

**Budget Analysis and Review Committee**  
**Report to the Executive Board**  
2012 Fall Meeting  
Chicago, IL  
October 27, 2012

The information below represents the report of the Budget Analysis and Review Committee (BARC) on its activities since the Annual Conference in Anaheim, CA. BARC met for two days on September 27 and 28 at ALA Headquarters.

In the course of addressing the business issues facing the Association, the committee discussed a wide range of topics, which included:

- BARC Orientation – New Members
- Key Financial Trends – BARC Information #4
- FY 2012 Budget Review, 1<sup>st</sup> Close Results – BARC #5
- Final FY 2013 Budget Update – BARC #23
- Dues Adjustment Proposal – BARC #29
- United for Libraries Group Membership Proposal – BARC #30
- Midwinter Meeting Preparation
  - ALA Finance Best Practices
  - Planning & Budget Assembly
  - BARC/Division Leaders Joint Meeting

### **BARC Orientation**

Two new members to the committee – Sylvia Norton and Robert Walton - were welcomed and given a detailed synopsis of the committee’s purpose, how it fits within the organization, how it operates, important relationships (Council, Executive Board, Divisions, etc.), each member’s responsibilities and some of the best practices used for liaison success. Prior to the meeting all the committee members were asked to review the BARC webinars that were put together to educate the membership and member leaders. G. Calloway took the opportunity to describe and clarify the important roles played by BARC and the Finance & Audit Committee (F&A), the distinction between each and how they interact with one another i.e. BARC monitors the budget and makes recommendations to F&A. Also, as part of the orientation members were asked to set up and attend private meetings with their assigned liaisons in order to get a better understanding how each unit works and the issues that they face on a day to day basis. Later in the meeting, BARC members reported out to the full committee on their visits.

## **Financial Trends – BARC Information #4**

As part of the orientation for new members, as well as, to set a foundation for returning members, G. Calloway led a discussion on a number of important financial trends that needed to be recognized and addressed by the Association as it moves into FY 2013 and beyond. As a financially strong and stable organization, ALA relies primarily on four revenue pillars – Dues, Publishing, Conferences and Grants & Awards. Each plays a special role and has an interesting history. Dues (18%) income has been a very stable source of revenue despite the volatile changes in economic conditions. ALA's membership is very loyal with a relatively high retention rate. Publishing (36%) is a major source of revenue but it is also an industry that has been undergoing fast and volatile changes. The shift from print to electronic delivery platforms is ongoing. Conferences (25%) are heavily dependent on the general condition of the economy and perhaps more importantly the site location. East coast and Chicago locations have historically done much better than other locations. Grants & Awards (10%) play a major role but have tended to be unreliable as a steady source of revenue as the players and their goals change. This all provides ALA with a very diverse revenue mix. Although the revenue mix is rich it has been severely impacted by the events of 2008 – financial meltdown. Since that time the trends in ALA's primary revenues sources have been trending downward.

*Membership* - C. Bourdon, AED, Communications and Member Relations and R. Jankowski, Membership Director, highlighted some facts on the ALA membership. As an example, the cost of an ALA membership is generally lower than other associations. In most instances significantly lower. ALA's last dues increase was in 2006 and it has reflected well in the amount of additional revenue generated. There are a number of special programs and efforts that are underway to maintain and increase the current membership totals. This includes the current proposal to increase membership dues. Other facts highlighted included the increasing number of members with 25+ years of continuous service who will be eligible for free membership and the fact that member demographics are changing.

*Human Resources* - C. Vivian, Human Resources Director, provided the committee with news that employee benefits costs continue to be a source of concern and challenge to many organizations. ALA is in the same position but fortunately for FY 2013 the office was able to negotiate the same coverage's at the same or lower costs than FY 2012.

*Conferences* - M. Ghikas, Senior AED, Member Programs and Services, reported on the status of ALA conferences. It was noted from the trend charts provided to the committee that conference revenue has been trending downward. A recent survey of conference attendees and exhibitors revealed the following:

1. Exhibitors and members are looking for value in their conference experience
2. The library market has shrunk over the last few years
3. Less foot traffic on the exhibit floor
4. Fewer expected marketing leads for selling purposes i.e. not enough decision makers
5. Chicago is by far viewed as the best and favorite conference site

*Publishing* - D. Chatham highlighted Publishing activities noting that the revenue shortfall for FY 2012 was due largely to the delayed release of RDA. The timeframe for approval by the Library of Congress was extended into FY 2013 thereby wiping out expected revenue. There were also additional development costs incurred to address RDA issues raised by the Library of

Congress. Also contributing to the revenue shortfall was the integration of the Neal Schuman publishing (NS) into the ALA publishing department.

### **FY 2012 Budget Review 1<sup>st</sup> Close Results – BARC #5**

G. Calloway provided the committee with a review of the fiscal year-end based on the 1<sup>st</sup> close results.

**Total ALA 1<sup>st</sup> Close:** Preliminary total ALA revenues for the fiscal year-end results were \$48.6 million, which is 2.7% or \$1.4 million less than the budget of \$50.0 million. This compares to \$46.1 million last year, a gain of \$2.5 million. The reduction was primarily a result of lower than expected revenues in the Divisions, which was under budget by \$1.1 million or 6.8% at \$15.2 million – AASL (\$384,368), PLA (\$270,973), Choice (\$189,063), ALTAFF (\$153,837) and YALSA (\$135,382). Also contributing was lower than expected interest income from the long-term investment fund, which was less than the budget of \$837,756 by \$335,491 (40.1%) at \$502,265.

Total ALA expenses for the fiscal year-end results were \$48.4 million, which is \$1.7 million less than the budget of \$50.1 million (3.5%) and compares to \$46.4 million last year. Significant savings were realized in the Divisions (\$2.3 million) at \$14.2 million. This savings was offset by a gain in General Fund expenses of \$1.2 million related to the Neal Schuman (NS) purchase.

On an overall basis the net result was excess revenues over expenses of \$242,442.

**General Fund** - General Fund revenues for the year were more than budget by \$165,238 (0.6%) to \$27.2 million. The most significant contribution came from Publishing, which exceeded budgeted revenues by \$1.2 million (9.4%) at \$12.4 million primarily from the NS acquisition. Revenue from ALA Editions, which houses NS, was \$1.3 million (36.4%) more than budget of \$4.9 million. It should be noted that despite being over budget expected revenues were \$670,180 (12.0%) less than year end projections of \$5.6 million. The projected shortfall was due to a number of factors that included expected summer sales pattern for textbook didn't materialize and a difficult integration process. Offsetting the overall revenue gain in Publishing was a shortfall in revenue from Online Resources, which includes RDA, of \$206,125 (30.8%) to \$463,767. As noted earlier this was due to the LOC's delay in approving the use of RDA. Significant offsets were lower revenue from Member Programs & Services (MPS) and interest income. MPS revenue was less than budget of \$641,443 (7.3%) at \$8.1 million due to results from Annual Conference. Annual Conference revenue was lower than budget of \$5.1 million by \$770,901 (13.0%) as a result of lower registration and exhibit fees. Interest income was \$746,565, which was less than budget by \$342,028 (31.5%) due to a lower average investment balance and a lower yield.

General Fund expenses for the year were \$28.0 million and more than budget by \$918,299 (3.4%). This was less than the year end projections of 28.5 million (1.8%). Accounting for most of the overage was Publishing Services which was \$12.1 million and more than budget of \$10.0 million by \$2.1 million (20.8%). It was also less than year end projections of \$12.3 million by \$252,458 (2.1%). The area with the biggest impact was ALA Editions which was \$2.1 million (66.6%) more than budget of \$3.2 million at \$5.3 million. Increased expenses, many of which are one time in nature, related to the NS acquisition.

The result was an excess of expenses over revenues or loss of (\$753,061).

At this point in time the results are first close information. There is more work to be done before knowing the final results. As a result of the Executive Boards' prior approval at the Annual Conference in Anaheim on the use of Net Asset Balance reserves (\$700,000) and unused interest from the Future fund (\$94,000) to cover the projected loss, BARC took no further action on the projected loss. However, BARC will continue to monitor the evolving results and take any appropriate action as necessary prior to the Fall Board meeting.

### **Final FY 2013 Budget Update – BARC #23**

G. Calloway highlighted for the committee changes to the FY 2013 budget since the Annual Conference. It was noted that the economy is still in flux and that the library community is expected to continue experiencing negative impacts for the foreseeable future. Additionally, in view of the FY 2012 year-end results revenue expectations needed to be revised. As a result, management made several additional adjustments to the budget to reduce both revenue and expenses. Some of the changes include:

- Incorporated approved grants received after Annual Conference
- Modified Division budgets based on their board's recommendations

Some of the key components of the FY 2013 budget include a full year of operation with NS publishing, expected approval of RDA and new conference pricing strategies. Additionally, a ½ % reduction in General Fund unit expenses, a 1% salary increase, a 1% year-end compensation adjustment and the maintenance of a 30% health care benefit rate.

After a discussion of the budget changes since Annual Conference the following action was taken:

**BARC recommends to the Executive Board approval of the ALA FY 2013 Final Total Budget.**

### **Dues Adjustment Proposal – BARC #29**

C. Bourdon and R. Jankowski highlighted the document. As a result of numerous meetings with the stakeholders on the original proposal with two options – 1) a \$10 increase + CPI and 2) CPI only, it was determined that the CPI only option was the preferred option. In support of this option it was noted that over the last ten years the CPI has averaged 2.5% annually. If the CPI index had been in place as part of ALA's regular dues structure an additional \$600,000 would have been generated for the Association. After further discussion the following action was taken:

**BARC recommends to the Executive Board approval of the dues adjustment proposal for an annual CPI indexed dues structure.**

## **United for Libraries Group Membership Proposal – BARC #30**

K. Fiels highlighted for the committee the document submitted by S. Reed, Executive Director, United for Libraries. In the fall of 2010 the Executive Board approved a two-year trial of a new group membership model for retaining FOLUSA member groups after the merger with ALTAFF. It is a membership for groups only. It provided United for Libraries with a better way to market itself to groups and boards, particularly state-wide group memberships. The division would like to extend this program for an additional two years. After further discussion the following action was taken:

**BARC recommends to the Executive Board approval of an additional 2-year trial period to offer group United for Libraries memberships to Friends Groups and Boards of Trustees.**

## **Midwinter Meeting Preparation – ALA Finance Best Practices**

In preparation for the Midwinter Meeting in Seattle the committee discussed the schedule. An invitation will be sent to division and round table leaders responsible for finances within their units to attend the ALA Finance Best Practices session. This session provides an educational opportunity for those members interested in how ALA's finances work, as well as, providing those member leaders who are new to their positions the basis of financial responsibility. This session will be supplemented by the BARC webinars posted on the Treasurer's page. Committee members will be available to answer questions and solicit input on future topics and webinars. ALA Connect will continue to be used to promote the webinars and field questions that may arise after viewing.

In terms of the Planning and Budget Assembly, it was suggested that the dues increase could be included in addition to or in place of one of the usual topics (Presidential Initiatives, FY12 Budget Update, FY13 Budget Update and Strategic Plan Update).

For the joint BARC/Division Leaders meeting, C. Bohrer will solicit suggestions for agenda topics from the divisions through ALA Connect.

## **Acknowledgement**

The BARC committee would like to thank the Finance staff, Greg Calloway, Keith Brown, Sandy Lee and Elaine Klimek for their outstanding work and support in preparing this committee for the work that it addressed during these two days of meetings. The chair would also like to thank Keith Michael Fiels and Mary Ghikas for their insightful and helpful input and participation.

Respectfully submitted,

Clara Bohrer, Chair

James Neal, ALA Treasurer

Sylvia Norton

Dora Ho

Winston Tabb

Alexander Villagran

Robert Walton

Patricia Wand - Absent

Janice Welburn