May 24, 2018

Dear Colleagues,

The ALCTS/LITA/LLAMA Financial Working Group is pleased to submit the attached report and budget on the financial feasibility of creating a new division in fulfillment of phase one of our charge.

The Group finds that creating a new division is financially feasible, but that feasibility comes with considerations and caveats as outlined in the report.

The report is roughly organized along typical budget report formats and programmatic priorities with sections on the endowment and net asset balance (reserve fund). Under each heading is a text section followed by a "Considerations" section and a "Caveats" section.

As with any analytical report of this nature, differences of opinions on the content submitted are inevitable. These differences provide the substance for the more complex discussions ahead regarding what the new division will look like and the value it will offer to its members. This report, hopefully, is the starting point for those discussions.

Sincerely,

Charles Wilt (ALCTS), Chair
Miranda Bennett (ALCTS)
Margaret Heller (LITA)
Brian Rennick (LITA)
Elspeth Olson (LLAMA)
Jeff Steely (LLAMA)

FINANCIAL WORKING GROUP REPORT

May 24, 2018

INTRODUCTION

The Financial Working Group (herein referred to as The Group) was constituted at the end of March 2018 with the following charge:

"The Budget & Finances Working Group is charged with performing preliminary budget analyses of the three separate divisions by June 4, 2018, to determine the financial feasibility of a new division. If a new division is determined to be financially feasible, the working group will then develop a financial plan proposal for the division by October 1, 2018. The financial examination should include all revenue and expenditure categories of the divisions. As part of its work, the group should develop a proposed dues structure based on current membership numbers."

Members of the Group are:

Charles Wilt, Chair (ALCTS)
Miranda Bennett (ALCTS)
Margaret Heller (LITA)
Brian Rennick (LITA)
Elspeth Olson (LLAMA)
Jeff Steely (LLAMA)

To fulfill our charge, a schedule was established:

Week 1. Expenses

Week 2. Revenue

Week 3. Membership and Dues

Week 4. Final Summary Discussion Report (Group only)

Week 5. Report Review and Comment

Week 6. Submission of Final Report

Our first task then was to determine if a new division is financially feasible.

FINANCIAL FEASIBILITY OF A NEW DIVISION

The Group had what seemed to be a rather Herculean task regarding the amount of information that we decided was necessary to review and analyze to fulfill our charge.

Over the course of April and May we reviewed the following documents:

> Division Year End budget reports for FY2016 and 2017, Midyear 2018 (February) budget reports, Endowment reports for Year End FY17, Membership reports for Year End FY17, Membership reports for March 2018, Division Overlap reports for Year End FY17, Dues structures, prospective member reports from March and April 2018, three document posted to the New Division Connect space by Jenny Levine, Executive Director of LITA (March 2018) - Overview of ALCTS-LITA-LLAMA, ALCTS-LITA-LLAMA Realignment Working Document, and ALCTS-LITA-LLAMA Structural Comparison and numerous documents generated by The Group to synthesize the information received.

After analyzing and discussing the information, The Group advances that a new division **is financially feasible**, but that feasibility comes with considerations and caveats that need to be addressed. A detailed analysis follows.

To illustrate our findings, a projected Fiscal Year 2021 budget was created (and is attached as an addendum). Why FY21? If the new division becomes a reality soon, FY19 budgets will be separate budgets, FY20 budget could be the first new division budget which carries with it some volatility and uncertainty. FY21 would be the first year for a more realistic budget. All revenue is uncertain. Some expenses are not controllable.

MEMBERSHIP

Membership statistics for ALA are fluid, meaning that they vary from month to month. Determining which statistics to use was challenging. In the end, for most of the analysis, Year End FY17 statistics were used. For prospective membership counts for a new division, statistics from March and April were used. There is always some margin of error and numbers never match exactly, but each set seemed reliable for our purposes.

The current membership for the three divisions combined is approximately:

Total	9,469
Full pay	6,655
Student	627
Other (includes the three unique dues categories of Non-Salaried, Support Staff, and Retired)	610
Continuing/Life	413
Organizational	1,149

The prospective membership of a new division is estimated to be 7,565. That would rank this new division third largest behind ACRL (10,495) and PLA (7,779). However that represents a loss of total membership of 1,904 (9,469 to 7,565), of full pay members of 1,029 (6,655 to 5,626), of students of 103 (627 to 524) and the largest percentage loss is for organizations – 614 or 53% (1,149 to 535). The precipitous drop in organizational members is due entirely to the fact that 259 (48%) of the 535 individual organizational members belong to all three divisions and another 127 (24%) belong to two divisions.

POTENTIAL MEMBERS BY CATEGORY FOR NEW DIVISION					
Personal Members		**Students**	**Non-salaried, Support staff, Retired**	**Continuing and Life (budgeted separately)**	**Organizational**
ALCTS only	2,183	172			56
LITA only	1,212	125			34
LLAMA only	2,666	125			59
All 3 Divisions	150	17			259
ALCTS/LITA	358	34			59
ALCTS/LLAMA	181	17			31
LITA/LLAMA	280	34			37
TOTAL	**7,030**	**524**	**Est. 525**	**Est. 355**	**535**
Two or more - %	**14**	**19**	**Est. 14**	**Est. 14**	**72**
Potential	**5626**	**524**	**525**		**535**
Full Pay	**7,030 - 524 - 525 - 355 = 5,626**				
Members	**5,626 + 524 + 525 + 535 + 355 = 7,565**				

Considerations

Although out of scope for this report, continuing discussion in ALA concerning its structure may have an impact on the new division’s membership.

Caveats

Over the last two years, membership has averaged a 2% decline in the aggregate. Some members may not see a new division as something they wish to belong to, having been members of one of the three specifically focused divisions.

DUES

This report presents five dues scenarios for the new division (low to high). The dues scenarios were based on projected membership, not current membership as stated in our charge, for reasons outlined in the Membership section. Our assumption was that we could recover the dues revenue of the combined revenue for the three divisions in a new division. This assumption proved to be invalid for scenarios one and two, marginally for scenario three and only true for scenarios four and five (the highest two). Replacing 1,900 dues paying members in a new dues structure was the challenge and it proved to be difficult, especially for organizational members which had the largest percentage loss of any dues category.

The question raised was how much would members pay for a new division. The answer was unclear. The results of the recent survey may shed some light. With 972 respondents, 72% indicated dues of $80 or more would be too high. The overriding question for The Group was the question of value. Would members get more value from a new division with perhaps higher dues than they were getting from their single division with what they currently pay? For example: in the lowest scenario, LLAMA members would pay $10 more and in the highest scenario $25 more.

The five dues scenarios represented in the tables below are reflected in the FY21 Projected budget attached.

DUES SCENARIOS FOR NEW DIVISION						
	1	**2**	**3**	**4**	**5**	**Members**
Full Pay Member	$60	$62	$65	$70	$75	5,626
Student	$20	$20	$25	$30	$30	524
Other: Non-Salaried/Retired/ Support Staff	$35	$40	$40	$40	$40	525 Est.
Organizational	$120	$140	$160	$180	$200	535

DUES SCENARIOS FOR NEW DIVISION - REVENUE						
	1	**2**	**3**	**4**	**5**	**Members**
Full Pay Member	$337,560	$348,812	$365,690	$393,820	$421,950	5,626
Student	$10,480	$10,480	$13,100	$15,720	$15,720	524
Other: Non-Salaried/ Retired/Support Staff	$18,375	$21,000	$21,000	$21,000	$21,000	525 Est.
Organizational	$64,200	$74,900	$85,600	$96,300	$107,000	535
Cont/Life	$3,650	$3,650	$3,650	$3,650	$3,650	355 Est
TOTAL	$434,265	$458,842	$489,040	$530,490	$569,320	7,565

Considerations
The 72% of Organizational members would see little or no change in the dues they pay now, even at the higher levels. Organizational dues that are higher than other divisions could have a positive impact on the new division if there is increased perceived value for those Organizational members.

Caveats
The revised dues structure might be appealing to current members who see either saving some money or having access to a larger organization and its combined resources. Longer term, though, prospective members will only see one division and the higher dues may have an impact on their decision to join.

PUBLICATIONS

The current approach to publications varies across the Divisions. ALCTS self-publishes a number of series' and has an agreement with ALA Editions to publish other works with ALCTS receiving a royalty from the sales. LITA has an agreement with Rowman and Littlefield to publish their works from which they receive a royalty from the sales. LLAMA does not have an active publishing program at present.

If the ALCTS model was adopted and LITA publications moved in-house, some modest revenue could be projected initially. As more publications were produced, this could rise especially if leadership/management series' were introduced. It also gives rise to cross-over publications involving areas not now covered due to the segregation of the programs.

Moving LITA publications in-house would have some effect on royalty income, but in the longer term. The LITA backlist would stay with R&L generating royalties as would a new agreement with ALA Editions. There is a potential to move all LITA backlist in-house.

ALCTS incurs production costs for the self-published works. LITA has no production expenses, but that would change if the ALCTS model was adopted. ALCTS and LITA provide stipends for editors at different rates.

Considerations
Providing a uniform approach to publications is crucial to further development of any publication program. Moving LITA publications in-house. The growth of LLAMA oriented publications.

Caveats
Any increase in the number of publications produced creates expenses. New publications must fill a niche not otherwise being filled, especially by ALA Editions with whom an agreement would be necessary.

JOURNALS

ALCTS still follows a more traditional publication model for LRTS with subscribers and higher production costs. More of the production work is now done by staff. ALCTS receives royalties from LRTS from aggregators. The LRTS model may stay in place in the coming years possibly transitioning to an open access journal. This would have a small effect on total revenue.

LITA does have modest production costs for layout and design work. All three divisions provide editor stipends but at different rates.

LLM and ITAL have no subscribers since they are open access. LITA and LLAMA journals are hosted free on OJS platforms at Boston College and Texas Digital Library respectively.

ALCTS is on the ALA OJS platform and is discontinuing a separate subscription to a peer review system when the current platform contract expires this year. ALA does charge fees for maintenance of the OJS platform.

Considerations

If the revenue currently produced by subscriptions to LRTS is not seen as a hindrance to LRTS being open access, then such a move would bring it in line with LLM and ITAL.

Caveats

Deciding on a single OJS platform for all three journals and hosting site.

ADVERTISING/JOB SITE

Currently the Advertising revenue is nearly entirely from LITA's Job Site. With an anticipated change in how the Job Site is administered such revenue may not be realistic in the future even with an expanded version.

There is little advertising revenue outside the Job Site revenue. ALCTS has a contract with Innovative Media Solutions to sell ads for the online sites for LRTS and ALCTS News. With the new division and a broader market, some growth in advertising might be possible

Potentially, there could be an increase in advertising revenue from the three journals.

Considerations

Expand the Job Site to include the other areas of the new division. Continue to maximize its effectiveness and revenue generation. Seek journal advertising more aggressively.

Caveats

Future reliance on the revenue produced by the Job Site is iffy, even if expanded.

CONTINUING EDUCATION

Currently, CE is a very strong revenue generator for ALCTS with its web courses and webinars. It is a good source of revenue for LLAMA especially with the introduction of the new web courses. LITA has revenue but is not as robust or on the scale of ALCTS and LLAMA.

Expenses for CE (web courses and webinars) are tied directly to the revenue generated and attendance at the events: presenter stipends, bank service charges, registration processing and overhead. The last three are set by ALA. Stipends are set by the divisions at different rates. As CE offerings increase, the expenses increase proportionately as well.

Staff capacity to support additional CE is seen as an impediment to expansion. There is currently 2.5 – 3 combined staff devoted to CE and programming. With additional staff resources to call upon in a new division or the possibility of hiring additional part-time staff to support CE, expansion of offerings is not only possible but should be pursued. The main concern is the small number of CE offered by LITA. Adding more web courses to the new LLAMA initiative and a build-up of LITA oriented CE has the potential of substantially increasing CE revenue longer term. As with publications, there are opportunities for cross-over CE.

Considerations

The expansion of CE offerings would be a mainstay of the new division with new opportunities to provide integrated CE across the varied interests of the members.

Caveats

Some revenue might be lost as a consequence of having more member registration fees. Standardized registration fees and speaker stipends need to be instituted as well as agreement on a single web platform.

FORUM AND SPRING VIRTUAL INSTITUTE

The annual LITA Forum format and the new ALCTS Exchange format offer opportunities for a new division to expand each event's programming and reach. With more integrated programming incorporating what would be the strength of a larger division, both events could be more robust in regard to attendance. The core program content that makes each event unique should be substantially maintained. Again as with publications and CE, cross-over programming could drive that attendance growth.

Considerations

The Forum and the Exchange should form a sort of bookend approach to programming for the new division.

Caveats

Any expansion of either or both events must accommodate the diversity of the members of the new division. Increased expenses come with the expansion. Avoiding direct conflict with other ALA Division conferences in the spring presents a challenge.

DONATIONS/SPONSORSHIPS

Donations for FY17 were skewed somewhat with the ALCTS 60th and LITA 50th celebrations, about $27,000 total. A breakdown of donations shows: $36,000 for awards, $7,600 for Preservation Week, $20,000 for an ongoing donation from one donor for ALCTS (which would continue), $7,000 for Midwinter, $1,500 for Annual, and $5,000 for the Forum. More attention needs to be given to sponsorships in general but especially programmatic sponsorships. ALCTS has a fundraising committee. LITA will have a fundraising group in place in the coming year.

LLAMA has no fundraising committee. Many members have expertise in fundraising and development. Their expertise needs to be utilized more aggressively by a new division.

The new division would be more attractive to prospective sponsors: only being approached by one group not three, large potential target audience, not three small ones, concentrate (and increase) sponsorships to one group, and probably more reasons.

Considerations

Greater effort should be given to individual donors and programmatic support. The breadth of potential corporate sponsors should be exploited. Traditional ties should remain, but a new division brings increased opportunities for broadening the sponsorship base.

Caveats

There is a critical need to create an active, experienced Fundraising/Development group early.

STAFF AND SALARIES/BENEFITS

Our assumption is that the current number of staff (7.5 FTE) will stay in place. There should be an ongoing evaluation of staff needs. That may or may not result in salary and benefit savings based on the evaluation. The half-time position with ALCTS supports CE.

Considerations

Short term might benefit by hiring additional part-time staff, at least through the inevitable transition period.

Caveats

Any increase in salary (even 2%) will have an impact on the budget. A 2% increase on current salary expenses are about $10,000 with another $3,100 for benefits. Benefit costs fluctuate and are set by ALA, currently 33% of full-time salary and 15% of part-time salary.

AWARDS

The Awards programs of the three Divisions are an integral part of the value offered to members. A combined Awards program of a new division would be quite encompassing since there is no overlap in regard to the purpose of each Division's awards. ALCTS and LITA awards are managed by staff. LLAMA's awards are managed by the sponsor of the award. Twenty-three awards are given in total.

In only one instance is there overlap of sponsors: OCLC sponsors the ALCTS CAMMS Margaret Mann Citation and the LITA Frederick G. Kilgour Award for Research in Library and Information Technology. Both are highly regarded and long standing awards.

Awards such as the ALCTS Presidential Citations and ALCTS Honors… would be easily accommodated in a new division.

The Hugh Atkinson Award is now given by four divisions, ACRL, ALCTS, LITA, and LLAMA. Presentation of the award rotates through each division and the jury is made up of representatives of each division.

Considerations

The Hugh Atkinson Award would only rotate between two divisions, so the jury would have to be reconstituted to reflect the new division and ACRL. Many of the current awards are not exclusive to a division but to the work of the members, so those awards could be re-evaluated to include a broader membership.

Caveats

Although not financial in nature, since the number of awards would increase with the new division, the amount of time devoted to awards at Annual would potentially increase. A new model for an awards ceremony or ceremonies should be considered.

MIDWINTER AND MIDWINTER CHANGE

Midwinter is basically a break even event for the divisions. The revenue provided by the Midwinter Institute/Symposium and sponsorships like that for the ALCTS member reception offset the expenses incurred outside the Institute/Symposium.

Considerations

There is discussion in ALA to change the format for MW to an all youth conference and awards program moving the YALSA and ALSC Institutes to the MW timeslot. This would virtually eliminate the expenses now incurred for MW including the two MW Institutes (but also the revenue for those events). Even if this doesn't happen in the short term, the new division might consider its involvement in MW.

Caveats

If MW is indeed changed or the new division decides to opt-out, eliminating events such as the ALCTS member reception, Board meetings, Interest Group programs, and the like would have to be addressed. This does have some financial impact on expenses.

ANNUAL

Annual Conference represents a large investment for the divisions in terms of funds, programs, pre-conferences and general member involvement. For Annual 2018, the three divisions are presenting 9 pre-conferences (1 virtual, 1 unconference), 56 programs (3 President's, 3 held annually), and as many Interest Group programs in addition to other events. Quite frankly, this is a staggering amount.

In 2017, pre-conferences produced $50,000 in revenue and $26,000 in expenses. Non-preconference expenses were roughly $18,000. A high percentage was AV.

As mentioned in Awards, many hours are devoted to awards ceremonies. There are many Board meetings, committee meetings and Interest Group programs, just to name a few of the events that take place at Annual. A new division exacerbates the problem but does offer some relief.

There would be only one Board to meet, committees would be consolidated eliminating meetings, programs may have to be reduced (as designated by ALA) saving on staff time and possibly other expenses. There would be one President's Program, but if MW is eliminated, a member reception could be created. There may also be other MW programming that would either be eliminated, offered in an alternate format or moved to Annual.

There would be more interesting sponsorship opportunities, possibly reduced expenses generally, and expanded opportunities for revenue generating events, such as pre-conferences.

Annual represents somewhat of an unknown in terms of analyzing the information for the financially feasibility of a new division. In some cases, savings would occur and in other expenses would rise. Projecting what might happen is difficult with so many singular events.

Considerations

There are a few areas that would have to be addressed: the sheer number of pre-conferences (9 for 2018) and programs offered (56 for 2018), the amount of time spent on awards ceremonies, consolidating Board and committee meetings and the overall expansive scope of Annual.

Caveats

Annual is a large event for the three divisions. The challenge is how to make it a rewarding event for members of a new division without totally giving up the uniqueness that each division brings to Annual. This may not be possible but could have revenue and expense implications. Outside expanding pre-conferences (including more virtual), projections are hard to make. Annual may only be reconciled from a financial standpoint by analyzing revenue and expenses on a yearly basis based on actual experience.

OFFICE OPERATIONS

There would be minimal savings here: examples – supplies, using one webinar platform, etc.

ENDOWMENT

The current combined Endowment for Year End FY17 was $540,611. In FY17 the rate of return was 11%. As of March 2018, the return was about 9% for FY18. Projecting an 8% return for FY19 and FY20, the Endowment could be approximately $689,000 at the Year End FY20. The approximate value of the transfer to operational funds over the last three years of all three divisions was about 35% or by FY20 approximately $22,000 for a combined Endowment. This transfer is reported as a negative expense rather than revenue.

RESERVE FUNDS

The Net Asset Balance (Reserve Fund) at the end of FY17 for all three Divisions was $905,824. With any transition to a new model of doing business, there are expenses, some anticipated, some not anticipated. This large of a Reserve Fund is more than adequate to supplement the annual budget during a transition period, perhaps two fiscal years. From a fiduciary standpoint, such an expenditure would be warranted, but only in the short term.

MISCELLANEOUS

There are a number of events and initiatives that the Divisions have currently but have only a minimal impact on the budget. All are worthy of continuing for they have a positive impact on member relations, add value for the division and governance. Most will be net expense projects, but the potential for attracting and keeping current sponsors is quite high. A few examples:

- Preservation Week
- President's Program

- Member Reception
- Top Technology Trends
- A Newsletter of some sort
- Spring EC in-person meeting (following the current ALCTS model which invites the Presidential candidates in addition to the Executive Committee)

FINAL THOUGHTS

Although out of our scope, the value of membership is a significant ancillary to any dues and membership discussion. What value are we going to provide to all members in the new division particularly if a number of them would be paying higher dues? This can be best illustrated with the 72% of Organizational members who now support two or all three divisions. A conscious effort to bring value to these members is critical.

As noted, there are a number of considerations and caveats that must be addressed by a new division notwithstanding the question of what a new division would look like. The structure is, again, out of the scope of this Group but nevertheless the structure will have an effect on the budget especially expenses.

A new division has a very strong financial base from which to succeed and grow. Reliance on dues and continuing education revenue for the bulk of the revenue can create difficulty if either or both decline. Broadening the revenue base should be a top priority either by expanding current revenue areas such as publications and donations or by establishing new revenue streams.