

**American Library Association
2012 Midwinter Meeting
Budget Analysis and Review Committee
Report to the ALA Executive Board
Dallas, TX
January 24, 2012**

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 2012 1st Quarter Budget Update – BARC #5.5 (EBD #14.7)
- Proposed Presidential Initiatives Budget – BARC #19 (EBD #14.8)
- FY 2013 Budget Guidelines – BARC Info #4
- ALA Finance Workshop
- Indirect Cost Study Assumptions – BARC Info #2.2
- Human Resources Activity – BARC #16.1
- Capital Expenditures – BARC #18.1
- Contingency Reserve – BARC #17.1
- FY 2013 Small Division Support – BARC #23.1
- Planning and Budget Assembly
- Division Leaders/BARC Joint Meeting

On Friday morning, January 20th, BARC and the Finance and Audit Committee of the Executive Board met jointly. BARC also met on Saturday afternoon, January 21st. The following matters were covered at these meetings.

FY 2012 1st Quarter Financial Report – BARC #5.6 (EBD #14.7)

The discussion began with an update of ALA's new financial management system and the benefits to the work of staff and member units. It was noted that the first quarter reports are the first to be produced by the new system and as might be expected with any new system implementation there are some procedures to be resolved. Before the Midwinter Meeting finance and accounting staff met with unit managers to discuss the status of financial reports. Assistance has been given to anyone having difficulty getting the 1st quarter reports. Staff was understanding of the transition and exhibited patience related to the implementation of the new system.

BARC and F&A then reviewed the first quarter FY 2012 budget report, and noted the following highlights:

Total ALA revenue for the period was \$9.0 million which is \$1.6 million (-15.6%) less than budget. It was also noted that this was \$300,000 less than the same time last year. Dues revenue was on budget at \$2.2 million, while interest and dividends were at \$337,196 or \$144,560 less than budget. Donations and royalties were also less than budget by \$170,565 and \$176,686 respectively. The General Fund revenue was \$4.4 million and less than budget by \$361,641 (-7.6%) and less than last year by \$400,000. The biggest areas of concern are in Publishing where book sales were less than budget by \$169,956 and interest and dividends were less than budget by \$113,206. Dues revenue was essentially on target at \$1.5 million and slightly ahead of last year at \$1.4 million. Division revenues of \$3.8 million are less than budget by \$392,344 (-9.5%) and more than last year by \$1.0 million due to a division national conference (AASL) in the fall. Revenue from the roundtables was \$59,980 and less than budget by \$25,296 (-29.7%). Investment interest and dividends at \$167,477 are more than budget by \$46,883 (38.9%), but down compared to last year at \$195,953 as rates have fallen.

Total ALA expenses of \$10.4 million are \$1.5 million (-12.7%) less than budget and \$100,000 more than last year. Expenses were less than budget across all expense categories. The General Fund expenses were \$5.6 million and \$393,494 (6.6%) less than budget. Expenses were down across the board with the exception of Payroll, which was up slightly. Major expense shortfalls were in outside services (\$210,026), operating (\$216,682) and publications related (\$145,576). Division expenses were \$893,136 (-20.5%) and less than budget at \$3.5 million. Roundtable expenses were \$15,735 and \$32,564 (67.4%) less than budget. Grants and Awards were \$83,624 (-6.3%) less than budget at \$1.2 million.

Proposed Presidential Initiatives Budget – BARC #19 (EBD #14.8)

BARC and F&A reviewed the presidential initiatives proposed by President-Elect Maureen Sullivan. In addition to building on the work of previous Presidential office holders, this budget will be focused in four areas:

1. “The Promise of Libraries in Transforming Communities” A continuation of previous advocacy efforts with this effort to bring together, in the form of a summit, a diverse set of leaders from outside the field and strong leaders within the profession to engage in a meaningful dialog - \$50,000
2. “Leadership in the Digital Age” Work with the Harvard Graduate School of Education to design and offer a 2.5 day leadership institute for administrators and managers in libraries of all types to learn how to effectively in the face of new challenges of the Digital Age – \$5,000
3. “Leadership Development” A task force to develop a comprehensive plan for a sustainable association wide leadership program based on research of existing plans and best practice - \$9,000

4. “Rethinking ALA: How to Ensure ALA is the Most Effective Organization it Can Be” Convene a discussion group to engage in the careful consideration of rethinking ALA - \$8,000

Other activities include various Presidential programs (\$20,000) and a contingency reserve (\$3,000) for likely unexpected expenses that may arise. The result is a total budget of \$95,000.

BARC took the following action:

Action Item:

Finance and Audit Committee concurs with BARC and recommends to the Executive Board approval of Maureen Sullivan’s proposed Presidential Initiative budget for FY 2012-2013.

FY 2013 Budget Guidelines – BARC Info #4

BARC and F&A reviewed the budget planning strategies for FY 2013 and the guidelines provided to ALA unit managers. The FY 2013 budget will provide financial support to the following:

- Support for the Key Action Areas
- Support for ALA 2015 Goals
- Support for unit and divisional programmatic and member service goals
- Support for the ALA organizational goals

Some of the key assumptions in the budget’s development include:

- Budgets will be prepared with a 1/2 percent decrease over FY 2012 approved budget
- No compensation adjustment

ALA Finance Best Practices

BARC hosted the ALA Finance Workshop session with the purpose of obtaining feedback on the recently produced ALA Financial Learning Series webcasts which include:

- Long-Term Investments (Endowment)
- Budget Cycle and Process
- Organizational Structure and Decision Making Process
- Operating Agreement

In addition, the one-hour session provided an opportunity for participants to ask questions specific to their situation and obtain immediate answers. It was evident that participants had varying levels of experience and knowledge of how ALA finances work.

Combined with the positive feedback from the webcasts, the session was viewed as very successful. This year's session was much more interactive with enthusiastic involvement by those who did attend. At the Saturday BARC meeting, the workshop de-briefing discussion confirmed the value of the webcasts and the need to continue the one-hour session at Midwinter for members to ask questions related to their specific situations.

BARC plans to keep the initial four webcasts up-to-date and to develop additional topics based on need and member feedback. The next topic to be addressed will provide valuable information to round table leaders and will be titled "Important Financial Things to Know." The webcast should be available before Annual Conference.

Based on feedback at the Council/Executive Board Information Session on Sunday, there will be an effort to promote the webcasts to the general membership. Units across the Association will also be encouraged to provide links to the ALA Financial Learning Series as part of orientation to their members.

Indirect Cost Study Assumptions – BARC Info #1

K. Brown reviewed with the committee the indirect cost study assumptions to be used in the 2011 study. The study will be conducted in the same manner as the 2010 study. It was noted that there would be no changes in the general methodology used in conducting this year's study. The results of the study will be summarized and presented for review at the spring meeting. The rate that results from this study will be applied to the FY14 budget. One discussion point of note was the allocation method used for allocating ITTS costs. Staff and the committee suggested that there may be better options than the current number of PC's method.

Human Resources Activity – BARC #16.1

G. Calloway reported to the committee on the activities in Human Resources. Since September 26th there have been seventeen new hires - full time (8), interns (4), and temporaries (5). There was also one promotion. There are a total of thirteen open positions with six active searches and seven intern searches. There are also thirty two (32) funded and thirteen (13) unfunded open positions. It was also noted that the new Director of Staff Support Services started on January 17.

Capital Expenditure - BARC #18.1

Through 1-10-12 ALA has expended \$376,699 on a budget of \$1.5 million. Most of the expenditures have been for major information technology (\$181,583), IT and computer related (\$111,888), headquarters maintenance (\$19,052) and Publishing related development of online products (\$57,284) and the technology reserve (\$181,583). It was noted that there will be more investment in the new financial and web content management systems to take place in this fiscal year.

Contingency Reserve - BARC #17.1

On a budget of \$96,000 approximately \$25,000 has been authorized and expended on “Access to Digital Content.”

FY 2013 Small Division Support – BARC #23.1

Budgetary support for small divisions, specifically ASCLA and ALTAFF, was discussed. The preliminary estimate of the total small division subsidy for the FY13 budget is \$105,371. This is \$12,884 or 13.9% more than FY12. The support being requested for ASCLA and ALTAFF is \$48,788 and \$56,583, respectively. It was noted that this particular request is far above the guidelines highlighted in the FY12 budget guidelines.

Sally Reed, ALTAFF Executive Director, joined the committee and discussed the status of ALTAFF. ALTAFF’s FY13 proposed budget reflects more realistic revenue projections than originally stated in their business plan and the expense side is being downsized. It was noted that the Trustees and Friends population is a moving target in terms of membership due to the constant changes that occur every year. However, every effort is being made to increase membership. In closing it was also expressed that ALTAFF, at some point in the near future, wants to move away from the subsidy received from ALA. The Executive Director of ASCLA was unable to attend the meeting but their subsidy request was still discussed. It was noted that ASCLA had provided a business plan. However, the amount of the requested subsidy was \$7,211 more than FY12 of \$41,577. While the committee wants to be as supportive as possible, taking into account the reality related to falling revenues at ALA, it was felt that such an increase was not possible. The committee was also reminded that previous action had been taken to end the small division subsidy – 2014. This date was reaffirmed by the following action along with the recommended subsidy amount for FY13:

Action:

BARC reaffirms that the small division subsidy for ASCLA and ALTAFF will terminate by FY15 and caps the subsidy at FY12 levels of \$41,577 (ASCLA) and \$56,583 (ALTAFF) for FY13.

Planning and Budget Assembly

Over 50 individuals with budgetary responsibilities and interests from across the Association attended and participated in discussions related to:

- Presidential Initiatives for FY 2013
- FY 2011 Year –End Results
- FY 2012 Budget Update
- Discussion on “Transforming Libraries”

Led by President-Elect Maureen Sullivan, the session provided the participants with an excellent opportunity to see how the President’s initiatives support the aspects of the strategic plan. Additionally, the session provided information on the current status of the budget and how it supports the strategic direction of the Association and the content of the strategic plan itself.

Division Leaders/BARC Joint Meeting

Per ALA policy, BARC met with division leaders to discuss items of common interest and concern. Since the agenda for this meeting is a shared responsibility, the Divisions were asked in advance and at the meeting to provide topics of interest to them. Discussion primarily revolved around the acquisition of Neal-Schuman Publishers. Divisions were particularly interested in hearing information on how current contracts would be handled, since several Divisions had publications with Neal-Schuman. There was also some discussion and feedback on the ALA Financial Learning Series. There were approximately 25 attendees.

Acknowledgements

We continue to be very 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. BARC carries out effectively its role because of the outstanding support provided by ALA staff.

Respectfully submitted:

Clara Bohrer, Chair

Janice Welburn

Winston Tabb

Mario Gonzales

Dora Ho

Patricia Wand

James Neal, Treasurer

Alexander Villagran - Absent

Courtney Young