

Orbis Cascade Alliance

Financial Framework

Adopted by Council on 2011 July 14, revised by Council on 2016 March 11 and 2020 July 7

The following principles serve as the basis for financial planning for the Orbis Cascade Alliance for the next three to five years and will be reviewed every three years.

Guiding Principles

1. The Alliance is a consortium of academic libraries and is organized as a nonprofit corporation that is owned and governed by the member institutions. Its programs and services provide significant capabilities and benefits to its members they would not otherwise have. All member libraries have common interests and aspirations and share responsibility for the financial health of the consortium. Thus, the Alliance budget must be understood in that context.
2. The core organizing premise of the Alliance is to develop and facilitate programs and services for the common good of its members. Where possible and without loss to its member institutions, Alliance activities may contribute to the good of the larger library and archives community.
3. Core programs and services of the Alliance are those which
 - All members use and/or benefit from
 - All members support financially and through commitment of staff time
 - Are included in membership criteriaOptional programs and services are funded by opt-in fee structures.
4. The combined collections of member institutions are considered as one collection. This manifests itself in members acting as a single library in matters that relate to building, preserving, and providing access to the collection.
5. To ensure relevancy of its programs and services, the Alliance regularly reviews and develops a Strategic Agenda of new initiatives, explorations, and pilot projects. By its nature, the Strategic Agenda must be broadly supported and funded by all members. When Strategic Agenda initiatives mature, they are funded as core or optional programs.
6. Non-members may be offered selected core or optional services if
 - A. Participation by non-members does not detract from the benefit members achieve. Examples of such detracting factors include unfunded administrative costs, more complex governance, increased legal complexity, and weaker outcomes.

AND

- B. One or more of the following are true:
 - Growth yields improved service for all participants
 - Members judge that it is financially advantageous to serve non-members
 - Members judge that the benefit outweighs the cost of expanding the service.

7. Alliance budgetary priorities in descending order are as follows:
 - Core programs and services
 - Strategic Agenda initiatives, explorations, and projects
 - Optional services
 - Services to non-members
8. In addition to a regular operating budget, the Alliance maintains a financial structure that allows for agile, strategic responses to a dynamic environment, and provides financial stability to appropriately address unforeseen events.
9. The Alliance may attract or seek programmatic funds from other sources.

Financial Principles

10. The Alliance budget is developed through a timely process that provides full disclosure and clarity for all members.
11. Factors used to calculate required financial obligations include
 - A flat fee, representing shared commitment to purpose and equality in governance
 - Student FTE, a proxy for institution size, value derived, and/or ability to pay
 - Usage of services.
12. To support agreed upon programming, annual increases in required financial obligations are anticipated. Increases are normally based on the rate of inflation and the cost of new core programs and services. The indices used to calculate the rate of inflation are understood to include the Higher Education Price Index, the Consumer Price Index, and/or other relevant indices. In the absence of other planning documents or draft budgets, members should expect annual membership fee increases of about 5%.
13. Fees for optional programs and services are set at a level intended to fund the full cost of participation in the program or service, including administration, equipment, space, etc. and are levied separately from required financial obligations.
14. The Alliance sets a standard overhead rate. The overhead rate may be used to assess indirect costs related to Collaborative Workforce or grant awards. Council may elect to use this rate or vary from it for a particular project.
15. The fee for a new member is based on the cost of bringing the library into the core programs and services plus an additional amount to the Operating Reserve and Agility Funds (defined below).
16. To be certain that each program is of sufficiently high priority to be continued either as a core or optional program, Alliance programs and services with financial implications are reviewed by the Board and shared with Council on a biennial basis.
17. The financial implications of new Alliance activities need to be clear to Council. Understanding that new activities may need to be explored before full costs can be determined, the Board reviews financial and staff costs of new strategic initiatives, programs, services, or partnerships and shares that information with Council.
18. On a three-year cycle, the Alliance calculates
 - Direct costs members will pay for optional programs and services, including administration, equipment, insurance, space, etc., excluding governance.

- Direct and indirect costs non-members will pay for programs and services, including administration, equipment, insurance, space, etc., and consideration of members' investment in governance. Such fees may include additional charges intended to build the Agility Fund.
19. The Alliance will retain services of a certified public accountant who will provide consultation, review financial records, and perform an annual audit in accordance with United States generally accepted accounting principles.

An independent auditor's report, including an opinion on the financial statements for the fiscal year, shall be issued by the accountant at the closing of the audit. The report shall then be presented to the Alliance Board of Directors.

Operating Reserve and Agility Funds

20. Operating Reserve.

In order to provide financial stability and allow for appropriate responses to unforeseen events, the Alliance maintains an Operating Reserve Fund that is managed outside the operating budget. The fund should be sufficient to cover Alliance obligations in the event of cessation of business.

21. Agility Fund.

Beyond funding for core programs and services, required financial obligations build and maintain an Agility Fund that is managed outside the operating budget. This fund provides financial support for significant strategic actions or rapid responses to a changing environment.

22. Target balances

Operating Reserve.

The Operating Reserve target is calculated annually as part of the adoption of a budget. The Operating Reserve target formula is 20% of contractual obligations, generally the sum of

- annual salaries and benefits,
- annual office space and equipment leases, and
- annual fees specified in the Shared ILS contract.

This Operating Reserve policy is reviewed whenever the Board determines that review is prudent, but not less than every five years. (See Council minutes, July 2014; *Best Practices Associated with FY12 Audit*, Finance Team, January 14, 2014)

Agility Fund.

The Alliance has no target balance for the Agility Fund.

23. Funding

The Alliance generates reserve funds from 5% of required financial obligations, new member and non-member fees, and interest or return on investments. Such funds are applied to the Operating Reserve if it is below the target balance, then used to build the Agility Fund.

24. Expenditures and management

Expenditures from the Operating Reserve and Agility Fund are determined by Council. Management of these funds is overseen by the Board of Directors.