

MEMORANDUM

DATE: December 31, 2012

TO: K. Fiels
G. Calloway
Department Heads

FROM: K. Brown

RE: FY 2012 Indirect Cost Study Assumptions and Schedule

The FY 2012 Indirect Cost Study will be conducted using the same methodology as the FY 2011 study. As such, the basic assumptions and the schedule that was used for the FY 2012 study will be the same. The final FY 2012 rate as determined by this study will be applied to certain FY 2015 budgeted revenues. As part of our efforts to better and equitably allocate costs, we will continue to review the possibility of proposing a new method for allocating legal fees, subscriptions, ITTS and PIO expenses.

As you know the budget calendar and the operating agreement require the completion of the FY 2012 study by the Spring BARC and Executive Board meetings. The final overhead rate will be available to divisions for preparations of their FY 2015 budget, which will begin in December 2013. Work on the Indirect Cost Study will begin after the completion of the audit immediately following this Midwinter Meeting.

The following five assumptions will underline the 2012 study.

I. Types of Direct/Indirect Costs:

- A. Distribution Center (net chargebacks)
- B. Building Operations (includes plant fund)
- C. Human Resources
- D. HQ Library
- E. Production Services (net chargebacks)
- F. Reprographics (net chargebacks)
- G. Member and Customer Services (MAC)
- H. Operating Supplies (net chargebacks)
- I. Repairs and Maintenance/Lease
- J. Telephone Expense (net chargebacks)
- K. Public Information Office
- L. Information Technology & Telecommunication Services (net chargebacks)
- M. Financial Services
- N. Audit and Bank Fees
- O. Member Programs and Services
- P. General and Administrative (Council/Administration, Executive Board, Executive Office, Communications AED, Office Services, and Business Expense)

II. **The key statistics to be used in the 2012 Indirect Cost Study are:**

<u>STATISTICS</u>	<u>HOW CALCULATED</u>	<u>TYPES OF EXPENSE ALLOCATED</u>
F.T.E.'s	08/12 Table of Authorized Positions	Operating Supplies, Human Resources
Square Footage	2012 Space Analysis	Building Operations, Huron Plaza, HQ Building and Washington Office
# of Lines	2012 Count	Telephone Expense, Repairs and Maintenance and Leases
Inter-Unit Transfers	FY 2012 Expenses	Distribution Center, Reprographics Center and Production Services
# of Members	FY 2012 Statistics	Member and Customer Services/Handbook of Organization
Unit Revenue	FY 2012 Audit Statements	Audit and Bank Fees
# of Transactions	Actual	Financial Services
Library Usage	Actual	Library
# of PC's	Actual	ITTS
Time Allocation	FY 2012 Estimate (%) of Usage	PIO

III. **Derivation of the composite rate for Divisions and revenue generating units:**

The sum of indirect costs for ALA Publishing and ALA Conferences will be divided by the sum of corresponding revenues.

INDIRECT COSTS: $\frac{\text{ALA Publishing} + \text{ALA Conferences}}{\text{ALA Publishing} + \text{ALA Conferences}}$ = Composite Rate

APPLICATION OF 2012 RATE FOR DIVISIONS TO BE USED IN FY 2015

50% (Publication Related) of the Composite Rate
100% (Conference Related) of the Composite Rate

IV. ALA Program Units

A basic assumption in the indirect cost study is that the support units exist to provide services to the programmatic activities of the organization. The General Program Offices are supported by general dues and are treated as a single programmatic entity in the indirect cost study. Accordingly, the Offices are allocated a portion of ALA indirect costs.

The ALA units and related interest group included in the indirect cost study are:

GENERAL PROGRAM:	Standing Committees (other than Council, Executive Board, BARC), HRDR, OLOS, OIF, OA, ORS, OFD, OGR, OLA, OGR, IR, Development Office, Washington Office and OITP
PUBLISHING:	ALA EditionsTechSource, Booklist, ALA Graphics, ALA Digital Reference and American Libraries
CONFERENCES:	Midwinter Meeting and Annual Conference
DIVISIONS:	PLA, ACRL, CHOICE, AASL, ASCLA, ALCTS, LLAMA, RUSA, UFL, LITA, ALSC and YALSA
ROUND TABLES:	LHRT, ERT, GODORT, IFRT, IRRRT, NMRT, LRRT, MAGERT, SRRT, SORT, LIRT, EMIERT, CLENERT, ILERT, AFLRT, VRT, SSIRT, GLBTRT and RMRT
RELATED INTEREST GROUPS:	Affiliates and Other Organizations

V. Source of Data:

The FY 2012 audit Report and General Ledger Performance Reports (final close) will be the source documents used to derive the cost data used in the 2012 study.

VI. Indirect Cost Study Schedule

December, 2012	Review and Present 2012 assumptions and Methodology
February, 2013	Request Data used for Allocation
March, 2013	Compile Data
April, 2013	Completion and Review by Department Heads and Divisions
April -May, 2013	Review by the BARC and F&A committees