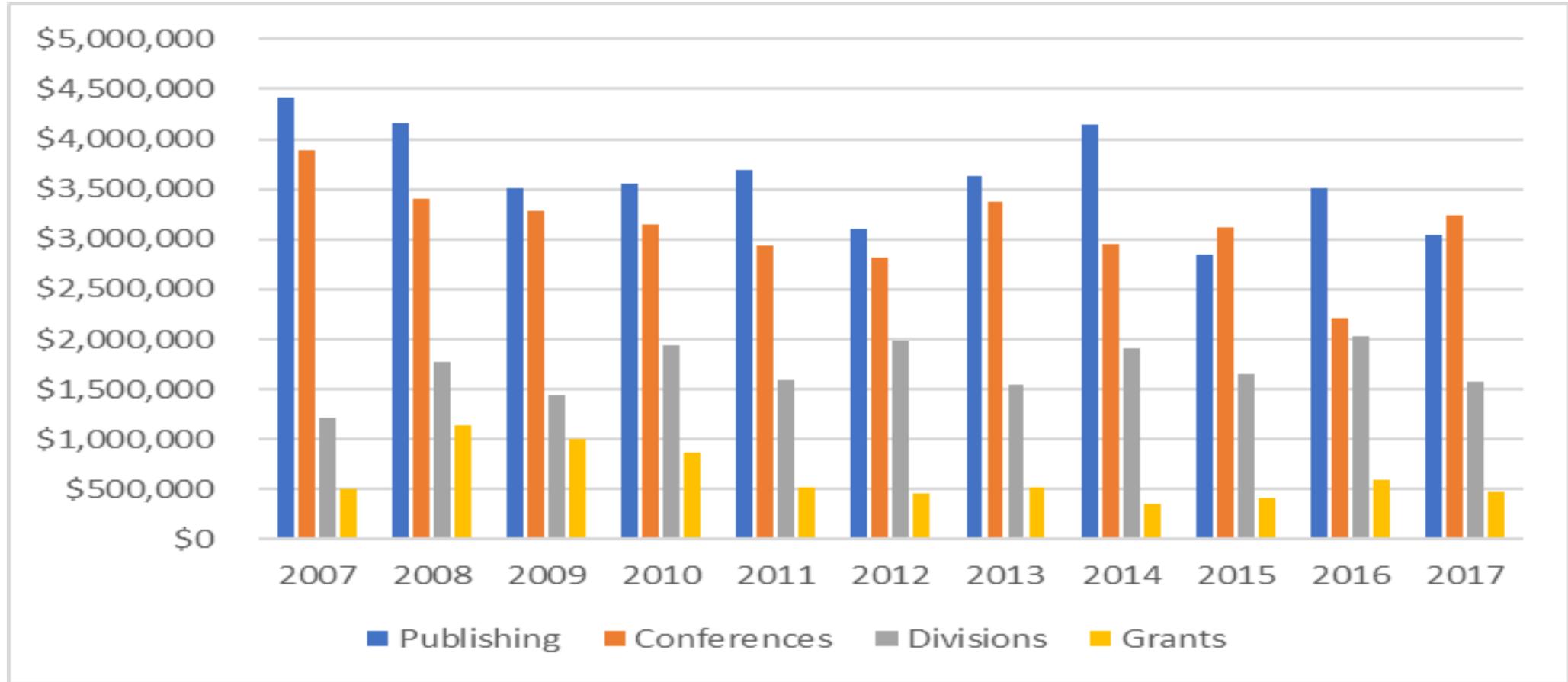
ALA Midwinter Meeting Expenses



ALA ITTS Expense/Investment – Actual vs Budget



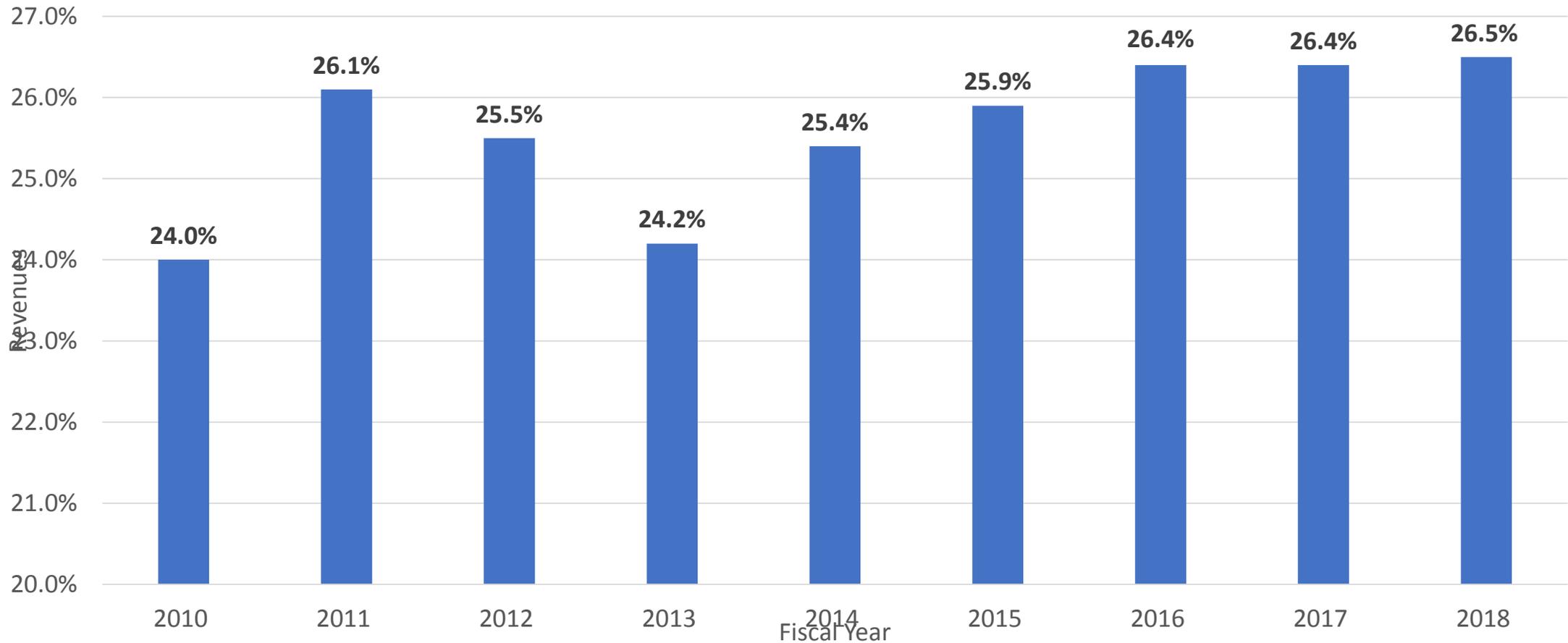
Overhead Contribution* to the General Fund



*Overhead contributed by Publishing, Conferences (AC/MW), Divisions and Grants – Excludes Roundtables

Source: ALA Audited Financial Statements and the ALA Budget System

Annual Overhead Rate and Budget Year Applied



ALA American Library Association

5-Year Financial Plan FY 2015 Actual through FY 2023 Plan Assumptions

Total ALA Revenue Assumptions

1. Publishing
FY 2020 through FY 2023: modest revenue growth of 1-2%
2. Conference - based on venue
FY 2019 - Seattle (MW); DC (Annual)
FY 2020 - Philadelphia (MW); Chicago (Annual)
FY 2021 - Indianapolis (MW); Chicago (Annual)
FY 2022 – San Antonio (MW); DC (Annual)
FY 2023 – New Orleans (MW); Chicago (Annual)
3. Membership dues
FY 2019 – \$5 proportional increase pending Council and personal member ballot approval
FY 2020 – FY 2023 – 2.5% CPI dues increase pending Council and personal member ballot approval
4. Divisions - consistent with prior year actuals, reflecting the see-saw pattern where odd years have one Division conference and even years have two Division conferences
5. Round Tables
FY 2020 through FY 2023 - estimated at \$400k per year based on an average for the prior six years
6. Grants
FY 2020 through FY 2023 - estimated at \$5.5 million per year using the average for FY 2014 through FY 2019 as a guide
7. Revenue held relatively flat for:
 - Interest income and investment earnings
 - Interest income (includes \$250k investment earnings for FY 2020 through FY 2023)

ALA American Library Association

5-Year Financial Plan FY 2015 Actual through FY 2023 Plan Assumptions

General Fund Overhead Assumptions

1. Overhead rate is set at 26.5% for FY 2019; this same percentage is used for FY 2020 through FY 2023, for projection purposes
2. Divisions – Average overhead rate for all Divisions combined is 12% for FY 2019.
Overhead is applied as follows:
 - Dues – exempt
 - Publishing revenue (includes Online Continuing Education) – ½ of overhead rate
 - Registration fees – full overhead rate
3. Round Tables - 4% of Round Tables revenue based on the average percentage for FY 2014 through FY 2019
4. Grants – 10% of all General Fund and Division grant revenue based on the average percentage for FY 2014 through FY 2019 plus a 3% increase in the Federal Indirect Cost Rate

General Fund Expenses

This section shows overall increases in General Fund net revenues and overhead. This additional revenue would fund strategic priority initiatives; salary and benefit increases; and inflationary increases.

Beginning in FY 2017, Member and Customer Service expenses are shown separately.

For FY 2020 through FY 2023, expenses are not allocated in this model; only the overall increase is shown.

Net General Fund Revenue - available to support growth opportunities and increased health care costs