

**M E M O R A N D U M**

**DATE:** December 28, 2009

**TO:** K. Fiels  
G. Calloway  
Department Heads

**FROM:** K. Brown

**RE:** FY 2009 INDIRECT COST STUDY ASSUMPTIONS AND SCHEDULE

The FY 2009 Indirect Cost Study will be conducted using the same methodology as the FY 2008 study. As such the basic assumptions and the schedule that was used for the FY 2008 study will be the same. The FY 2009 study has been modified to relate the allocation of building costs for the Choice Office. These operating expenses will now be reflected in the Plant Fund (Building Maintenance). Plant Fund costs are allocated to each unit based on square footage.

The final FY 2009 rate as determined by this study will be applied to in the FY 2011 budgeted revenues. As part of our efforts to better and equitably allocate costs we will continue to review the possibly of proposing a new method for allocating legal fees, subscriptions and PIO expenses.

As you know the budget calendar and the operating agreement require the completion of the FY 2009 study by the Spring BARC and Executive Board meetings. This will enable us to communicate the final overhead rate to Divisions in advance of their completion of work on Division budgets for the Annual Conference. 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 2009 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. Membership Services
- 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/Purchasing, and Business Expense).

**II. The key statistics to be used in the 2009 Indirect Cost Study are:**

<b><u>STATISTICS</u></b>	<b><u>HOW CALCULATED</u></b>	<b><u>TYPES OF EXPENSE ALLOCATED</u></b>
F.T.E.'s	08/09 Table of Authorized Positions	Operating Supplies, Human Resources
Square Footage	2009 Space Analysis	Building Operations, Huron Plaza, HQ Building and Washington Office
# of Lines	2009 Count	Telephone Expense, Repairs and Maintenance and Leases
Inter-Unit Transfers	FY 2009 Expenses	Distribution Center, Reprographics Center and Production Services
# of Members	FY 2009 Statistics	Membership Services/Handbook of Organization
Unit Revenue	FY 2009 Audit Statements	Audit and Bank Fees
# of Transactions	Actual	Financial Services
Library Usage	Actual	Library
# of PC's	Actual	ITTS
Time Allocation	FY 2008 Estimate (%) of Usage	PIO

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

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

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

APPLICATION OF 2008 RATE FOR DIVISIONS TO BE USED IN FY 2010.

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:**

<b>GENERAL PROGRAM:</b>	Standing Committees (other than Council, Executive Board, BARC and the Planning Committee), OLPR, OLOS, OIF, OA, ORS, OFD, OGR, OLA, OGR, Washington Office and OITP
<b>PRODUCTS &amp; PROMOTIONS:</b>	Posters, Bookmarks, etc.
<b>PUBLISHING:</b>	ALA Editions, Booklist, Booklinks, Products & Promotions, Online Resources and American Libraries
<b>CONFERENCES:</b>	Midwinter Meeting, Annual Conference
<b>DIVISIONS:</b>	PLA, ACRL, CHOICE, AASL, ASCLA, ALCTS, LAMA, RUSA, ALTAFF, LITA, ALSC, YALSA
<b>ROUND TABLES:</b>	LHRT, ERT, GODORT, IFRT, IRRT, NMRT, LRRT, MAGERT, SRRT, SORT, LIRT, EMIERT, CLENERT, FAFLRT, VRT, SSIRT, GLBTRT
<b>RELATED INTEREST GROUPS:</b>	American Indian Library Association, AACR2, Freedom to Read Foundation, FOLUSA, Coalition for Literacy, Business Council for Libraries

#### V. Source of Data:

The FY 2009 Audit Report and General Ledger Performance Reports (final close) will be the source documents used to derive the cost data used in the 2009 study.

#### VI. Indirect Cost Study Schedule

December, 2009	Review and Present 2009 Assumptions and Methodology
February, 2010	Request Data used for Allocation
March, 2010	Compile Data
April, 2010	Completion and Review by Department Heads and Divisions
April -May, 2010	Review by BARC and F&A Subcommittee