



**Annual 2019
Budget Analysis and review Committee (BARC)
and Finance & Audit (F&A) Committee Joint Meeting
Friday, June 21, 2019
Washington, D.C.
Minutes**

Committee Members:

Present: Maggie Farrell – BARC Chair, Susan Hildreth – Treasurer, Rhea Lawson, Brett Bonfield, Karen Downing, Steve Potter, Carl Harvey, Peter Hepburn, Maria McCauley, Ed Garcia, Andrew Pace

Absent: Trevor Dawes

Staff:

Present: Mary Ghikas, Mark Leon, Joanne Lee, Ligia Barac, Keith Brown

Proceedings:

- The joint BARC/F&A meeting was called to order at 12:30 pm by BARC Chair, Maggie Farrell and Treasurer, Susan Hildreth
- Agenda was reviewed and approved with no changes
- The BARC minutes from 2019 Spring Meeting were approved (BARC #4.12)
(Motion moved by Peter Hepburn and seconded by Carl Harvey)
- The F&A minutes from 2019 Spring Meeting were approved (EBD #4.12)
(Motion moved by Andrew Pace and seconded by Ed Garcia)

Members of the Budget Analysis and Review Committee (BARC) and the Finance and Audit committee (F&A) held a joint meeting on Friday, June 21st, to discuss and review a number of financial issues. Below is a list of the primary topics discussed:

- Analyzed the YTD Eight-Month Financial Results, ending April 30, 2019 (BARC/EBD #3.18)
- Discussed the Three-Year Investment Plan, including summary reports for investments in IT, (BARC/EBD #3.21), Advocacy, (BARC/EBD #3.19) and Development, (BARC/EBD #3.20)
- Discussed YTD results, YE projections, and FY2020 outlook for Publishing, (BARC/EBD #12.41), Conference Services, (BARC/EBD #12.42) and Membership, (BARC/EBD #12.43)
- Discussed an update on the FY2020 Budget (BARC/EBD #3.17)
- Discussed the 5-Year Budget Plan (BARC/EBD #4.13)
- Discussed the BARC initiative to develop metrics to assess the three-year strategic investment plan
- F&A discussed and approved the Revised Investment Policy Statement (IPS) (BARC/EBD #13.4)
- F&A considered the Endowment Trustee Candidates in a closed session (CBD #33)

Other Items included informational conference calls between meetings, and preparation for Annual Conferences' PBA and Division Leader's meetings. The Fall 2019 BARC/F&A joint meeting date was also announced, which will be held at ALA HQ in Chicago on Sunday, October 20, 2019.

SCOE Update

Lessa Pelayo-Lozada presented a verbal update the status of the SCOE group's work. She began the discussion began by stating the charge of the committee. She then went on to state that the committee's work has been shared throughout the Association, in a number of venues. There were also a few planned sharing sessions at this annual conference. The preliminary recommendations will be shared with the Executive Board at this conference. The committee will continue to seek and receive feedback during the summer after this conference.

The plan going forward is for committee to meet once more in September, bring an action for review to the Executive Board at their Fall meeting in October and then present to Council at the 2020 Midwinter Meeting in Indianapolis. There needs to be two votes by Council/Membership – Spring 2020 and Midwinter 2021.

Over the summer and leading into the fall, a new group headed by Susan Hildreth will be examining the potential financial implications of the SCOE recommendations. The group will be comprised of people with some BARC background, deep knowledge of ALA finances and some SCOE experience. *Note: At the Treasurer's Forum with Division fiscal officers later in the day, it was pointed out that much of the information-mining to address this area needed to be a staff-driven effort.*

Lessa closed by saying that there were some areas that were outside of the scope of her group and as such there were still some important questions that needed to be addressed i.e. status of the offices, how will the divisions fit in etc. So, in order to bring this process full circle and to a positive end, collaboration across the Association was still vitally important. Potential solutions need to leverage the strengths of staff, maintain a level of trust and look to create high value outcomes. Finally, the divisions will be asked for recommendations to strengthen their relationship with ALA.

FY 2019 YTD Eight-Month Financial Results, April 2019 (BARC/EBD #3.18)

Mark Leon led the committee in a discussion regarding the eight-month period ending April 30th. ALA realized Total Revenues of \$29.2M, exceeding budget by over 2%. Although compared to the same period last year (FY18), Total Revenues were \$3.9M lower (-11.9%), compared to the most recent one-Division conference year (FY17), FY19 revenues were higher by \$605k (2.1%). Within Total ALA, the General Fund and Divisions lagged FY19 revenue projections by -7.1% and -4.6% respectively, but higher than projected revenue in the Endowment and Roundtables offset the revenue variances elsewhere. For the same period last year, revenues for the General Fund and Divisions missed projections by -3% and 0% respectively.

ALA expenses for the eight-month period were \$34.3M, which was an unfavorable variance from budget of -3%. For the same period in FY2018, total ALA expenses were right on budget. With the exception of the General Fund (-2.6% over budget), actual expenses were lower than budget for all funds. As discussed in the General Fund section and in the Department Commentary, the unfavorable expense variance was primarily due to audiovisual cost overruns from the Midwinter Meeting in Seattle.

Overall, ALA realized a net expense (or excess of expenses over revenues) of -\$5.1M for the eight-month period in FY 2019. This represented a larger net expense than the budgeted \$4.6M net expense by \$490k (10% worse than budget) for the period.

To summarize the FY19 financial status, we are anticipating a budget deficit of \$3.6M. The \$2.4M is a planned deficit as part of the strategic investments in Advocacy, Development, and IT. These planned initiatives are on track. The \$1.2M is an operational deficit caused by higher Midwinter audiovisual costs, lower division overhead contributions, lower interest income, and lower Publishing revenue.

Three-Year Investment Plan (BARC/EBD #3.19, BARC/EBD #3.20, BARC/EBD #3.21)

M. Leon continued the discussion regarding the three-year strategic investment plan, including reports for IT, Advocacy, and Development. The three-year financial plan is on track and beginning to show results with newly added and filled positions and technology improvements.

Advocacy – Kathi Kromer reported that Advocacy is on track with planned spending. Already seeing the payoff on the investments as they've been able to take advantage of some opportunities i.e. better outreach on Capitol Hill. Just finished testing Salesforce and will go live in July.

Development – Sheila O'Donnell reported that investments are on track as the department is now fully staffed. The Salesforce project is in testing phase. The new Philanthropy Group is getting started and will have their first meeting at this Annual Conference. They are putting together materials and strategies for a major gifts campaign.

IT – Jim Gibson reported that investments are on track and that the department has undergone a name change from ITTS to IT. He mentioned their work with testing of Salesforce. IT has also fixed the platforms for dues, donations and the ALA Store, and can now move forward with new releases. IT rolled out another module to use related to mentoring and will be planning a digit audit of all of ALA's digital properties. In FY2020, planning for a CIO, Communications Specialist and a Business Analyst positions. During the general discussions, it was noted that there is a move budget related to the pending sale of the headquarters building. BARC noted that they would like this to be an agenda item at their fall meeting or during an upcoming conference call.

In addition, BARC and F&A reviewed summary reports for:

Publishing, (BARC/EBD #12.41) – Mary Mackay reported to the committee that results were clearly not where everyone would like for them to be at this point in the year. On the positive side, she is a firm believer that there is very good content around the Association and good people to capture it. Publishing will be looking for ways to leverage this content with internal/external collaborations. Expense control is a major initiative in the department – renegotiating contracts, talking with the fulfillment house and examining what's happening in the publishing field. She noted that each of the business units have their own business plan with different needs. In closing, she noted two areas which will help revenues in the future – marketing (not enough right now) and data analysis.

Conference Services, (BARC/EBD #12.42) – Earla Jones reported to the committee that registration at this AC was 6% over budget as of 6/20/19. Exhibits were 95% to budget and advertising was 97% to budget. She noted that the overall success of this conference will depend a great deal on the outcome for audio/visual costs. On the subject of the reimagined Midwinter Meeting, she noted that

there has not been much progress. To that end, the general consensus is that 2022 would be a better option to launch vs. 2021, which is currently under consideration. At this point, this change in timing has not been shared with the Conference Committee, but will be shortly. She noted that staff will be examining the conference registration rates, which from her perspective has not kept pace with the cost of a meeting. As an example after some recent analysis, it costs \$275 per registrant and \$474 per employee. For New Orleans, the cost was \$338 and \$472, respectively. Future equipment requests will be also be reviewed.

Membership, (BARC/EBD #12.43) – Lorelle Swader reported to the committee that the department is fully staffed going forward. At this time, she took the opportunity to introduce the newest member of her team: Melissa Walling, Director of Membership Development and Customer Service. Membership dues revenue was down by \$113,000. Working with IT to determine the feasibility of enabling more effective dues renewal automation options. Membership retention was an area that could use an investment boost. In conjunction with this effort, they are looking to start testing new membership pricing models for sustainability. The department has also been working with the Divisions and Round Tables to brainstorm ideas related to coordinated marketing efforts, looking for ways to strengthen the member package

Metrics Discussion Update

Brett Bonfield and Steve Potter led the discussion regarding their work on the metrics framework or guidelines for measuring the success of ALA's strategic investments in Advocacy, IT and Development. Their preliminary work indicated that there should be 3-5 metrics per investment area or as many as reasonable. These measures should also provide an indication of the strength/health of the organization. They went on to note that there was a need to make sure that the metrics addressed the following:

- Should make sense to the membership
- Outcomes should be associated with increasing membership and renewals, engagement, satisfaction, and operational stability
- Measures should be developed in conjunction with staff
- Results should be evaluated annually by BARC

Using this as a backdrop, several potential metrics were offered as examples for each investment area:

- Development – Board participation rates, year to year total for donors/dollars raised, year to year totals for major/planned gifts.
- Advocacy – Measure of satisfaction with advocacy efforts (survey), member/non-member participations rates in campaigns, an effectiveness dashboard.
- IT – Membership perceptions (survey), staff perceptions (survey), an IT health scorecard.
- Total ALA – Year to year voting rate totals, member to staff ratio, student membership retention and conversion rate.

BARC and F&A have designated liaisons to be a resource for the Conference Committee and Steering Committee on Organizational Effectiveness (SCOE) in order to contribute to the financial planning for these initiatives.

FY2020 Budget (BARC/EBD #3.17, BARC/EBD #3.22)

As is customary between the Spring BARC Meeting and the Annual Conference, ALA Unit Managers, in conjunction with Finance Office staff, continued to review their FY20 preliminary budgets and have made revenue and expense adjustments reflecting the most current information and decisions. Material changes are summarized in the table below. In aggregate, an additional \$415K of expense has been added since the Spring meeting.

ALA's General Fund: FY 2020 Revised Budget, (\$,000)
Spring Preliminary Budget = **(2,444)**

Expense savings, net	
Office of Intellectual Freedom	43
Office of Accreditation	7
Information Technology (ITTS)	19
Overhead	90
Total	159

Expense additions, net	
Executive Office	(67)
Communications & Marketing Office	(89)
Human Resources	(46)
ALA Editions	(13)
Midwinter Conference (Philadelphia)	(172)
Annual Conference (Chicago)	(189)
Total	(576)

All other nonmaterial changes, net

2

Revised Budget (as shown on Budget Schedule EBD/BARC #3.22) = **(2,859)**

The changes were primarily in the following areas:

- Communications & Marketing – New full-time position to manage the “ilovelibraries.org” program
- Human Resources – Additional expense for Executive Director search
- Executive Office – Addition of a Communications Specialist
- Conferences – Audio/Visual to reflect historical spending realities

After some additional discussion the following actions were taken:

Action Item: **Motion: Moved by Peter Hepburn and seconded by Karen Downing**
BARC recommends to the F&A and the Executive Board approval of the revised FY2020 Annual Estimates of Income of \$87,725,741, as highlighted in document BARC #3.17.

Action Item: **Motion: Moved Ed Garcia and seconded by Maria McCauley**
F&A concurs with BARC and recommends to the Executive Board approval of the revised FY2020 Annual Estimates of Income of \$87,725,741, as highlighted in document EBD #3.17.

Five-Year Plan Update (BARC/EBD #4.13)

BARC and F&A reviewed the 5-Year Plan considering the three-year strategic investment initiatives. The plan is a guide and planning tool for forecasting the financial needs and assumptions of the Association. An outcome of updating the plan was:

- Publishing is still struggling, but is making progress
- The leasing option (rent) is much more favorable than owning

Revised Investment Policy Statement (IPS) (BARC/EBD #13.4)

While this was an F&A item, both BARC and F&A reviewed the revised the Investment Policy Statement developed by the ALA Endowment Trustees. The Trustees discussed during their May meeting (5/14/19), the comments forwarded by F&A and BARC from their spring meetings (4/19). Some of these items were incorporated within the revision. Some members of F&A and BARC remain concerned that IPS didn't fully reflect the core values of the Association. This included a more pronounced commitment in ESG investments. BARC members made several comments/suggestions regarding the IPS that will be conveyed to the Trustees. This message will be conveyed by the incoming Treasurer, Maggie Farrell and current Trustee, Brian Schottlaender, who was attending the BARC/F&A meeting.

In closing the discussion, it was noted by Bret Bonfield that the Trustees should take another look at the stated spending policy in the IPS. It was felt that there may be more appropriate spending policies to consider.

With no further discussion, the following action was taken:

Action Item: **Motion: Moved by Maggie Farrell and seconded by Maria McCauley**
F&A recommends to the Executive Board approval of the revised Investment Policy Statement (IPS), as highlighted in document EBD #13.4.

Closed Session F&A (CBD #33)

The committee went into closed session and discussed two forthcoming vacant Endowment Trustee positions. F&A solicited candidates for the positions and are recommending two individuals to fill the positions. Results will be shared with the Executive Board.

Future Meeting Dates

- **2019 Fall Meetings, Chicago, IL**
 - ◆ Executive Board (October 25-27)
 - ◆ Joint BARC/Finance & Audit Committees (Sunday, October 20, due to ED Interviews 10/21-10/24)

- **2020 Midwinter Meetings, Philadelphia, PA**
 - ◆ Executive Board (January 24-28)
 - ◆ Joint BARC/Finance & Audit Committees (January 24)
 - ◆ F&A Audit Review (January 27)

- **2020 Spring Meetings, Chicago, IL**
 - ◆ Executive Board (April 3-5)
 - ◆ Finance & Audit Committee (April 2)
 - ◆ BARC (April 6-7)

- **2020 Annual Conference Meetings, Chicago, IL**
 - ◆ Executive Board (June 25-30)
 - ◆ Joint BARC/Finance & Audit Committees (June 26)

With no further business, the meeting was adjourned.