

**American Library Association
2009 Midwinter Meeting
Budget Analysis and Review Committee
Report to the ALA Executive Board
Wednesday, January 28, 2009**

It is my pleasure to report to the Executive Board on the activities of the Budget Analysis and Review Committee (BARC) at this Midwinter Meeting. Below are some topics BARC discussed:

- FY 2009 Budget Update – BARC #5.6
- FY 2010 Budget Guidelines – BARC Info #5
- Proposed Presidential Initiatives Budget – BARC #15
- Electronic Participation – BARC Info #7
- Finance Workshop
- FY 2009 Capital Requests – Revised – BARC #18.3
- FY 2010 Small Division Support – BARC #26
- Planning and Budget Assembly
- Division Leaders/BARC Joint Meeting

On Friday morning, January 23, BARC and the Finance and Audit Committee of the Executive Board met jointly and discussed the following:

FY 2009 1st Quarter Financial Report – BARC #5.6 (EBD #14.5)

BARC reviewed the first quarter FY 2009 budget report, and noted the following highlights:

Total ALA (all combined funds) revenue of \$11,115,415 is \$266,617 less than budget. The General Fund revenue of \$4,764,801 is \$649,780 less than budget due in part to Publishing and Member Programs and Services. Division revenues are 1%, \$16,171 less than budget and Grants and Awards are \$406,309 more than budget year-to-date. Investment interest and dividends are more than budget by \$7,889 reaching \$222,025 year- to-date.

Total ALA expenses of \$12,642,767 are 6%, \$780,392 less than budget. The General Fund expenses of \$6,093,979 are \$658,210, 10% less than budget. Note: the General Fund expense budget has been reduced by 3% due to expected revenue shortfalls. Divisions are \$464,567 less than budget. Grants and Awards are \$406,309 more than budget due primarily to timing.

Cash and short-term investments are \$19,253,041 as compared to \$21,318,442 last year due to lower deferred revenues and higher property, plant and equipment in FY 2008. The Long-Term Investment Fund is \$22,617,368 as compared to the \$31.3 million balance at November 2007, which has mitigated losses to 28% as compared to the broader market index losses of 38%.

Total ALA net assets are \$9,051,965, 27% less than November last year, totaling \$24,106,778, due primarily to reduction in long term investments.

BARC shares several observations:

- the ALA staff leadership is making appropriate adjustments in expenditures in response to realized and anticipated reductions in revenue.
- the ALA staff leadership has developed appropriate contingency plans for the FY 2009 budget as membership, conference, and publication revenue trends are monitored
- the ALA budget is increasingly influenced by grants revenue from foundation and federal sources, with connected growth in overhead income
- the decline in the value of our long-term investments is being carefully assessed, and the impact on current operations and activities is apparently minimal, though funding for scholarships and awards should be evaluated on a case-by-case basis

FY 2010 Budget Guidelines – BARC Info #5

BARC reviewed the budget planning strategies for FY 2010 and the guidelines provided to ALA unit managers. Several key elements were noted:

- this is the fifth year of the ALAhead to 2010 strategic plan
- the FY 2010 budget is being prepared with a zero percent increase over the FY 2009 approved budget, including the carry forward of a 3 percent reduction in the FY 2009 budget
- the preliminary plan for compensation adjustment is 2.5 percent (2.0 merit and .5 individual incentive), but the ability to support will be evaluated
- contingency plans for managing expenses in the face of declines of revenue in FY 2009 and FY 2010 are being put in place with a priority assigned to the sustenance of member services

Proposed Presidential Initiatives Budget – BARC #15 (EBD #3.7)

BARC reviewed the presidential initiatives proposed by president-elect Camila Alire and the focus on continuing advancement of the advocacy agenda. BARC supports the presidential initiatives with enthusiasm.

Action:

BARC recommends to the Finance and Audit Committee approval of the President-Elect budget, 2009-10.

Electronic Participation – BARC Info #7

As a member of the task force addressing this issue, C. Kratz was asked to update BARC and provide some guidance on what was expected from the BARC discussion. It was noted that the task force has done a great deal of work on this subject and it is now in a position to request that some financial implications be considered. After reviewing the document the committee identified approximately six recommendations that likely would have a financial impact. They are 1, 6, 7, 9, 10, and 11. It was suggested that the recommendations may need to be prioritized by the task force. Staff feels comfortable that it will have generated enough financial information and options related to the listed recommendations to be in a position to discuss with the Executive Board by the spring meeting. A full discussion with the Council should be possible by the Annual Conference. Cost will be a major consideration as to whether ALA will be in a position to move forward on any of the recommendations. A number of points were made that will need to be considered as we move forward. One is the contract that governs the conference and the convention center. There maybe limitations as to what ALA can do as a result of the contract. Additionally, as there is no funding for this new initiative, it will have to be prioritized with other ongoing and new requirements.

BARC expects to play an integral role, working with ALA staff, on the assessment of the costs of implementing the recommendations. We are also concerned about the secondary and tertiary impacts, the collateral damage, if you will, on ALA core business revenue.

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**ALA Finance Workshop**

BARC hosted the regular ALA Finance Workshop, providing an orientation to budget policies and procedures, and addressing questions and concerns raised by division and round tables representatives. It was a very successful session, attracting 40 attendees and received very high marks in the evaluation for content and organization, and for the opportunities for discussion.

**FY 2009 Capital Requests – Revised - BARC #18.3**

BARC reviewed and endorsed to F&A the FY 2009 capital requests. It was noted that ALA faces significant new investment in technology and systems.

**Action:**

**BARC recommends to the Finance and Audit Committee approval of the FY 2009 revised Capital Expenditures budget.**

**FY 2010 Small Division Support – BARC #26**

Budgetary support for small divisions, in particular, ASCLA and ALTAFF, was discussed and endorsed. ALTAFF staff is being asked to develop a detailed business plan for ALTAFF as it is integrated in ALA and the support provided by ALA. The total support for ASCLA is \$34,983 and \$95,358 for ALTAFF. This will be a topic for the BARC spring meeting.

### **Planning and Budget Assembly**

A very lively and successful PBA was carried out in Denver. Over 70 individuals with budgetary responsibilities and interests from across the Association attended and participated in discussions of:

- presidential initiatives for next year
- state of ALA finances
- strategic planning
- general economic conditions and implications for ALA
- new resource development strategies

### **Division Leaders/BARC Joint Meeting**

A very rich conversation was carried out with over 40 division leaders. The focus was on electronic participation, the future of Midwinter, and the need for improved technology infrastructure to support the work and publishing activities of the divisions.

### **Acknowledgements**

We continue to be well served by Greg Calloway, Keith Brown, Sandra Lee, Russ Swedowski and Elaine Klimek of the ALA financial staff. They have been very dependable, reliable and thorough in assisting in our financial oversight responsibilities.

Respectfully submitted:

Jim Neal, Chair  
Tyrone Cannon  
Audra Caplan  
Joseph Eagan  
Norman Eriksen  
Joan Giesecke  
Rod Hersberger, Treasurer  
Charles Kratz, Jr. (Absent)  
J. Linda Williams