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 2012 Budget. Below you will find a summary of the items that were addressed:

- FY 2011 Budget Update & Year End Projections (April) – BARC #5.11
- FY 2012 Budget Update – BARC #23.1
  - Significant Changes Since the Spring Meeting
  - Approve Budgetary Ceilings
  - Transfers to Endowment Fund
- Overview of Treasurer’s Report to Council
- Planning & Budget Assembly
- BARC and Division Leaders Meeting
- Report Update (Summaries)
  - Contingency Reserve BARC #17.3
  - Capital Equipment BARC #18.3
  - HR Activity – BARC #16.3
- Task Force Reports

FY 2011 Budget Update (April/May) and Year End Projections – BARC #5.11

**April Results** - For April total ALA (all combined funds) revenues were $27.3 million or $481,518 (1.7%) less than budget. The General Fund revenue of $14.7 million was $503,572 (3.3%) less than budget due in large part to lower revenue from Dues ($331,140) and Publishing ($287,037). Division revenues were $8.9 million or $641,376 (6.7%) less than budget. Grants and Awards were $2.9 million or $438,948 (18.1%) more than budget. Interest and dividend income was more than budget by $248,302 (77.2%) totaling $569,854 due to higher yielding intermediate bond investments.

Total ALA expenses were $29.7 million or $703,892 (2.3%) less than budget. General Fund expenses were $17.6 million and $513,842 (3.0%) more than budget due primarily to higher than expected healthcare and benefit related costs ($242,000), as well as, higher business expense ($140,628) primarily in bank fees. Division expenses of $8.9 million were less than budget by $1.4 million (14.4%). Grants and awards were $438,948 (18.1%) more than budget at $2.9 million.
For the General fund the result is a net loss of $2.8 million, which is more than the budgeted loss of $1.8 million.

**Preliminary May Results** – May results were made available just before this conference. Total ALA revenues were $30.5 million or $374,787 (1.2%) less than budget, a slight improvement over April. In the General Fund there was further erosion as revenues were $16.4 million or $600,654 (3.5%) less than budget as organizational dues continues to be an issue. Division revenues showed improvement at $10.2 million or $308,037 (2.9%) less than budget, although the revenue from the ACRL conference is still being analyzed and should result in higher division revenues. An important note at this point is the fact that nine of the twelve divisions are reporting lower than budgeted revenues. Additionally, it was noted that close attention needed to be paid to the status of ALTAFF and their need to regain a positive budget result and net asset balance. Grants & Awards were $3.2 million or $320,536 (11.3%) more than budget due to timing. Interest and dividend income was more than budget by $242,322 (66.9%) or $604,104.

Total ALA expenses were $33.3 million or $1.0 million (3.0%) less than budget. General Fund expenses were $19.7 million and $245,284 (1.3%) more than budget. Division expenses of $10.1 million were less than budget by $1.4 million (12.3%). Grants and Awards were $320,532 (11.3%) more than budget at $3.2 million.

For the General fund the result is a net loss of $3.4 million, which is more than the budgeted net loss of $2.5 million or (33.8%).

**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 and based on February results. Since that time, management refined the General Fund revenue and expenses projections based on April/May results, projections at the end the year indicate a revenue shortfall of $442,000 and expense overages of $449,000 for a total of $891,000 net loss. In view of these expectations, plans are in place to manage specific expense reductions. These include the following:

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<th>Category</th>
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<tbody>
<tr>
<td>Personnel Related</td>
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<tr>
<td>Building &amp; Technology Related</td>
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<tr>
<td>Publishing &amp; Conferences</td>
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<tr>
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<tr>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$737,000</strong></td>
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</tbody>
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Based on this updated information, there will be a potential shortfall of approximately $154,000. Pending the results of this Annual Conference, management has indicated that there may be a need to access Board reserves in the range of $154,000 - $375,000. The range covers the uncertainty related to the expense savings projections. As such the following action was taken:
BARC recommends to the F&A use of the reserves of up to $375,000 for the FY 2011 Budget.

FY 2012 Total ALA Budget – BARC #23.1

Total ALA Budget – G. Calloway and K. Fiels updated the committee on the Total ALA FY 2012 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 since the spring meeting reflect the new overhead rate of 25.5%, new depreciation expenses based on additional capital equipment and an increase in the fringe benefit rate from 26.5% to 30.0%.

General Fund Budget – For FY 2012 the General Fund has budgeted revenues of $27,820,693 million, which is $998,480 (3.6%) more than FY11. Revenues are budgeted as follows:

- Dues - $5.9 million
- Conference - $7.4 million
- Publishing - $12.1 million
- Miscellaneous - $2.5 million

Budgeted dues revenue of $5.9 million is a decrease of $435,025 from FY11. The decrease is a function of lower organizational dues. Midwinter (Dallas) and Annual (Anaheim) are both projected to be lower than in FY11. The sale of materials, which includes the sale of books, is budgeted for a total of $4,599,035 as compared to $4,490,510 in FY 2011. Graphics revenue is budgeted to reach $1,418,381, which represents a reduction of $73,601 from FY 2011. Subscriptions, a function of Booklist, Booklist Online and Book Links, are budgeted at $2,593,558 compared to $2,434,053 in FY 2011. Advertising income is projected to decrease to $2,998,711, which is $512,821 less than the approved FY 2011 budget. Other Publishing related sales – mail list rental, RDA, Online Guide to Reference etc. – are budgeted to reach $1.1 million, which is $238,476 more than FY11.

Expenses for the General Fund are budgeted at $27,820,693, which is $998,480 (3.6%) more than the FY 2011 budget. Payroll and related expenses of $14,485,773 million will be $392,012 more than last year due to a 2% salary increase for staff. The biggest area of increase is in Operating expenses, which are budgeted at $4,881,776 and are higher than FY11 by $816,308. This is due to increased amortization, depreciation, royalty expense and organizational support. Publishing related expenses of $10.4 million will be $136,317 lower due to decreases in printing supplies, cost of sales and inventory adjustments. Also, due to the two division national conferences during the year overhead is higher by $584,910 over FY 2011.

Division Budgets - Revenues are budgeted at $16,557,729 million, which is an increase of $2.8 million over FY 2011 and $127,396 over the spring budget. This is due primarily to revenue increases in PLA, ALCTS, LITA ALSC and YALSA. Total expenses are budgeted at $16,645,729 million. This is a decrease of $1.3 million (8.4%) over FY 2011.
and $60,618 from the spring budget. This also includes capital depreciation and the new overhead rate of 25.5%. Small division support will total $101,737 compared to $80,187 in FY 2011, which is an increase of $21,550 (21.2%). By the end of FY 2012 the division fund net asset balances are budgeted to reach $10,860,398. Finally, net asset transfers to any of the division endowment funds are not recommended for approval.

**Round Tables and Other Budgets** - Round Tables have budgeted revenues of $425,939, which is up from $367,115 in FY 2011. Dues income of $182,206 will account for approximately 42.8% of revenue. Expenses are budgeted at $327,058 resulting in net revenue of $98,881. The **Plant Fund** budget, which covers the costs related to the 40 & 50 East Huron buildings, the Washington office and Choice, is $1,736,185. There will be a General fund transfer of $1,639,033 to cover all building related expenses. The Choice portion of the cost is $97,152 which includes repairs, maintenance, utilities, leased equipment, interest expense and property taxes. The **Long-Term Investment Fund** is budgeted to generate $583,371 in revenue to fund scholarships and awards. **Grants and Awards** are budgeted at $5,102,748 but will likely be adjusted for pending additional proposals awaiting approval. Note that this is up from $3,995,660 in FY11. Overhead recovered from grants are budgeted at $574,544 compared to $417,159 last year and will offset expenses in the General Fund. The **Capital** budget for FY 2012 totals $2,357,064, which is slightly higher than last year at 2,199,477. 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 $149,261.

After further discussion BARC took the following action:

**BARC recommends to the F&A approval of the FY 2012 Budgetary Ceilings as outlined in 2010-2011 BARC #23.2.**

**Endowment Transfers** - Related to the approval of the FY 2012 budget, BARC discussed with staff the status division of transfers to the endowment fund. In view of the current economic situation, it is doubtful that all of units with pending transfers will elect to proceed. A final decision will be made this fall.

**Overview of Treasurer’s Report to Council**

J. Neal provided a brief overview of his report to Council. His report will focus on the following:

- Issues facing the FY 2011 budget
- Building up the endowment
- Benefits of the proposed payout formula changes in policy 8.5.1
- Importance of continued investment in technology
- New business development strategies
- Approval of the FY 2012 Budgetary Ceilings
**Task Force Reports**

There were five task force reports received by BARC. There were as follows:

- Report for Improving the Effectiveness of ALA Council
- Report of the Chapter Relations Task Force
- Report on ALA Governance in the 21st Century
- Young Professionals Task Force
- Report on Equitable Access to Electronic Content

**Planning & Budget Assembly**

The committee reviewed and discussed the content of the upcoming PBA agenda which included the following:

- Discussion of Presidential Initiatives
- FY 2011 Budget Status and Projections
- FY 2012 Budget
  - New Business Development Strategies
- 2015 Strategic Plan Update and Next Steps

**BARC and Division Leaders Meeting**

BARC met with the division leaders for an exchange of ideas and discussion on topics of more specific interest to the Divisions. There were approximately 55 people in attendance. There was an agreed upon agenda prior to the meeting with four topics of discussion:

- Implementing the 2010 Indirect Cost Rate
- Impact of Changes in Policy 8.5.1
- Planned Giving
- Ongoing New Business Development

There was a good dialogue on each of the topics. The benefits to the Association and the units were clearly illustrated.

**Report Update (Summaries)**

The committee was updated on the following reports:

- Human Resources
- Contingency
- Capital Equipment

There were no outstanding issues related to reports.
Acknowledgements

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:

Mario Gonzalez, Chair
Clara Bohrer
Patricia Hogan
Winston Tabb - absent
Norman Eriksen - absent
Joan Giesecke
Alexander Villagran
Courtney Young - absent
James Neal - Treasurer

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