

**American Library Association
Budget Analysis and Review Committee Report
to the ALA Executive Board
Monday June 30, 2014**

The Budget Analysis and Review Committee (BARC) is pleased to report to the Executive Board on its recent activities. The Committee met on Friday June 27th and below is a list of significant topics discussed:

- FY 2014 Budget Overview (April) – BARC #5.5 and EBD #14.11
- Publishing Report
- United for Library Group Membership Pilot Program Extension – BARC #15
Action Item
- Small and Very Small libraries Promotion FY15 – BARC #14
Action Item
- FY 2015 Preliminary Budget Overview and Update – BARC #20.1 (EBD #14.12)
Action Item
- Small division Subsidy Discussion
- Council Referral – Expanding Midwinter Activities to Include Programs
- BARC Learning Series – Proposed new Webinar / Webcast
- BARC Financial Manual Update
- Annual Conference Meetings
 - Planning and Budget Assembly Discussion
 - Division Leadership/BARC Meeting

FY 2014 Budget Update – BARC #5.5 (EBD #14.11)

Joanne Lee – Controller, reviewed for the committee the year to date results for the eight month ending April 30, 2014. The following represent the highlights of those discussions:

Total ALA - For the period total ALA revenue (all funds) was \$31.2 million, which is less than the budget of \$32.4 million by \$1.3 million (-3.9%) and compares to \$29.4 million last year. The most significant shortfalls were realized in the General Fund (\$1.1 million) and Grants & Awards (\$247,739), which were offset by revenue gains in the Divisions (\$168,299). Total ALA expenses were \$30.0 million, which is less than the budget of \$33.0 million by \$3.0 million (-9.1%) and compares to \$30.9 million last year. The most significant savings were realized in the General Fund (\$1.3 million) and the Divisions (\$1.0 million). The result was net revenue with

revenues over expenses of \$1.1 million. This is better than the budgeted loss of (\$606,451) by \$1.7 million.

ALA's financial position reflects the following:

Total Assets of \$80.4 million which is \$1.7 million (2.2%) higher than this time last year. The change is due primarily to higher cash (\$2.5 million) related to the two division conferences this year and gains in the Long-Term investments of \$2.1 million. These results were offset by a decline in prepaids (\$2.0 million) related to the write down of goodwill / intangible assets and amortization of intangible assets.

Total Liabilities were \$45.6 million which is \$1.6 million (-3.4%) less than this time last year. The reduction was due primarily to lower long-term debt (\$985,364) as a result of a scheduled loan payment, lower deferred conference revenue (\$753,302) and lower accounts payable (\$581,413). The cumulative result is an increase in the organizations *Net Asset Balance* of \$3.3 million (10.6%) to \$34.8 million.

General Fund - General Fund revenues for the period were \$15.7 million, which is less than the budget of \$16.9 million by \$1.1 million (-6.8%). The revenue shortfall was primarily in Publishing Services (\$870,788), Communications (\$117,613), Member Programs & Services (\$96,042) and Interest Income (\$92,854). Revenue in Publishing Services was lower than budget due to fewer sales in ALA Editions (\$801,297) and Graphics (\$164,170), as well as, lower royalty revenue in Booklist (\$108,996). Offsetting the shortfall was strong Advertising throughout publishing with a greater than budget gain of \$275,052. Communications revenue was less than budget as a result of lower Dues (\$198,175) and specifically personal member Dues (\$123,954). Revenue from Member Programs & Services was less than budget due to lower than expected revenue from the Midwinter meeting (\$146,682). Finally, Interest Income was less than budget due to the low interest rate environment.

General Fund expenses for the period were \$16.6 million, which is less than the budget of \$17.8 million by \$1.3 million (-7.1%). YTD savings were realized in Publishing Services (\$751,418) and Member Programs & Services (\$356,922). Publishing Services was lower as publishing related adjustments were made to during the year to meet expected production levels in ALA Editions (\$546,865) and Graphics (\$199,402) sales. Member Programs & Services expenses were lower than budget primarily in ITTS (\$186,769) due to lower depreciation related to delayed capital purchases and utilizing fewer outside Professional Services, as well as the Diversity Office (\$151,285) due to lower salary expenses.

The net result was excess expenses over revenue of (\$844,415) which is better than the budgeted loss of (\$975,353) by \$130,938 (13.4%).

Divisions - Division revenue for the period was \$11.5 million, which is more than the budget of \$11.4 million by \$168,299 (1.5%). Most of the gain was in Meetings & Conference activity (\$271,710) related to the successful national conference by PLA (\$363,711) and the sale of Newberry/Caldecott seals and permissions related to the use of digital seal images in ALSC (\$324,117). These results were offset by a reduction in revenue in ACRL (\$241,288) in a number of areas – Donations (\$66,038), Dues (\$65,732), Book Sales (\$69,827) and Online Webinars & Webcasts (\$47,123). It should be noted that PLA results were impacted by a significant shortfall in donations (\$149,577) when compared to budget.

Division expenses were \$10.2 million, which is less than the budget of \$11.2 million by \$1.0 million (-9.2%). Most of the savings were realized in PLA (\$304,260), ACRL (\$295,513), AASL (\$190,535) and Choice (\$91,486). The areas of savings were throughout the operations in Payroll (\$551,630), Travel (\$196,323), Publishing (\$118,483) and General Operating (\$226,264).

The net result was excess revenues over expenses of \$1.4 million, which is more than the budget of \$164,006 by \$1.2 million (731.9%).

Round Tables – Round Table revenue for the period was less than the budget of \$234,702 by \$15,048 (-6.3%). The bulk of the variance was in LRRT (\$14,811) and CLENERT (\$11,675). Revenue in LRRT was less than budget due to lower registration fees (\$10,154) related to conference activities and Donations (\$5,490), while CLENERT revenue was also lower in registration fees (\$10,002) related to conference activities. These shortfalls were slightly offset by a gain in EMIERT (\$15,690) due to strong CSK Seal sales (\$32,500). Round Table expenses for the period were less than the budget of \$182,959 by \$140,170 (-76.6%). Savings were realized in all Round Tables but mainly in EMIERT (\$32,188) related to conference activities (\$21,328). The net result was excess revenues over expenses of \$176,866, which is more than the budget of \$51,743 by \$125,123 (241.8%).

Grants & Awards – Revenue from Grants & Awards for the period was \$3.1 million, which is less than the budget of \$3.3 million by 247,739 (-7.5%). This is due to the timing related to receiving certain grants. Expenses were less than budget by the same amount.

Long-Term Investments (LTI) – LTI revenue was \$665,140 and less than the budget of \$694,566 by \$29,426 (-4.2%) as a result of the low interest rate environment. Note that this revenue is \$215,031 more than at this time in FY13 due to a higher investment balance. LTI expenses for the period were \$238,094 which is \$303,319 (-56.0%) less the budget of \$541,413 and is directly related to the timing on the distribution of awards that are yet to be made.

Publishing Report Update

The committee was joined by Anders Dahlgren of the Publishing committee and Don Chatham, AED of Publishing. The committee expressed their sadness of the news of the sudden passing of Ernie DiMattia, who served as the Chair of the Publishing committee and played an integral role in the development of the current publishing strategic plan. D. Chatham began the discussion by reviewing the FY14 results. Based on where things stand currently, there should be a strong finish to the year. At this point in time there is every likelihood that publishing will meet and exceed its net revenue budget of \$940,174. RDA subscription revenue is doing well with a healthy renewal rate of 80+%. RDA is also currently being translated in 38 countries which bodes well for the future heading into FY15 and beyond. There are also twenty-two new book titles being released in July – August quarter. There is every expectation of higher year-end net revenue that will help offset the expected loss in contributed overhead due to lower than budgeted gross revenue.

At this point the FY15 budget looks very viable with expected net revenue to be in line with FY14 at \$925,245. In terms of the strategic plan the initial iterations spelled out a number of goals to be met and related strategies. The report to Council will be focused on the identified goals and strategies. The granular details will be provided as a follow-up item. Moving forward and using the PLA model i.e. an envisioned future, the committee expects the next iteration of its strategic plan or direction to be more detailed and measurement based. These measurement levels should lay out what each and every area of Publishing should be doing over a five year period. As a final point it was noted that as the outgoing expenses related to the initial investment and amortization in Neal Schuman and RDA runs down in FY13 – FY16, funds will become available to make further investments in the ALA operation.

United for Libraries (UFL) Group Membership Pilot Program Extension – BARC #15

Sally Reed, Executive Director of UFL, and Ron Jankowski, Membership Director, joined the committee to discuss an extension of the United for Libraries group membership program. S. Reed explained to the committee the uniqueness of the division when compared to all other divisions. UFL members are likely to be concerned citizens (FOLUSA members) who are not librarians and who look to protect libraries and what they stand for; i.e., individuals with no institutional support. This is a program primarily geared toward bringing the old FOLUSA members them back in the fold, as they begin to better understand ALA. They are still coming to grips with the idea of being under the ALA structure, as well as, the cost impact of being an ALA member, which is higher than they are accustomed. The purpose of this one-year extension is to work toward crafting a language and or structure within ALA that eases the FOLUSA member transition into ALA. Reed and Jankowski are expected to bring their recommendations to BARC for its Fall meeting.

After further discussion the following action was taken:

Action: BARC recommends to the Executive Board approval of an additional one-year trial period to August 31, 2015, to offer United for Libraries Services to Friends Groups and Board of Trustees. Those organizational services will give Friends groups and Boards of

Trustees United for Libraries benefits and opportunities as specified in the attached 2010 – 2011 and 2012 – 2013 documents.

Small and Very Small Libraries Promotion FY15 – BARC #14

Ron Jankowski, ALA Director of Membership Services, informed the committee that ALA wants to continue its efforts to support small and very small libraries across the country. They have been impacted by the economy and other factors which have resulted in the need to drop their organizational memberships. Promotional efforts like this in the past have typically resulted in a 10% positive response rate, which is viewed as a win for all. Additionally, it provides a small amount of increased dues revenue and builds on the relationship between these libraries and ALA. After further discussion the following action was taken:

Action: BARC recommends to the Executive Board approval in principle of a special FY 2015 promotion to encourage small and very small libraries with lapsed organizational members to rejoin ALA, subject to review and recommendation by BARC.

FY15 Preliminary Budget – BARC #20.2

D. Mortiz and K. Fiels met with the committee and provided summary of the changes to the proposed FY15 budget since the spring meeting. The changes will be presented to the F&A/Executive Board on Monday for final approval by Council on Tuesday during Council session III. The most significant changes i.e. additional expenses (-) and expense savings (+), included the following:

- A full Small Division subsidy (0)
- ITTS depreciation savings (+)
- Center for the Future of Libraries Funding (-)
- Overhead Adjustment (-)
- IUT Adjustments (+)

The impact of these changes resulted in a budgeted net revenue for FY15 of \$129,021 and a budgetary ceiling of \$64,078,221. This is a decrease in the budgetary ceiling of \$1.5 million from the Spring meeting total of \$65,550,606 (-2.3%).

After some additional discussion the following action was taken:

Action: BARC recommends to the Executive Board approval of the FY 2015 Budgetary ceilings as stated in BARC #20.2 (EBD #14.13).

FY 2015 Small Division Support Discussion

The committee was joined by Rod Wagner, President of United for Libraries, and Sarah Laughlin, President of ASCLA, to discuss their views and perspectives on the issue of small division support. K. Fiels began the discussion by providing some general background on the topic, particularly as it relates to the Operating Agreement. As a result of a number of circumstances since the Midwinter Meeting, the amount of the subsidy was impacted. However, both were assured that despite the circumstances ALA would stand by its commitment to the full subsidy amount as confirmed for the FY15 budget. Both R. Wagner and S. Laughlin discussed the unique nature of their respective divisions, as well as the obstacles posed by the Operating Agreement to end the current subsidy. They are both strong supporters of continued subsidy support, particularly if the need persists based on their current operations. However, each expressed that all manner of effort will be made to naturally end such support along the lines of the successful transition made by YALSA.

K. Fiels noted that it is the intention of staff and the committee to address the relationship between the status of the subsidy and the Operating Agreement in order to determine what if any action can be realistically taken to end the subsidy after FY16, provided that the recipients don't naturally end the subsidy themselves. This discussion and any findings/resolutions will be reviewed at the fall meeting.

Resolution to Allow Programs at the Midwinter Meeting

The Chair summarized/updated the committee on the proposed resolution to allow programs at the Midwinter Meeting. It was noted that the Midwinter Meeting is primarily designated as the ALA business meeting. However, over the years there has been a slow proliferation of activities beyond that of pure business and discussion groups as a category have expanded in their use. There are currently 200 + such group discussions at any given Midwinter Meeting. At the spring meeting BARC referred the question to the Conference Committee to address the issue before any action by BARC was taken to determine if there was any financial impact. The Conference Committee was scheduled to address the issue at this conference.

ALA Finance Best Practices – Workshop/Webinars

As a follow-up to the spring meeting discussions Pat Wand led a discussion on the Committee's effort to keep the membership informed and educated on important financial issues surrounding the operation of the ALA. This effort is currently being conducted through the following activities/venues:

- ALA Finance Best Practices Workshop (Fridays of Midwinter Meetings)
- BARC Sponsored Webinars (5)
- Membership Information Session (Treasurer/BARC Chair Reports)
- Treasurer's Report to Council

The committee discussed the development of a new webinar aimed particularly at committees and Round Tables with guidelines on how to prepare a budget for pre-conferences, summits, planning retreats, etc. As there are some standard markers used in preparing for such events; for example overhead, catering, contracts, legalities, etc., it was noted that Conference Services and the Divisions who host national conferences would be good sources of information in developing this webinar. One committee member will work with staff in order to begin planning the new tutorial / webinar.

Handbook on Financial Policies

J. Moorman provided the committee an update on the proposed handbook on financial policies and procedures. He noted that a good start has been made and a number of documents related to the effort have been collected. As more documents are added they will be reviewed to determine if they are appropriate. The goal is to make the handbook an online document with links to other similar and related documents designed to be updated annually. This project should be close to completion by the fall meeting and definitely by the Midwinter Meeting.

Planning and Budget Assembly (PBA)

The committee met on Sunday with members of the PBA. In response to concerns previously expressed regarding the content of these sessions, there were no financial reports. The committee provided some basic financial highlights and answered any questions that might be raised. Members were encouraged to attend the Membership Information session on Saturday, June 28th for that information. The purpose of the new format for PBA is to provide an inviting environment to exchange ideas on the strategic direction of the Association.

Division Leaders/BARC Joint Meeting

Division Leaders/BARC Joint Meeting – Closely related to the PBA session is the Division Leaders/BARC meeting that follows immediately after PBA. This meeting is still viewed as vitally important for both groups. During this session the discussion focused on requested financial trend information and on the resolution to include program at Midwinter Meetings.

Acknowledgement

BARC would like to extend its sincere thanks to the ALA finance staff – Joanne Lee, Keith Brown, Denise Moritz and Elaine Klimek for their outstanding work and support in preparing this committee for the work that it addressed during this Spring meeting. The chair would also

like to thank Keith Michael Fiels and Mary Ghikas for their insightful and helpful input and participation. Finally, special thanks are extended to Winston Tabb, whose term is ending at the conclusion of this conference and was unable to attend due to an important commitment on behalf of ALA with WIPO in Geneva. The committee would like to thank him for his contributions to the committee during his term.

Respectfully submitted:

BARC

Patricia Wand, Chair

Janice Welburn

Winston Tabb - Absent

Jim Neal

John Moorman

Jo Ann Pinder

Ann Martin

Lori Goetsch

Mario Gonzalez, Treasurer - Absent

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