

**Budget Analysis and Review Committee
Report to the Executive Board
2009 Fall Meeting
Chicago, IL
October 24, 2009**

It is my pleasure to present the report of BARC's activities since the Annual Conference in Chicago, IL. The Budget Analysis and Review Committee (BARC) met on October 8-9, 2009 at ALA headquarters.

In the course of addressing the business issues facing the Association, the committee discussed a wide range of topics. Some of the more important topics included the following:

- BARC Orientation
- FY 2009 Budget Review, 1st Close Results – BARC #5.2
- FY 2010 Budget Update – BARC #26
- Electronic Member Participation
- New Business Development
- Membership Discussion
- Publishing Discussion
- PBA and Finance Workshop Content

BARC Orientation

As a continuation of the practice started a few years ago by the Treasurer – R. Hersberger – new members to BARC were welcomed and given a detailed synopsis of the committee's purpose, how it fits within the organization, how it operates, important relationships (Council, Executive Board, Divisions etc.), each member's responsibilities and some of the best practices used for liaison success.

FY 2009 Budget Review – BARC #5.2

G. Calloway provided the committee with a review of the fiscal year end results based on the 1st and 2nd close results. He noted that we are in the middle of the closing process and that the auditors will be in the offices to conduct the audit in November.

The first item was to recognize the accounting staff for their efforts in summarizing so effectively the information related to the year-end close process. Their efforts are considered significant in view of the issues encountered during the year.

Total ALA - Total ALA revenues for the period were \$53.1 million, which is 7.9% or \$4.6 million less than budget of \$57.7 million. This compares to \$56.7 million last year. Accounting for most of the underage against budget was Publishing (\$3.2 million), Division (\$771,000) and Grants & Awards (\$789,000). Total ALA expenses for the period were \$52.9 million compared

to \$54.1 million last year. This was 11.6% or \$6.9 million less than budget. The result was excess revenues over expenses of \$260,000.

From this point forward, the budget discussion focused on the General Fund. Committee members were lead through a review of the budget adjustments that were made at mid-year in order to bring in a balanced budget. After the February financials were reviewed, management forecast a reduction in revenues from \$30.3 million to \$27.3 million and to \$28.9 million on the expense side. This resulted in a projected loss in net revenue of \$1.6 million. The shortfall was to be addressed by making a number of expense reductions. These included adjustments (vacation accruals, unclaimed checks etc.) of \$741,000 and operating expense reductions (handbook, Publishing, furloughs etc.) of \$447,000 for a total of \$1.2 million. The remaining balance of the shortfall of \$436,000 was to be covered by Board approval to use net asset reserves.

General Fund - General Fund revenues for the period totaled \$26.9 million and were \$368,000 (1.4%) less than the adjusted budget of \$27.3 million and \$3.2 million (11.8%) less than the approved budget. General Fund expenses were \$26.8 million and were \$2.1 million (7.2 %) less than the adjusted budget of \$28.9 million and \$3.3 million (10.8%) less than the approved budget. It was noted that the expense savings i.e. furloughs, BCBS refund etc. are one time in nature and are not structural reductions. The net result was excess revenues over expenses of \$92,000. The use of the reserve fund was not required.

Based on the 2nd close, G. Calloway stated that the net income will be changed slightly i.e. \$72,000. Other accounting treatments are expected to improve the bottom line such as tax savings of \$100,000 - \$200,000, Bad Debt reserve of \$50,000, Commissions of \$30,000 and administration of a PLA grant of \$8,000. These additional transactions are expected to improve the bottom line in the General Fund to approximately \$360,000. At this point, because of additional accounting treatments and a larger potential net income, management will be recommending several budget actions. The following actions were taken:

BARC endorsed management's recommendation in concept and recommends to F&A, that based upon the first close data, if the anticipated net revenue exceeds \$200,000 that 50% be allocated for a one time organizational incentive for staff of up to \$150,000. Therefore, the balance will be deposited in the Board Reserve Fund.

BARC recommends to the Executive Board that \$250,000 be allocated in FY 2010 from the Board Reserve Fund to be used for 2010 initiative projects.

BARC moves to recognize and commend all staff throughout ALA on their initiative, commitment and dedication to solving the financial issues confronting ALA during FY 2009.

FY 2010 Budget – BARC #26

G. Calloway highlighted for the committee changes to the FY10 budget since the Annual Conference. It was noted that the economy is still in flux and showing signs of improving, but that the library community is expected to continue experiencing negative impacts for the foreseeable future. As a result, management made several additional adjustments to the budget to reduce both revenue and expenses. Some of the changes include the following:

- Reduced dues revenue targets
- Incorporated approved grants received after Annual Conference
- Modified Division budgets based on their boards' recommendations

After a great deal of discussion on the changes since Annual Conference the following action was taken:

BARC recommends to the Executive Board approval of the FY 2010 Final Budget as stated in BARC #26 – see attached.

It should be noted that expense levels for the FY10 budget are at the same level as the FY07 budget. Additionally, the 9.6 positions were eliminated in FY10 budget. Where possible, recommendations related to electronic member participation will be advanced.

Finally, the Executive Director took the opportunity to inform the committee that FY10 and FY11 could very well look like FY09 in terms of its difficulty on the Association and its membership. This position reflects the impact of the general economy, despite the improving conditions, which tends to lag in the library environment and the alternative years of two division national conferences.

Membership Discussion

C. Bourdon led a discussion and shared some demographic information on the current status of the ALA membership. Per the results of the latest (9/16/09) membership survey, in which 70% of the membership participated, the membership is largely unchanged from the last survey:

- Predominately Female (80.9%)
- Predominately White (91.0%)
- Hold an MLS or other Master's degree (68.4% & 27.4%)
- 8,200 members may retire between 2009-15
- 7,000 members may retire between 2015-20

One of the surprising findings in comparing the census of credentialed librarians vs. the ALA membership was that ALA has a younger age structure than librarians as a whole. Although the librarian bubble age groups (50 – 59) is the highest age grouping for both librarians and ALA membership. Outstanding question in this regard is will older members retain their memberships as they reduce hours worked and will retiring ALA members maintain “retired” memberships? A significant number of members have said that they will maintain their memberships when they retire. It was noted that the number of members with continuous 25 year is growing, which could have a potential future financial impact.

Other interesting information revealed that Division membership was down approximately 3,400 at this point. The student category continues to grow. Finally, the reasons that members gave for leaving the Association were similar to previous reasons i.e. cost, change in responsibilities and conference site location

Publishing Discussion

D. Chatham led a discussion on the status of the Publishing department and its outlook. Looking into FY10 the major revenue areas will be On-line Resources, Graphics, ALA Editions and Booklist/Booklinks. On-line Resources entails RDA, TechSource and Guide to Reference. It was noted that revenue from RDA will not occur until FY11. Testing for the product will take place in 2/10. Otherwise On-line Resources is off to a good start with a number of strong webinars which have produced some unbudgeted revenue, while the group as a whole seems to work well with tech related issues. Graphics is aggressively budgeted with expected impact from a number of popular posters i.e. Twilight, Sherlock Holmes and Read DVD's. Editions is going into the year with 45 new titles on track to be published. Booklist/Booklinks has been repackaged to combine the two subscription lists for a rebundled product which will offer Booklink subscribers an enhanced offering. Booklinks will now appear as a quarterly supplement in Booklist.

Electronic Member Participation BARC #19.1 & 22.0

K. Fiels updated the committee on the status of the implementation of electronic member participation options, and the strategies for improving Council transparency. Among the topics reviewed; wireless access at Midwinter and Annual Conference, the expansion of online conference programming, the posting of audio of Council deliberations, and tools for supporting the work of ALA committees.

New Business Development

R. Hersberger provided information related to the formation of an advisory group for new ALA business development. The advisory group consists of Jim Neal, Rod Hersberger, Keith Michael Fiels, Robert Walton, Susan Epstein and Jim Fish. There is also an internal staff group that will be working with K. Fiels.

The idea is to develop a structure by which ideas can be identified and further developed. The preliminary structure was shared with BARC and consisted of evaluating new business opportunities based on:

1. Identifying new markets for current products/services
2. Exploring merger/acquisition opportunities
3. Evaluate the feasibility of investment in new business product/services

Further, a template of "inputs" necessary to proceed, such as organizational structure, legal, financing and outside consultants will be developed. The goal of this exercise is to develop an environment for entrepreneurialship and new major revenue opportunities.

Finance Workshop

The workshop is viewed as ALA's educational opportunity for those members interested in how ALA's finances work, as well as, those member leaders who are new to their positions of financial responsibility. The feedback from previous session suggests that changes made last year in terms of its structure and material covered were successful. The focus will remain on

basic and introductory information. We may need an additional forum for discussing more complex financial aspects.

Planning and Budget Assembly

The committee discussed the structure of the PBA meeting. The attendees include divisional, round table, council and committee representatives. The purpose of this meeting is to begin the clarification of the budget work of the Association that reaches beyond the current fiscal year. The formal program will include the following:

- President Elect's Program
- FY09 Year-End Review
- FY10 Budget Update
- New Business Development
- Strategic planning - 2015

It is envisioned that PBA provides the attendees a venue for open and honest discussion of issues facing the Association, the profession and libraries, and a base of information to be communicated to their constituents.

Acknowledgement

The BARC committee would like to thank the Finance staff, Greg Calloway, Keith Brown, Sandy Lee and Elaine Klimek for their outstanding work and support in preparing this committee for the work that it addressed during these two days of meetings. The chair would also like to thank Keith M. Fiels and Mary Ghikas for their insightful and helpful input and participation.

Respectfully submitted,
James Neal, BARC Chair
Clara Bohrer
Joseph Eagan
Norman Eriksen
Joan Giesecke
Patricia Hogan - Absent
Alexander Villagran
J Linda Williams
Rod Hersberger, ALA Treasurer

BARC recommends to the Executive Board approval of the Final FY 2010 General Fund Budgetary Ceiling of \$28,094,505 including a \$1,726,407 net asset transfer to offset the Plant Fund net operating expenses.

BARC recommends to the Executive Board the elimination of 9.6 FTEs from the General Fund table of Authorized Positions in FY 2010.

BARC recommends to the Executive Board approval of the Final FY 2010 Divisions Budgetary Ceiling of \$25,281,015.

BARC recommends to the Executive Board a \$310,813 transfer from the Division Fund to offset the Plant Fund net operating expenses.

BARC recommends to the Executive Board approval of the Final FY 2010 Round Tables Budgetary Ceiling of \$1,146,880.

BARC recommends to the Executive Board approval of the Final FY 2010 Grants and Awards (Restricted Fund) Budgetary Ceiling of \$8,959,538.

BARC recommends to the Executive Board approval of the Final FY 2010 Long Term Investment Fund (Endowment Fund) Budgetary Ceiling of \$616,796 including \$97,474 capital gain to be allocated for funding the ALA Spectrum Initiative and a transfer of \$94,936 interest and dividends from the Endowment Fund to the General Fund in accordance with Policy 8.5.1.

BARC recommends to the Executive Board approval of the Final FY 2010 total ALA Capital Budget of \$2,156,539.

BARC recommends to the Executive Board approval of the Final FY 2010 General Fund Small Division allocation of \$82,468 - \$24,711 for ASCLA and \$57,757 for ALTAFF.

BARC recommends to the Executive Board approval of the Final FY 2010 Total ALA Budgetary Ceiling as follows:

General Fund	\$ 28,094,505
Division Fund	25,281,015
Round Tables	1,146,880
Grants & Awards	8,959,538
Long Term Investment	616,796
TOTAL	<u>\$ 64,098,734</u>