



**MARCH 2024**

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**Report To ALA Operating  
Agreement Implementation Task  
Force**

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# **PART 1:**

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## **Recap and Current Status**


# Recap and Current Status

**In our discussions last year, we considered 4 options for allocating Overhead (“OH”)**

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- ❑ Option 1: Based on Current Year Budgeted Revenue x Prior 2-year Organization-Wide Average OH as a Percentage of Revenue
  - ❑ Option 2: Based on Current Year Budgeted Expenses x Prior 2-year Organization-Wide Average OH as a Percentage of Expenses
  - ❑ Option 3: Based on Current Year Budgeted Net Operating Surplus Before OH (“NOS”) x Prior 2-year Organization-Wide Average OH as a Percentage of NOS Before OH
  - ❑ Option 4: Based on Current Year Budgeted Net Operating Surplus (“NOS”) Before OH x Sliding Scale With Brackets. **HOWEVER, IT HAS BEEN DETERMINED THAT OPTION 4 IS TOO COMPLEX TO IMPLEMENT EFFECTIVELY AND EFFICIENTLY, AND THIS OPTION HAS THEREFORE BEEN ELIMINATED FROM FURTHER CONSIDERATION**

# Recap and Current Status

**Original Task Force assignment:  
address the following 6 “key objectives” to be  
included within a revised / updated Operating  
Agreement**




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**OBJECTIVE 1: Indirect Cost Rate** – either affirm current method formula or develop alternative / new process for funding shared operational & member valued services.

**STATUS:** No matter which option the Task Force chooses, objective #1 will be completed. Under any of the options, the calculations will be (a) data driven and (b) applied uniformly to all units on a going forward basis. Both (a) and (b) were criteria established by this Task Force.

# Recap and Current Status




**OBJECTIVE 2: Net Asset Balance** – develop rules for how Net Asset Balances (“NAB”) will be handled in the future.

**STATUS:** no matter which option is selected objective #2 will be completed, as NAB will not change. In addition, all options include the **NEW** concept of designating 25% of the Cumulative NOS (Net Operating Surplus) AFTER OH charges as being for the benefit of the Division or Round Table that produced the surplus. Unlike NAB, the new Cumulative NOS after OH charges will enable units to save money in their endowments.

*As noted in “Key Assumption B” in the Report of 7/1/23: “It is important to remember that the designation of 25% for the benefit of the Division or Round Table is subject to the annual budget process and the ALA evaluation of available cash and the overall financial health of ALA organization as whole, and that the word “designate” does not, and is not intended to, imply “ownership”. The designated funds will still belong to ALA, will be held in the ALA Reserve, and from a legal perspective, the ALA Board will always have the right to “un-designate” such funds if ever and whenever they believe they have an appropriate reason to do so.”*

# Recap and Current Status



**OBJECTIVE 3: Eliminate subsidizing Divisions that lose money –** figure out how to make them operate profitably, or at least at break-even

**STATUS:** All options assume that ALA will subsidize the negative NOS (net operating deficits) for those units for a period of up to 3 years and that during the 3-year period ALA will work with those units producing net operating deficits to implement strategic solutions for turnaround aimed at eliminating all net operating deficits by the end of the 3-year period. If, by the end of the 3<sup>rd</sup> year, there are no longer units with annual net operating deficits after OH charges, then objective #3 will be completed. If at the end of the 3<sup>rd</sup> year, there are still units with annual net operating deficits after OH charges, then further discussions will take place at that time.

# Recap and Current Status

**OBJECTIVE 4: Consider the budget process** for Round Tables and some ALA units who internally transfer funds as “IUTs”


## STATUS:

- ❑ 1. Under all options, Roundtables will be charged OH at the same rate as revenue-producing departments and divisions.
- ❑ 2. Internal Unit Transfers will continue to occur depending on interunit revenue or expense-sharing agreements
- ❑ 3. No matter which option is selected objective #4 will be completed.

*In addition, knowing the OH charges in advance for the entire year at the time the budgets are finalized will relieve a significant burden on all the units when planning new programs or activities.*



# Recap and Current Status



**OBJECTIVE 5: Determine a strategy** that accounts for revenues over expenses to fund initiatives, reserves, and/or adding to the ALA endowment


**STATUS:** Under all options, objective 5 will be completed, as each unit (except for those with negative NOS after OH charges) will begin to accumulate designated cumulative NOS\* which can go into each unit's endowment and be used to fund new initiatives and reserves, subject to ALA approval, and ALA will also begin the process of increasing its Reserves to the desired goal of \$25 million, or the equivalent of 6 months annual expenses. Longer-term, once the ALA goal is accomplished, the percentage of cumulative NOS designated for the units can be re-visited and hopefully increased.

*<\* See additional comments re “designated cumulative NOS” on slide 6.>*

# Recap and Current Status

**OBJECTIVE 6: Develop accountability measures** for quality shared services

**STATUS:** The development of accountability measures is beyond the scope of this group.



The quality of services is usually measured by conducting surveys of each department that performs services for others. Hence, **every department, including those producing revenues**, should be evaluated periodically for quality service or other aspects such as budgeting accuracy, meeting budget, adherence to company policies, *etc.*

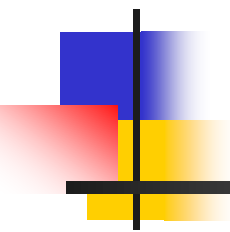
IT and Membership use ZOHO Desk, a software system that tracks inquiries and allows the service recipient to rate the service quality.

Every employee or unit is a customer of each other (reciprocal customer service). The Customer Service Cross-Functional Team has developed and published in FY 23 the customer service standards every staff member must adhere to.

Employees are evaluated by their supervisors, so if there are service quality standards, they must be addressed during the review process.

Conducting surveys for internal shared services will require additional resources and must be closely managed. **This objective will be referred to a team that will update the Operational Practices document with a priority charge to set accountability standards for the quality of services. The new ALA Executive Director and BARC will review as soon as the team's recommendations are available.**

## **PART 2:**



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# **Methodology for implementation of allocation of Overhead (“OH”) charges starting in 2026**

# Methodology for implementation of allocation of Overhead (“OH”) charges starting in 2026

These options apply only to those units (departments, divisions, and RTs) that pay OH charges. Lists of all units (a) that pay OH charges, and (b) that are partially supported by collected OH, are on the next two slides.

As noted on slide 4, last year there were 4 possible options for consideration, as follows:

- ❑ Option 1: Based on Current Year Budgeted Revenue x Prior 2-year Organization-Wide Average OH as a Percentage of Revenue
- ❑ Option 2: Based on Current Year Budgeted Expenses x Prior 2-year Organization-Wide Average OH as a Percentage of Expenses
- ❑ Option 3: Based on Current Year Budgeted Net Operating Surplus Before OH (“NOS”) x Prior 2-year Organization-Wide Average OH as a Percentage of NOS Before OH
- ❑ Option 4: Based on Current Year Budgeted Net Operating Surplus (“NOS”) Before OH x Sliding Scale With Brackets – **HOWEVER, IT HAS BEEN DETERMINED THAT THIS OPTION IS TOO COMPLEX TO IMPLEMENT EFFECTIVELY AND EFFICIENTLY, AND THIS OPTION HAS THEREFORE BEEN ELIMINATED FROM FURTHER CONSIDERATION.**

# *List of Units that pay OH*



<b>(221) ANNUAL CONFERENCE</b>	<b>(602) EXHIBITS RT</b>
<b>(222) LibLearnX</b>	<b>(604) GOVT DOCUMENTS RT</b>
<b>(260) CONTINUING EDUCATION</b>	<b>(605) INT FREEDOM RT</b>
<b>(301) ALA EDITIONS</b>	<b>(606) INTL RELATIONS RT</b>
<b>(302) BOOKLIST</b>	<b>(607) NEW MEMBERS RT</b>
<b>(303) AMERICAN LIBRARIES</b>	<b>(608) LIBRARY RESEARCH RT</b>
<b>(305) ALA Digital Reference</b>	<b>(609) MAP/GEOSPATIAL RND TBL</b>
<b>(313) ALA GRAPHICS</b>	<b>(610) SOCIAL RSPNS RT</b>
<b>(401) PLA</b>	<b>(612) LIB INSTRUCTION RT</b>
<b>(403) ACRL</b>	<b>(613) ETHNC MTL INF EXCH RT</b>
<b>(404) CHOICE</b>	<b>(614) LEARNRT</b>
<b>(405) AASL</b>	<b>(615) RETIRED MEMBERS RT</b>
<b>(410) RUSA</b>	<b>(616) GGRT</b>
<b>(411) UFL</b>	<b>(617) FILM AND MEDIA RT</b>
<b>(413) ALSC</b>	<b>(619) Rainbow RT</b>
<b>(414) YALSA</b>	<b>(620) SRT</b>
<b>(415A) 415A - Core</b>	<b>(621) Graphic Novel and Comic Round Table</b>
<b>(601) LIBRARY HISTORY RT</b>	<b>(622) CSK RT</b>
	<b>(623A) Library Support Staff RT</b>

# List of all units partially supported by collected overhead



<b>(101) STANDING COMMITTEES</b>
<b>(102) GOVERNANCE</b>
<b>(103) EXECUTIVE OFFICE</b>
<b>(104) LIB &amp; INFO RESEARCH CENTER (LIRC)</b>
<b>(106) HRDR</b>
<b>(108) OFF/INTELLECTUAL FREEDOM</b>
<b>(111) INTERNATIONAL RELATIONS</b>
<b>(112) OFFICE FOR ACCREDITATION</b>
<b>(113) Communications Marketing &amp; Media Office</b>
<b>(114) DEVELOPMENT OFFICE</b>
<b>(115) PUBLIC PROGRAMS</b>
<b>(116) DIVERSITY</b>
<b>(150-151) PUBLIC POLICY &amp; ADVOCACY</b>
<b>(200) AOMR</b>
<b>(230) ALA AWARDS</b>
<b>(250) MEMBERSHIP SERVICES</b>
<b>(251) CHAP.RELATIONS/MEMB.</b>
<b>(501) STAFF SUPPORT SERV/O</b>
<b>(505) INFORMATION TECHNOLOGY</b>
<b>(506) HUMAN RESOURCES</b>
<b>(509) DISTRIBUTION CENTER</b>
<b>(511) BUILDING MAINTENANCE</b>
<b>(550-551) FINANCE &amp; ACCOUNTING</b>
<b>(591) ADMIN cost center(Insurance-Audit-Telephone-Legal)</b>

# Methodology for 2026 - Option 1

## REVENUE x ORG WIDE AVG PCTG

**Based on the AVERAGE of past two years OH as a percentage Revenue, per audited financial statements.**

This calculation is based on the following formula for 2026 *(Note 1)*

A. Take (FY 2023 **total revenue** plus FY 2024 **total revenue**) / then divide by 2

B. Take (FY 2023 **total OH** plus FY 2024 **total OH**) / then divide by 2

C. Take "B" and divide it by "A". This is the **average of the past 2-years OH, as a percentage of the past 2-years revenue** *(Note 2)*

D. Multiply your unit's FY 2026 budgeted revenue x "C".

**THIS IS THE OH CHARGE FOR YOUR UNIT FOR FY 2026, which goes into the 2026 budget as a "fixed" expense.**

*\* Note (1): in the future, in each place where a FY is cited, move each FY one year forward, every year.*

*\* Note (2): in the 2024 budget, using the 2022-2023 2-year average, the percentage calculation in "C " was 19.43%*

# Methodology for 2026 - Option 2

## EXPENSES x ORG WIDE AVG PCTG

**Based on the AVERAGE of past two years of OH as a percentage of Expenses before OH, per audited financial statements.**

This calculation is based on the following formula for 2026 *(Note 1)*

A. Take (FY 2023 **total expenses** before OH plus FY 2024 **total expenses** before OH) / then divide by 2

B. Take (FY 2023 **total OH** plus FY 2024 **total OH**) / then divide by 2

C. Take "B" and divide it by "A". This is the **average of the past 2-years OH, as a percentage of the past 2-years Expenses before OH.** *(Note 2)*

D. Multiply your unit's FY 2026 budgeted expense x "C".

**THIS IS THE OH CHARGE FOR YOUR UNIT FOR FY 2026, which goes into the 2026 budget as a "fixed" expense.**

*\* Note (1): in the future, in each place where a FY is cited, move each FY one year forward, every year.*

*\* Note (2): in the 2024 budget, using the 2022-2023 2-year average, the percentage calculation in "C" was 24.40%*



# Methodology for 2026 - Option 3

## NOS x ORG WIDE AVG PCTG

**Based on the AVERAGE of past two years OH as a percentage of NOS (Net Operating Surplus) before OH, per audited financial statements.**

This calculation is based on the following formula for 2026 *(Note 1)*

*For your unit:*

- (A) Take FY 2023: (revenue) – (expenses before OH charges)
- (B) Take FY 2024: (revenue) – (expenses before OH charges)
- (C) Take A plus B, and divide by 2. **This is the 2-Year average NOS before OH charges for your unit.**
- (D) Add up the 2-year average NOS for all the units, as calculated in step “C” above.
- (E) Add up all the **actual** OH charges, for all the units, for the 2-year period, as reflected in the audited statements, then divide by 2.

*<continued on slide 18>*

*Note (1): in the future, in each place where a FY is cited, move each FY one year forward, every year.*

# Methodology for 2026 - Option 3

## NOS x ORG WIDE AVG PCTG

Based on the **AVERAGE** of past two years OH as a percentage of NOS (Net Operating Surplus) before OH, per audited financial statements.

(F) Take E and divide by D. The formula is therefore: (Organization wide 2-year average of OH) / (Divided by 2-year average NOS before OH charges for all units that pay OH) = **"organization wide 2-yr average of OH as a percentage of NOS before OH charges."** (Note 2)

(G) Multiply the **BUDGETED 2026 NOS BEFORE OH CHARGES <WHICH IS BUDGETED REVENUE MINUS BUDGETED EXPENSES>** for each unit X the organization wide 2-year average of OH as a percentage NOS before OH charges, as calculated in "F" above. **THIS IS THE OH CHARGE FOR YOUR UNIT FOR FY 2026, which goes into the 2026 budget as a "fixed" expense.**

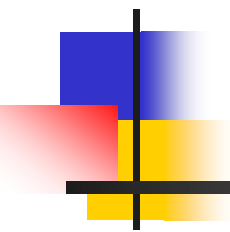
**THIS IS THE OH CHARGE FOR YOUR UNIT FOR FY 2026, which goes into the 2026 budget as a "fixed" expense.**

*\* Note (2): in the 2024 budget, using the 2022-2023 2-year average, the percentage calculation in "G" was 95.36%*

# **Methodology for 2026**

## **Option 4**

### **NOS x Sliding Scale With Brackets**




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**IT HAS BEEN DETERMINED THAT OPTION 4 IS  
TOO COMPLEX TO IMPLEMENT EFFECTIVELY  
AND EFFICIENTLY, AND THIS OPTION HAS  
THEREFORE BEEN ELIMINATED FROM  
FURTHER CONSIDERATION**

# PART 3. Impact

## How each of the options would have affected your unit if it had been in effect for FY 2024

- 
- ❑ Option 1: Based on Current Year Budgeted Revenue x Prior 2-year Organization-Wide Average OH as a Percentage of Revenue
  - ❑ Option 2: Based on Current Year Budgeted Expenses x Prior 2-year Organization-Wide Average OH as a Percentage of Expenses
  - ❑ Option 3: Based on Current Year Budgeted Net Operating Surplus Before OH (“NOS”) x Prior 2-year Organization-Wide Average OH as a Percentage of NOS Before OH

Note: due to the number of units, each Option is presented over 2 slides.

# IMPACT on 2024: OPTION 1 (pg. 1)

The projections re Cumulative NOS assume that (a) the prior 2-year average NOS after OH charges will remain constant, (b) the balances will earn an average of 5% per year, and [c] there will be no spending from these funds for 15 years.

**Since NONE of these assumption are likely to come true, please see Note #3 on Slide #28**

	IMPACT UNDER OPTION 1				your cumulative			
	ACTUAL 2024 BUDGET		Option 1	change +/-	NOS over 15			
	Your Revenue	your OH	your OH	in your OH	years			
(221) ANNUAL CONFERENCE	4,815,944	1,278,875	935,652	(343,223)	N/A-General Fund			
(222) LibLearnX	1,331,875	352,947	258,759	(94,188)	N/A-General Fund	<b>NOTE:</b> units with a blank in this column have a 2-year avg NOS after OH which is negative		
(260) CONTINUING EDUCATION	764,500	202,593	148,529	(54,064)	N/A-General Fund			
(301) ALA EDITIONS	2,300,900	633,483	447,024	(186,459)	N/A-General Fund			
(302) BOOKLIST	4,440,713	1,176,789	862,751	(314,038)	N/A-General Fund			
(303) AMERICAN LIBRARIES	817,700	216,691	158,864	(57,827)	N/A-General Fund			
(305) ALA Digital Reference	1,103,700	292,481	214,429	(78,052)	N/A-General Fund			
(313) ALA GRAPHICS	482,997	127,994	93,838	(34,156)	N/A-General Fund			
(401) PLA	3,935,937	780,102	764,682	(15,419)	1,830,345			
(403) ACRL	2,281,789	247,699	443,311	195,612	356,821			
(404) CHOICE	2,356,295	311,944	457,786	145,842	---			
(405) AASL	1,729,411	301,145	335,994	34,849	---			
(410) RUSA	315,315	14,000	61,260	47,260	117,126			
(411) UFL	467,100	27,880	90,749	62,869	391,538			
(413) ALSC	1,718,389	192,974	333,852	140,878	3,881,113			
(414) YALSA	464,500	40,230	90,244	50,014	---			
(415A) 415A – Core	883,098	74,267	171,570	97,303	---			
(601) LIBRARY HISTORY RT	8,000	750	1,554	804	13,318			

# IMPACT on 2024: OPTION 1 (pg. 2)

The projections re Cumulative NOS assume that (a) the prior 2 year average NOS after OH charges will remain constant, (b) the balances will earn an average of 5% per year, and [c] there will be no spending from these funds for 15 years.

**Since NONE of these assumption are likely to come true, please see Note #3 on Slide #28**

	IMPACT UNDER OPTION 1				your cumulative		
	ACTUAL 2024 BUDGET		Option 1	change +/-	NOS over 15		
	Your Revenue	your OH	your OH	in your OH	years		
(602) EXHIBITS RT							
(604) GOVT DOCUMNTS RT	10,500	1,050	2,040	990	---	NOTE:	
(605) INT FREEDOM RT	18,200	1,700	3,536	1,836	40,432	units with a	
(606) INTL RELATIONS RT	8,893	800	1,728	928	54,013	blank in this	
(607) NEW MEMBERS RT	14,400	1,400	2,798	1,398	52,993	column have	
(608) LIBRARY RESEARCH RT	8,500	850	1,651	801	45,581	a 2-year avg	
(609) MAP/GEOSPATIAL RND TBL	6,900	580	1,341	761	13,251	NOS after	
(610) SOCIAL RSPNS RT	28,110	1,300	5,461	4,161	17,484	OH	
(612) LIB INSTRUCTION RT	25,000	2,500	4,857	2,357	57,043	which is	
(613) ETHNC MTL INF EXCH RT	13,800	1,150	2,681	1,531	647,819	negative	
(614) LEARNRT	7,500	750	1,457	707	37,715		
(615) RETIRED MEMBERS RT	5,500	550	1,069	519	25,643		
(616) GGRT	7,700	700	1,496	796	12,001		
(617) FILM AND MEDIA RT	5,500	450	1,069	619	14,611		
(619) Rainbow RT	78,000	1,600	15,154	13,554	202,758		
(620) SRT	4,500	450	874	424	23,646		
(621) Graphic Novel and Comic Round Table	15,500	800	3,011	2,211	49,837		
(622) CSK RT	295,830	500	57,474	56,974	283,610		
(623A) Library Support Staff RT	4,700	470	913	443	20,331		

# IMPACT on 2024: OPTION 2 (pg. 1)

The projections re Cumulative NOS assume that (a) the prior 2 year average NOS after OH charges will remain constant, (b) the balances will earn an average of 5% per year, and [c] there will be no spending from these funds for 15 years.

**Since NONE of these assumption are likely to come true, please see Note #3 on Slide #28**

	IMPACT UNDER OPTION 2				your cumulative	
	ACTUAL 2024 BUDGET		Option 2	change +/-	NOS over 15	
	Your Expenses	your OH	your OH	in your OH	years	
(221) ANNUAL CONFERENCE	3,825,460	1,278,875	933,385	(345,490)	N/A-General Fund	
(222) LibLearnX	1,550,485	352,947	378,307	25,360	N/A-General Fund	NOTE:
(260) CONTINUING EDUCATION	467,322	202,593	114,023	(88,570)	N/A-General Fund	units with a
(301) ALA EDITIONS	2,180,705	633,483	532,077	(101,406)	N/A-General Fund	blank in this
(302) BOOKLIST	2,440,069	1,176,789	595,360	(581,429)	N/A-General Fund	column have
(303) AMERICAN LIBRARIES	598,425	216,691	146,011	(70,680)	N/A-General Fund	a 2-year avg
(305) ALA Digital Reference	641,435	292,481	156,506	(135,975)	N/A-General Fund	NOS after OH
(313) ALA GRAPHICS	324,949	127,994	79,285	(48,709)	N/A-General Fund	which is
(401) PLA	2,543,063	780,102	620,490	(159,612)	1,830,345	negative
(403) ACRL	2,540,425	247,699	619,846	372,147	356,821	
(404) CHOICE	2,017,986	311,944	492,374	180,430	---	
(405) AASL	1,356,096	301,145	330,878	29,733	---	
(410) RUSA	275,074	14,000	67,116	53,116	117,126	
(411) UFL	331,520	27,880	80,889	53,009	391,538	
(413) ALSC	1,436,781	192,974	350,565	157,591	3,881,113	
(414) YALSA	389,644	40,230	95,070	54,840	---	
(415A) 415A - Core	787,207	74,267	192,073	117,806	---	
(601) LIBRARY HISTORY RT	6,302	750	1,538	788	13,318	

# IMPACT on 2024: OPTION 2 (pg. 2)

The projections re Cumulative NOS assume that (a) the prior 2 year average NOS after OH charges will remain constant, (b) the balances will earn an average of 5% per year, and [c] there will be no spending from these funds for 15 years.

**Since NONE of these assumption are likely to come true, please see Note #3 on Slide #28**

	IMPACT UNDER OPTION 2				your cumulative	
	ACTUAL 2024 BUDGET		Option 2	change +/-	NOS after 15	
	Your Expenses	your OH	your OH	in your OH	years	
(602) EXHIBITS RT						
(604) GOVT DOCUMNTS RT	6,615	1,050	1,614	564	---	NOTE:
(605) INT FREEDOM RT	15,787	1,700	3,852	2,152	40,432	units with a
(606) INTL RELATIONS RT	8,950	800	2,184	1,384	54,013	blank in this
(607) NEW MEMBERS RT	12,522	1,400	3,055	1,655	52,993	column have
(608) LIBRARY RESEARCH RT	6,328	850	1,544	694	45,581	a 2-year avg
(609) MAP/GEOSPATIAL RND TBL	6,577	580	1,605	1,025	13,251	NOS after OH
(610) SOCIAL RSPNS RT	12,400	1,300	3,026	1,726	17,484	which is
(612) LIB INSTRUCTION RT	19,610	2,500	4,785	2,285	57,043	negative
(613) ETHNC MTL INF EXCH RT	10,450	1,150	2,550	1,400	647,819	
(614) LEARNRT	5,328	750	1,300	550	37,715	
(615) RETIRED MEMBERS RT	4,715	550	1,150	600	25,643	
(616) GGRT	4,285	700	1,046	346	12,001	
(617) FILM AND MEDIA RT	5,247	450	1,280	830	14,611	
(619) Rainbow RT	35,550	1,600	8,674	7,074	202,758	
(620) SRT	2,605	450	636	186	23,646	
(621) Graphic Novel and Comic Round Table	13,608	800	3,320	2,520	49,837	
(622) CSK RT	268,010	500	65,393	64,893	283,610	
(623A) Library Support Staff RT	3,866	470	943	473	20,331	



# IMPACT on 2024: OPTION 3 (pg. 1)

The projections re Cumulative NOS assume that (a) the prior 2 year average NOS after OH charges will remain constant, (b) the balances will earn an average of 5% per year, and [c] there will be no spending from these funds for 15 years.

**Since NONE of these assumption are likely to come true, please see Note #3 on Slide #28**

	IMPACT UNDER OPTION 3				your cumulative	
	ACTUAL 2024 BUDGET		Option 3	change +/-	NOS over 15	
	NOS BEFORE OH	your OH	your OH	in your OH	years	
(221) ANNUAL CONFERENCE	990,484	1,278,875	944,509	(334,366)	N/A-General Fund	
(222) LibLearnX	(218,610)	352,947	0	(352,947)	N/A-General Fund	<b>NOTE:</b>
(260) CONTINUING EDUCATION	297,178	202,593	283,384	80,791	N/A-General Fund	<b>units with a</b>
(301) ALA EDITIONS	120,195	633,483	114,616	(518,867)	N/A-General Fund	<b>blank in this</b>
(302) BOOKLIST	2,000,644	1,176,789	1,907,781	730,992	N/A-General Fund	<b>column have</b>
(303) AMERICAN LIBRARIES	219,275	216,691	209,097	(7,594)	N/A-General Fund	<b>a 2-year avg</b>
(305) ALA Digital Reference	462,265	292,481	440,809	148,328	N/A-General Fund	<b>NOS after OH</b>
(313) ALA GRAPHICS	158,048	127,994	150,712	22,718	N/A-General Fund	<b>which is</b>
(401) PLA	1,392,874	780,102	1,328,222	548,120	1,830,345	<b>negative</b>
(403) ACRL	(258,636)	247,699	0	(247,699)	356,821	
(404) CHOICE	338,309	311,944	322,606	10,662	---	
(405) AASL	373,315	301,145	355,987	54,842	---	
(410) RUSA	40,241	14,000	38,373	24,373	117,126	
(411) UFL	135,580	27,880	129,287	101,407	391,538	
(413) ALSC	281,608	192,974	268,537	75,563	3,881,113	
(414) YALSA	74,856	40,230	71,382	31,152	---	
(415A) 415A - Core	95,891	74,267	91,440	17,173	---	
(601) LIBRARY HISTORY RT	1,698	750	1,619	869	13,318	

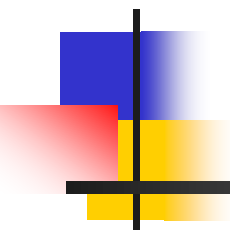
# IMPACT on 2024: OPTION 3 (pg. 2)

The projections re Cumulative NOS assume that (a) the prior 2 year average NOS after OH charges will remain constant, (b) the balances will earn an average of 5% per year, and [c] there will be no spending from these funds for 15 years.

**Since NONE of these assumption are likely to come true, please see Note #3 on Slide #28**

	IMPACT UNDER OPTION 3				your cumulative	
	ACTUAL 2024 BUDGET		Option 3	change +/-	NOS over 15	
	NOS BEFORE OH	your OH	your OH	in your OH	years	
(602) EXHIBITS RT						
(604) GOVT DOCUMENTS RT	3,885	1,050	3,705	2,655	---	NOTE:
(605) INT FREEDOM RT	2,413	1,700	2,301	601	40,432	units with a
(606) INTL RELATIONS RT	(57)	800	0	(800)	54,013	blank in this
(607) NEW MEMBERS RT	1,878	1,400	1,791	391	52,993	column have
(608) LIBRARY RESEARCH RT	2,172	850	2,071	1,221	45,581	a 2-year avg
(609) MAP/GEOSPATIAL RND TBL	323	580	308	(272)	13,251	NOS after OH
(610) SOCIAL RSPNS RT	15,710	1,300	14,981	13,681	17,484	which is
(612) LIB INSTRUCTION RT	5,390	2,500	5,140	2,640	57,043	negative
(613) ETHNC MTL INF EXCH RT	3,350	1,150	3,195	2,045	647,819	
(614) LEARNRT	2,922	750	2,786	2,036	37,715	
(615) RETIRED MEMBERS RT	785	550	749	199	25,643	
(616) GGRT	3,415	700	3,256	2,556	12,001	
(617) FILM AND MEDIA RT	703	450	670	220	14,611	
(619) Rainbow RT	42,450	1,600	40,480	38,880	202,758	
(620) SRT	1,895	450	1,807	1,357	23,646	
(621) Graphic Novel and Comic Round Table	2,242	800	2,138	1,338	49,837	
(622) CSK RT	27,820	500	26,529	26,029	283,610	
(623A) Library Support Staff RT	834	470	795	325	20,331	

# PART 4: NOTES



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**The following Notes include observations and comments that are important to understanding the preceding material and data included in this presentation**

# NOTES

(1) **Restricted** donations, contributions and grants are **NOT** included in revenue and are **NOT** subject to OH charges.

(2) All units (*i.e.*, division, department, or RT), with negative NOS after OH charges will be subsidized by ALA for at least a 3-year period, during which the goal is to get them to a point where they are operating profitably, or at least at break-even. This goal will necessarily involve a close collaboration between the ALA finance team with the Executive Director and key leadership of those divisions currently operating with net deficits.

(3) In the “Impact” section, in all 3 options, the column labeled “your cumulative NOS over 15 years” is based on the assumptions that (a) your unit’s NOS after OH charges will be the same every year as it was in the 2022-2023 2-year average, (b) your unit’s cumulative NOS will be invested and the average annual earnings on your accumulated NOS will be 5% per year, and (c) none of the accumulated NOS will be spent during the 15-year period. **NONE of these assumptions are likely to come true – they are presented for purposes of illustration only.** Your NOS after OH charges will certainly change (hopefully grow) over a 15-year period, annual earnings will certainly fluctuate both over / under the assumed 5%, and some units will (almost) certainly spend some portion of the accumulated NOS balances, subject to approval of ALA during the regular annual budgeting process.

# NOTES

(4) Notwithstanding the preceding Note #3, there are 3 units (404-Choice, 405-AASL, and 415A Core) for which the “2-year average NOS after OH charges” are negative, because **in the preceding two years** (2022 and 2023) the OH charges were responsible for driving the NOS after OH charges into a net negative position. **Under option 3, in which OH charges are a percentage of NOS before OH charges, it could never happen that OH charges will be responsible for driving the NOS after OH charges into a net negative position. This is an important difference between option 3 vs options 1 and 2.**

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As a result, the projections for those three units show up as “---” (**blank**) in the “Impact” section of this report, but if the consensus is to choose option #3 – *i.e.*, the option based on a percentage of NOS before OH charges – then the situation for those three units will change from negative to positive. (This comment does not apply to options #1 or #2, it only applies to #3 and #4.)

(5) No matter which option is selected, the OH charges in the future will be **data driven** and **the exact same formula will apply to all units**. These were two criteria established by the Task Force.

# NOTES


(6) The spreadsheet titled "3-5-24 Data for OA Report" has the details of how all the numbers and projections cited in this report were calculated. **The data in the spreadsheet is identical to the data in this power-point.** The spreadsheet includes details for each unit in each of the separate sections regarding:

- ❑ **2-year averages** -- historical data based on audited financial statements.
- ❑ **2024 budget** -- actual data for this year's budget
- ❑ **Impact** -- projections regarding the impact of each option, if that option had been in effect for the 2024 budget.

(7) In Option 3, no unit can be forced into a **Net Operating Deficit** due to OH charges, since OH charges are a percentage of NOS before OH charges.

(8) Due to the fact that we are using the 2-year average percentages times each of the categories (Revenue, Expenses, or NOS), the **OH charges will, in the future, be more consistent** (*i.e.*, fluctuate less from year to year) than the charges under the current method.

# Notes



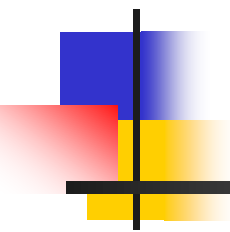
(9) Using historical data (the past two years' average) to allocate overhead is a widely accepted practice for organizations and businesses. It provides a predetermined budgeted overhead (OH) rate used during the budgeting process, which at ALA starts a year before the budget is approved each October for that fiscal year.

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(10) **UNDER ALL OPTIONS, THE OH CHARGES WILL BE KNOWN AT THE BEGINNING OF THE YEAR AND WILL BE A "FIXED" LINE ITEM IN EACH UNIT'S BUDGET.** The proposed new methodology means that the amount of OH charges, in each year, for each unit, will be one number, known at the beginning of the year, and will be included in the annual budget as a single line item.

# NOTES

(11) **Finally, it is critical to note that ALA does not charge – and has never charged -- ALL of its actual annual shared services costs to the units (divisions, departments, or RTs).**



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Actual shared services costs for 2024 are budgeted to total approximately \$19 million, but the OH charges to the units in 2024 total only \$6.2 million – or about 1/3<sup>rd</sup> of the total shared services costs. The remaining 2/3<sup>rd</sup>s has been – and will continue to be – absorbed by the ALA operations budget, while continuing to evaluate available cash and the overall financial health of ALA organization as whole.





# QUESTIONS

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