



BRIEFING NOTE

TO: Finance Committee
FROM: Don Butcher, *Executive Director*
DATE: November 1, 2007
SUBJECT: Possible Membership Dues Increase

Background

In 2001, then-Treasurer Kathryn Arbuckle and the Finance Committee determined that CLA's constantly precarious financial state is not the result of overspending but of insufficient resources to accomplish what the members have set out for it: "CLA doesn't have an expenditure issue, it has a revenue issue."

CLA has three main sources of revenue: membership dues; Conference; retail operations. One of CLA's financial strengths over the years is that the revenue burden has been spread relatively equally amongst the three. This has reduced overall revenue risk and allowed CLA to ride through periods when one of the three has suffered, such as the lack of a Conference in 2003.

To keep up service to members, Ms. Arbuckle proposed that CLA tie membership dues to the rate of inflation. I gather Ms. Arbuckle's plan was that by tying dues increases to an externally generated objective measure, dues could continue to be a reasonable source of revenue without becoming a series of occasional, painful debates.

The last dues increase came into effect in January 2003. The next earliest opportunity to implement a dues increase is January 2009 (since CLA's practice is to have dues approved by the membership at an Annual or Special General Meeting).

Membership Dues

The Arbuckle Model proposed dues to be increased each year, rounded down to the nearest \$5 mark from what they would have been if they had been increased by the rate of inflation. A chart might illustrate this:

2003 Base year		Basic	Arbuckle	Arbuckle
Inflation		Personal	Model	Model
		Dues	gross	Rounded
2003	2.8%	\$200		
2004	1.8%		\$205.60	\$205
2005	2.2%		\$209.30	\$205
2006	2.0%		\$213.91	\$210
2007	2.4%		\$218.18	\$215
2008	2.2%		\$223.42	\$220
2009	2.0%		\$228.34	\$225

The net effect of the Arbuckle Model is that dues would increase in lock-step with inflation, but always on a lagging basis: at least one year behind, and sometimes two. The total increase from the base year would always be less than if the increases had matched inflation.

The Cost of Membership

A question that is frequently asked is, “Well, exactly how much does it cost to serve a member?”

The average membership dues figure is \$191 (\$440,000 in revenue divided by 2,300 members, including institutional members). In an average year, CLA spends about \$1.4 million in operations. This excludes special projects, CLA as a charity, etc.

The revenue-producing departments – primarily Conference, Exhibits and Membership – generate profits of about \$600,000 per year to cover the costs of the departments that don’t generate revenue: governance, the executive office, government and media relations, administration (rent, bookkeeping, office technology, etc.). In business terms, this is known as “cross subsidization”.

Basically, the member who only pays dues and contributes no other revenue to CLA (does not attend Conference, doesn’t buy a book, etc.) receives \$680 in benefits for their \$191 in dues. They are subsidized by advertisers, sponsors, those who attend Conference, etc.

Recommendation #1

That the Finance Committee recommend to Executive Council that it propose a motion at the 2008 Annual General Meeting implementing a formula for automatically increasing membership dues with the following characteristics: (1) that the increases lag inflation; (2) that 2008 be selected as the base year; (3) that the measure of inflation be the national Consumer Price Index; and (4) that the dues increases be implemented as of January 1 each year with the annual rate of inflation being that for the 12-month period July 1 to June 30 of the previous year.

For illustrative purposes:

2008 Base year		Basic Personal Dues	Arbuckle Model gross	Arbuckle Model Rounded	Membership Year
CPI Year	Inflation				
2007-2008	2.5%	\$200			2008
2008-2009	2.2%		\$205.00	\$205	2009
2009-2010	2.2%		\$209.51	\$205	2010
2010-2011	2.2%		\$214.12	\$210	2011
2011-2012	2.2%		\$218.83	\$215	2012
			\$223.64	\$220	2013

Operationally, in July or August each year the rate of inflation will be gathered from Statistics Canada for the July 1 to June 30 period of that year, and then applied to membership renewals or new members effective January 1 of the following year.

Recommendation #2

That the Finance Committee recommend to Executive Council that it propose a motion at the 2008 Annual General Meeting that the membership dues for those earning less than \$40,000 per year be half that of the basic individual membership dues.

This is current practice.

For illustrative purposes:

2008 Base year		Basic Personal Dues	Arbuckle Model gross	Arbuckle Model rounded	Discount Rate 50 percent	Membership Year
CPI Year	Inflation					
2007-2008	2.5%	\$200			\$100.00	2008
2008-2009	2.2%		\$205.00	\$205	\$102.50	2009
2009-2010	2.2%		\$209.51	\$205	\$102.50	2010
2010-2011	2.2%		\$214.12	\$210	\$105.00	2011
2011-2012	2.2%		\$218.83	\$215	\$107.50	2012
			\$223.64	\$220	\$110.00	2013