

**AMERICAN LIBRARY ASSOCIATION
Budget Analysis and Review Committee (BARC)**

**Report to the Executive Board
2010 Annual Conference
Monday - June 28, 2010**

It is my pleasure to report on the work of the Budget Analysis and Review Committee (BARC) at this Annual Conference. The agenda priorities included the April financial results, projections for the remainder of the fiscal year and finalizing the total ALA FY 2011 Budget. Below you will find a summary of the items that were addressed:

- FY 2010 Budget Update & Projections – April
- FY 2011 Budget Update
 - Approve Budgetary Ceilings
- New Business Development
- Planning & Budget Assembly
- BARC and Division Leaders

FY 2010 Budget Update and Projections – April

April Results - For April total ALA (all combined funds) revenues were \$33.7 million or \$484,491 (1.4%) less than budget. The General Fund revenue of \$14.6 million was \$871,914 (6.0%) less than budget due in large part to lower revenue from publishing (\$631,962). Division revenues were \$11.6 million or \$161,290 (1.4%) less than budget. Grants and awards were \$6.4 million or \$108,000 (11%) more than budget. Interest and dividend income was more than budget by \$416,735 (108.1%) totaling \$774,411 due to higher yielding intermediate bond investments.

Total ALA expenses were \$33.5 million or \$2.2 million (6.0%) less than budget. General Fund expenses of \$17.0 million were \$615,102 (3.5%) less than budget due primarily to lower publishing (\$377,075) activity related to adjustments to lower projected revenue, lower Midwinter related expenses (\$115,030) and in OIF (\$115,317). Division expenses of \$9.9 million were less than budget by \$1.5 million (12.9%). Grants and awards were \$108,000 (11%) more than budget at \$6.3 million.

For the General fund the result is a net loss of \$2.3 million, which is more than the budgeted loss of \$2.1 million. At this point in time the projections as initially put forward are still on track.

Adjusted Year End Projections – At the Spring meeting in Chicago staff shared with BARC its year end projections. The projections were the result of the work of the

department heads and unit managers. In the final analysis it was projected that General Fund revenue would be short by approximately \$2.0 million. In view of these expectations, plans were put in place to have corresponding expense reductions. These plans included a ten-day furlough, expense reductions and the use of reserves.

Staff noted that since the spring meeting they have identified additional upside adjustments in both revenue and expenses in the amount of \$300,000. These include the following:

- Interest Income \$50,000
- Dues (\$58,000)
- Communications Units \$28,000
- PPO & Grant Overhead - \$100,000
- Midwinter Meeting - \$129,000
- Annual conference - (\$54,000)
- Executive Office - \$35,000
- ITTS - \$30,000
- Publishing - \$40,000

G. Calloway shared with BARC some preliminary May results. The General fund reflected revenue of \$16.4 million, which is \$632,555 less than budget. Again as noted in April lower revenue in Publishing related to the sale of books and subscriptions. There were some upsides in royalties and interest income. Total expenses were \$19.1 million, which is \$1.3 million less than budget. The level of expense reduction is viewed as evidence that some of the savings efforts put in place have begun to take hold i.e. five days of furlough savings. It is estimated that approximately 80% of scheduled furloughs have been completed. These results reflect a net loss in the General Fund of \$2.7 million, which compares favorably to the budgeted loss of \$3.3 million.

Based on this updated information management has indicated that the need for the second five day furlough by staff may not be necessary. Additionally, it was made known that the use of reserve would be the first last line of defense before furloughs would be enforced.

FY 2011 Total ALA Budget

Total ALA Budget – Just prior to this meeting staff presented BARC with the Total ALA FY 2011 Budget – General Fund, Divisions, Round Tables, Plant fund Grants& Awards and Long-Term Investments, and provided an overview of changes since the spring meeting. The changes were considered to be minor. Revenues were increased by \$101,558 to \$45,252,776, while expenses were revised up by \$179,319 to \$46,820,148. This compares to budgeted revenues and expenses in FY 2010 of \$54,095,645 and \$54,425,736 respectively. The lower budgeted revenue in FY11 represents a decline of \$8.9 million (16.3%) due to lower projected grants & awards, one division national conference and lower General fund targets. This budget reflects expenses in excess of revenues of \$1.6 million. This is due to timing of the division conference activities i.e. one less national Division conferences during the year in conjunction with a being a spend-down year for the upcoming two national division conferences in FY12.

General Fund Budget – For FY 2011 the General Fund has budgeted revenues of \$26,822,483 million, which is \$1.3 million (4.5%) less than FY10. Revenues are budgeted as follows:

- Dues - \$6.3 million
- Conference - \$6.8 million
- Publishing - \$11.3 million
- Miscellaneous - \$2.4 million

Dues revenue represents an increase of \$412,400 over the FY10 projections. The increase is a function of an annualized organizational dues increase. Note that it is also assumed that membership will fall by 2.5%. Conference revenue is budgeted at \$783,850 less than in FY10. Attendance and exhibit square footage at both Midwinter (San Diego) and Annual (New Orleans) are both projected to be lower than in FY10. The sale of materials, which includes the sale of books, is budgeted for a total of \$4,490,510 as compared to \$4,874,526 in FY 2010. There will be a total of 36 front list titles in ALA Editions. This reflects an improvement in the product pipeline due to continued attention to arrangements with divisions and expected international expansion. Graphics revenue is budgeted to reach \$1,491,982, which represents a reduction of \$491,947 from FY 2010. This is in recognition of the downturn in library and individual purchases. Subscriptions, a function of Booklist, Booklist Online and book Links, are budgeted at \$2,434,053 compared to \$2,763,844 in FY 2010. Advertising income is projected to decrease to \$3,511,532, which is \$302,764 less than the approved FY 2010 budget. Advertising is an area that has been hit hard by the weakness in the economy but is showing signs of coming back. Other Publishing related sales – mail list rental, RDA, Online Guide to Reference etc. – are budgeted to reach \$867,624, which is \$505,229 more than FY10. Guide to Reference will be the primary revenue driver as database budgets are expected to rebound from the slashed library budgets in the fall of fiscal 2009 (2008).

Expenses for the General Fund are budgeted at \$26,822,483, which is \$1.3 million (4.5%) less than the FY 2010 budget. Payroll and related are expected to be \$1.1 million less than last year due to 16.992 in unfunded FTE's (\$812,978). Expenses from Meetings & conferences are budgeted at \$2.8 million. This is down by \$486,621 from FY10.

Division Budgets - Revenues are budgeted at \$13,884,487, which is a decrease of \$2,184,314 over FY 2010. This is due primarily to holding only one national division conference during the year. Total expenses are budgeted at \$15,322,231. This is a decrease of \$1,086,304 (6.6%) over FY 2010, which now includes the capital depreciation and the new overhead rate of 26.1%. Small division support will total \$71,807 compared to \$82,468 in FY 2010. Although there were no new requested positions for FY 2011 there are 5.7 unfunded positions; ASCLA, ACRL, RUSA, LLAMA, LITA and ALSC. Net revenue is budgeted to reflect a net loss of \$1,437,744. By the end of FY 2010 the division fund net asset balances are budgeted to reach \$11,035,828. Finally, there are no planned net asset transfers to any division endowment funds.

Due to reviews taking place at this conference with the Division boards a final budget will need to be approved by the Executive Board at their fall meeting.

Round Tables and Other Budgets - Round Tables have budgeted revenues of \$363,775, which is down from \$356,005 in FY 2010. Dues income of \$172,502 will account for approximately 47.4% of revenue. Expenses are budgeted at \$350,269 resulting in net revenue of \$13,506. The **Plant Fund** budget, which covers the costs related to the 40 & 50 East Huron buildings, the Washington office and Choice, is \$1,279,361. There will be a General fund transfer of \$1,704,583 to cover all building related expenses. The Choice portion of the cost is \$94,708 which includes repairs, maintenance, utilities, leased equipment, interest expense and property taxes. The **Long-Term Investment Fund** is budgeted to generate \$540,444 in revenue to fund scholarships and awards. **Grants and Awards** are budgeted at \$3,620,108 but will likely be adjusted for pending additional proposals awaiting approval. Note that this is down from \$8,195,537 in FY10. Overhead recovered from grants are budgeted at \$417,159 compared to \$768,215 last year and will offset expenses in the General Fund. This decline reflects the impact of only one national division conference during the year. The **Capital** budget for FY 2011 totals \$2,199,477, which is essentially the same as last year. This budget maintains ALA's property. This also includes investment in the continuing investment in information systems technology, the new financial management system, and the new web content management system and interior renovations. This will result in depreciation expense to the operating budget of \$224,231.

BARC took the following action:

BARC affirms the electronic vote to approve the Total ALA FY 2011 Budgetary Ceilings as listed in 2009-10 BARC #27.2 and detailed in 2009-10 BARC #27.1.

New Business Development

The Chair and R. Hersberger updated the committee on some of the initiatives underway that have the potential to provide the Association with much needed new revenue sources.

Council Referrals to BARC

There were two referrals from Council for BARC to consider with respect to any potential financial implications. There were as follows:

- The proposed establishment of the Retired Members Round Table
- Providing sensitivity training on sexual orientation, gender identity, and gender expression for all employees and those contracted for services on each floor of each convention center

On the establishment of the proposed round table it has been determine that the financial impact will be minimal, however, that there may need to be a minimal amount of start-up funding. On the issue of providing sensitivity training and materials at conferences the impact needs additional investigation with Conference Services in order to determine the exact extent of what is to be expected from such an endeavor.

Planning & Budget Assembly

The PBA agenda included the following:

- Discussion of Presidential Initiatives
- FY 2010 Budget Status and Projections
- FY 2011 Budget
 - New Business Development Strategies
- 2015 Strategic Plan Update and Next Steps

BARC and Division Leaders Meeting

As a continuation of the PBA discussions, BARC met with the division leaders for an exchange of ideas and discussion on topics of more specific interest to the Divisions. There was an agreed upon agenda prior to the meeting but three topics dominated the discussion:

- Indirect Costs
- Endowment Usage
- Maximizing the use of Midwinter

Each of the subjects presented unique issues from any number of different perspectives. However, a good dialogue provided some excellent progress toward gaining a greater understanding of the issues and how we could each better maximize our specific positions. The discussions also presented a clear opportunity for further discussions in the future.

Acknowledgements

The committee recognizes the timeliness and accuracy of the financial reports and would like to take the opportunity to extend thanks and appreciation for the extraordinary work and efforts of the ALA Accounting team. Specifically, Joanne Pak and Jennifer Tam. Through their extra efforts, they have assisted this committee in making strategic decisions on behalf of the Association.

BARC members thank Greg Calloway, Associate Executive Director of Finance; Keith Brown, Senior Financial Analyst; Sandra Lee, Director of Planning & Budgeting; Russ Swedowski, Controller; and Elaine Klimek in particular for the quality of work they produce to facilitate our work as a committee. We thank all the ALA staff for their open welcome to our probing questions and their work to enliven and enrich the Association.

Respectfully submitted:

Clara Bohrer
Patricia Hogan
Joseph Eagan
Norman Eriksen
Joan Giesecke
Alexander Villagran

J. Linda Williams
Rod Hersberger, ALA Treasurer
James Neal, BARC Chair, 2008-2009

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