

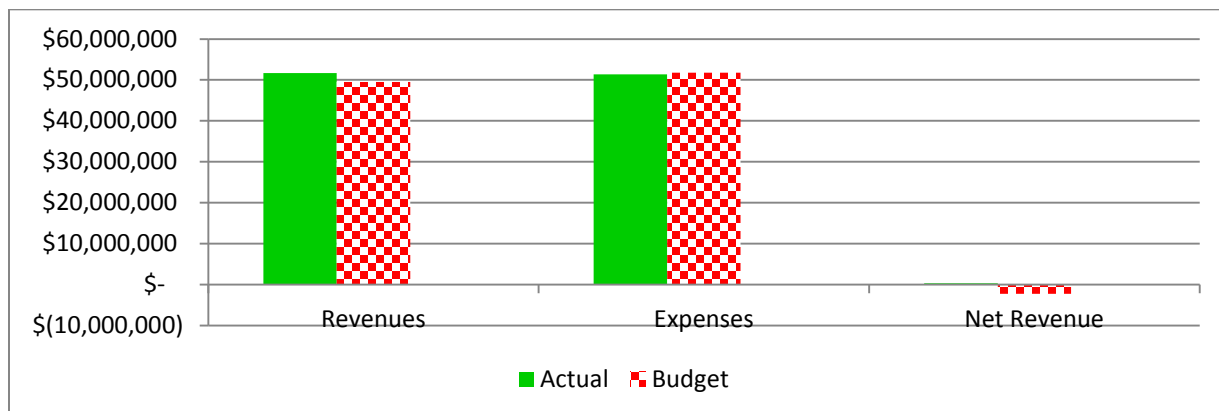
**American Library Association
Budget Analysis and Review Committee Report
to the ALA Executive Board
January 12, 2016**

The Budget Analysis and Review Committee (BARC) is pleased to report to the Executive Board on its recent activities. On Friday, January 8th BARC convened their own meeting and then on Saturday, January 9th met in a joint meeting with the Finance and Audit committee (F&A) to discuss and review a number of financial issues. Below is a list of the primary topics discussed:

- FY15 Final Executive Summary - BARC #4.5 (EBD #14.3)
- FY 2016 1st Quarter Financial Report - BARC #5.0 (EBD #14.4)
- Proposed Presidential Initiative Budget (BARC #15 & EBD #14.5) – ACTION ITEM
- FY 2017 Budget Instructions/Process Guidelines and Objective (BARC Info #8 & Info #1)
- Indirect Cost Study Assumptions (BARC Info #7 & EBD #4.8)
- Publishing Update (BARC #23.1 & EBD #12.26)
- Planning and Budget Assembly
- BARC/Division Leadership Meeting

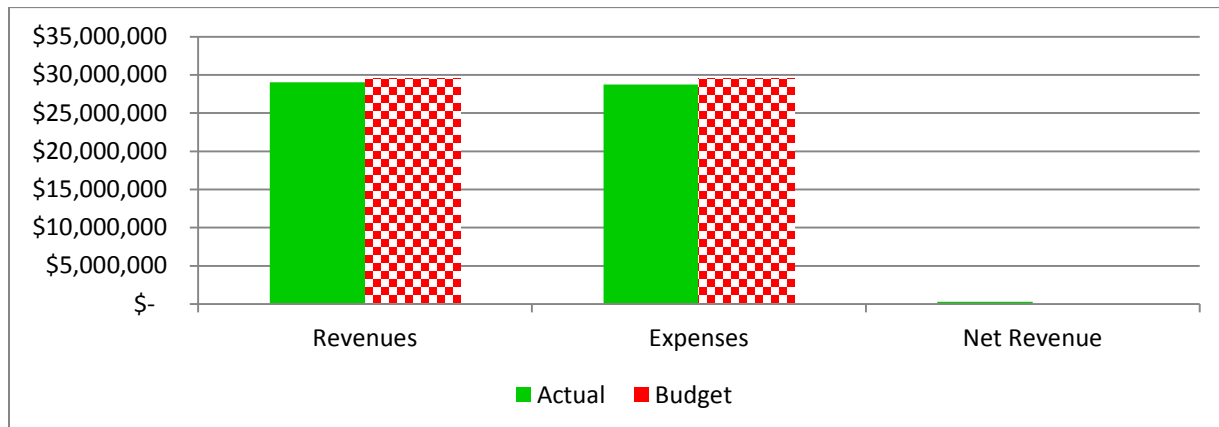
FY15 Final Executive Summary - BARC #4.5 (EBD #14.3)

Mark Leon led the committee in a discussion of the twelve month FY 2015 year-end final close results. Taking a broad overview the results reflected the following for Total ALA:



- Total ALA revenues were \$51.7 million compared to the budget of \$49.5 million
- Revenues were higher primarily due to more Grants and Awards at \$7.2 million
- Also contributing was higher than budgeted revenue from the Divisions at \$14.3 million
- Total ALA expenses were \$51.4 million compared to the budget of \$51.8 million
- Expenses were impacted by a decline in the value of the Endowment (\$1.2 million), the Divisions (\$1.0 million) and the General Fund (\$722,000)
- The result was net operating revenue of \$315,000, which compares to the budgeted net expense of (\$2.6 million)

The committee was then referred to the General Fund which reflected the following:

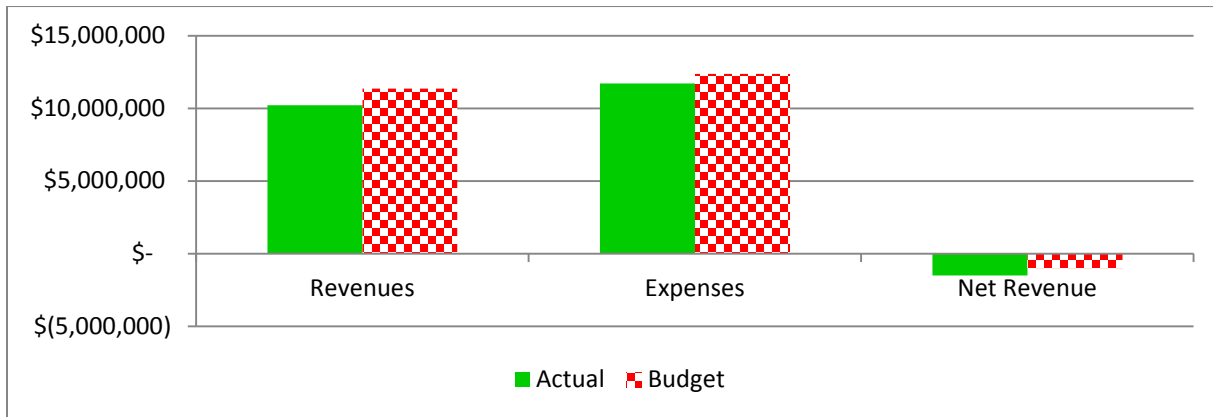


- General Fund revenues were \$29.0 million compared to the budget of \$29.5 million
- Lower revenue from Publishing Services related to fewer titles in ALA Editions
- Publishing produced net revenue of \$630,000 and overhead of \$3.2 million
- Very strong results from the ALA Annual conference in San Francisco with net revenue of \$772,000
- General Fund expenses were \$28.8 million compared to the budget of \$29.5 million
- The net results was net operating revenue of \$279,000

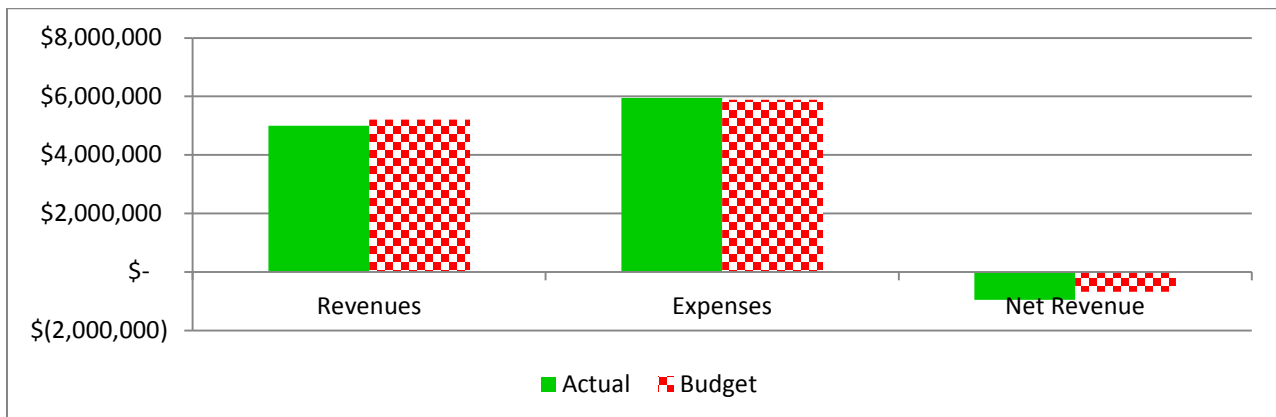
In reviewing the Statement of Financial Position it was revealed that total assets decreased during the year by \$2.9 million, primarily due to a decline in the market value of the endowment fund related to market fluctuations in August of 2015. Total liabilities for the period were \$46.0 million which is an increase of \$4.3 million primarily in Accrued Payroll, which includes Postretirement Benefits, of \$4.6 million. The Postretirement benefits increase was due to the use of a new mortality table issued by the Actuarial society of Chicago in October of 2014. The result was a fund balance of \$31.6 million, which is a decline of \$7.2 million (-18.5%). Despite the decline in net assets the Association’s financial position remains quite strong.

FY 2016 1st Quarter Financial Report - BARC #5.0 (EBD #14.4)

Mark Leon led the committee in a discussion on the 1st quarter results ending 11-30-15. He noted that due to a number of factors i.e. new personnel, reporting system adjustments, allocation issues etc. the November results should be viewed more as directional information. Taking a broad overview the results reflected the Association is trending in a positive direction.



- Total ALA revenues of \$10.2 million compared to budget of \$11.4 million
- Total ALA expenses of \$11.7 million compared to budget of \$12.4 million
- Net operating expenses were (\$1.5 million compared to budget of (\$1.0 million)
- Typical results for this time of year, primarily due to timing issues



- General Fund revenues were \$5.0 million compared to the budget of \$5.2 million
- General fund expenses were \$6.0 million compared to the budget of \$5.9 million
- General Fund results are essentially on budget
- Membership has taken a positive turn with an increase in the number of members
- Marketing campaign to highlight the value of membership showing positive results
- Publishing has a number of solid titles in the pipeline
- Publishing has been identifying new titles for the frontlist
- The publishing production cycle is improving in order to release titles sooner

FY 2017 Budget Instructions/Process Guidelines and Objective (BARC Info #8 & Info #1)

Keith Fiels and Mark Leon updated the committee on 2017 budget instructions. Keith began the discussion by pointing out the value and opportunity that's being presented by the refinement of the ALA 5 year planning model/tool that management has been developing. It is believed that this tool will prove invaluable in future planning. Staff is currently working on budget projections. He did note that the current budget instruction do not include a salary increase. However, management is working under the assumption that resources will be available to provide a 2% salary increase. Major concerns for the 2017 budget include rising healthcare costs and ITTS investment.

Mark Leon provided the committee with a brief overview of the some of the basic assumptions to be used in the development of the budget. These included the overhead rate (23.7%), the grant rate (19.42%), endowment spending rate (5%), mileage rate (\$0.54), employee benefit rate (33%) and attrition (4.5%). He noted that during the process of developing the instructions that staff has had an opportunity to do a deep dive into many areas of the budget to which a greater understanding has resulted, along with new ownership of the information. Finally, templates for the new budget will be released to staff the week of January 19th.

Proposed Presidential Initiative Budget (BARC #15 & EBD #14.5)

President-Elect Julie Todaro presented her Presidential year budget. The Presidential initiative will focus on "Libraries Transform: the Expert in the Library." She noted how the HR infrastructure in our organizations has not kept pace assisting us in articulating the use of library value content i.e. the value of library employees who are the experts in the library. She noted that as we measure and assess who we are and what we do, our expertise and impact becomes evident i.e. the value of library employees and the expert in the library. As such, her initiative will be in two stages with a timeline designed to do research on articulating the value of library employees (Spring 2016) and identifying "Best Practices" from late spring to December. The total budget is \$71,000 - \$75,000. The following action was taken:

Motion: BARC recommends and F&A concurs to recommend to the Executive Board approval of the proposed 2016-17 Presidential Initiative budget of President-Elect Julie Todaro in the amount of \$75,000.

Indirect Cost Study Assumptions (BARC Info #7 & EBD #4.8)

Keith Brown led a discussion on the assumptions to be used in the development of the FY2015 Indirect Cost study. He noted that the rate that will be generated from the study will be applied to the development of the FY 2018 budget. In his summary included the following information:

- The individual cost centers whose costs will be allocated (18)
- The methodology/statistics that will be used to allocate the costs
- The formula that will used to determine the actual rate
- The programmatic units that will be included in the study

He noted that information gathering has already started with the completion of the ALA audited financial statements, which will be accepted by the Executive Board at this Midwinter meeting. The general timeline for completion of the study is late March or early April with a presentation to BARC and the Finance and Audit committee at their spring meetings in April.

Publishing Update (BARC #23.1 & EBD #12.26)

Don Chatham updated the committee on the 1st quarter operating results in the Publishing department, as well as, expectations for future activities. It was noted that the department realized net expenses of (\$122,375), which was less than the budget of \$213,704 by (\$336,079).-Areas highlighted with positive results that outperformed the budget included the following:

- Advertising revenue by \$43,000
- Subscription Equivalents by \$55,000

Lines that underperformed budgeted net revenue included the following:

- Booklist by \$64,000
- Graphics by \$55,000
- ALA Editions by \$191,000
- Neal Schuman by \$31,000

Looking Forward – It is expected that the Neal Schuman operation will benefit from three major publications in the future. Beginning in FY16 with the December release of the bestselling textbook – Rubin: Foundation. In FY17 with the 2nd bestselling textbook planned for release – Cassell and Hiremath. In FY18 with the third bestselling textbook planned for release – Evans and Alire. Publishing will soon be partnering with AASL on the publication of AASL Standards using a new business model. If successful, that model could be used as a template for future collaboration with other divisions. Integration of the Neal Schuman business plan continues. Finally, there will be a price increase in RDA.

Challenges and focus Areas – Despite the positive outlook currently and in the future there are still some challenges that need to be addressed. These include:

- Filling the Publisher position for ALA Editions
- Resignation of RDA Business/Operation manager
- Building a bigger frontlist
- Establishing a 2 year publishing timeline – start to finish
- Fully utilizing potential sales reports from our new order processing vendor
- Price adjustments to improve cost to sales ratios

Planning and Budget Assembly

Planning and Budget Assembly – The following represents highlights of the discussion:

- President Initiatives – Julie Todaro
- Summary Observation of FY15 Results – Mario Gonzalez
- Summary Observations FY16 Results (1st Qtr.) – Ann Martin
- FY17 Budget Assumptions – Keith Fiels
- Publishing Update – Dan Chatham
- ITTS Update – Sherri Vanyek

Division Leadership/BARC Meeting – Sherri Vanyek, Director of ITTS, provided the attendees an update on the current and future IT projects in the works for FY16 and FY17. She noted that the ITTS department is responsible for a large number of important projects that are deemed critical to the proper functioning of the Association. These projects include the web presence, improving the web’s search capabilities, the e-commerce system for dues/donations/e-learning, the network infrastructure, the telephone system, IMis etc. She noted that while most of the projects are planned and budgeted, some will have a budget impact in FY16 that was not planned. As a result, some important decisions will have to be made on how to address the situation.

Much of the remaining session was devoted to answering and or addressing questions from the audience. Some time was set aside in order to have some small group discussion in order to develop some questions.

Acknowledgement

BARC extends its sincere thanks to the ALA finance staff: Mark Leon, Joanne Lee, Keith Brown, and Latasha Bryant for their work throughout the year and support in preparing for the committee meetings and discussions. The chair would also like to thank Keith Michael Fiels and Mary Ghikas for their insightful and helpful input and participation.

Respectfully submitted:

Ann Martin, Chair
Maggie Farrell
Lori Goetsch
Mario Gonzalez, Treasurer
Julius Jefferson, Jr. – Absent (Friday)
Dr. Rhea Brown Lawson
Bernard Margolis - Absent
Jim Neal
Gina Persichini - Absent
Jo Ann Pinder