

**AMERICAN LIBRARY ASSOCIATION
Budget Analysis and Review Committee (BARC)**

**Report to ALA Council
2010 Annual Conference
Sunday - June 27, 2010**

Once again it is my pleasure to report on the work of the Budget Analysis and Review Committee (BARC) since the Midwinter Meeting. BARC convened its spring meeting May 5-6, 2010 at ALA Headquarters in Chicago. The agenda priorities included the February financial results and the Preliminary FY 2011 Budget. Since that time the April financials have been prepared and will be reflected briefly in this report. Below you will find a summary of the items that were addressed in the interim.

- FY 2010 Budget Update – February
- FY 2010 Budget Projections - February
- FY 2010 Budget Update – April/May
- FY Preliminary 2011 Budget - Spring/Final

FY 2010 Budget Update – February

February Results - During the BARC Spring meeting the committee members thoroughly discussed and reviewed the financial information provided during the meeting – February and some preliminary March results. Total ALA (all combined funds) revenue was \$22.8 million, which is \$2.1 million below budget of \$24.9 million. Areas that had the most impact on results were the General Fund (Publishing & Midwinter Meeting) and Grants & Awards. Total ALA expenses were \$24.0 million, which is \$3.0 million (10.9%) less than budget. The greatest impacts were in the Divisions (\$1.2 million) and Grants & Awards (\$1.3 million).

General Fund revenues during the period were \$11.6 million, which is \$842,049 less than budget. The areas with the greatest impact were in Publishing (\$517,773) and the Midwinter Meeting (\$299,130). In Publishing, Products and Promotions (\$299,291), Booklist (\$106,852)

American Libraries (\$93,538). Booklists is being impacted by the economy driven cutbacks in advertising and subscriptions. The same is true for American Libraries. On-Line Resources is a combination of print products that have been or are in the process of being converted into online products and are being impacted by lower subscription and advertising revenue. Additionally, RDA is a project in development for release in FY11 and has no revenue.

General Fund expenses for the period were \$13.5 million, which is \$377,106 less than budget. Publishing was less by \$360,188 and Member Programs & Services was less by \$412,518. Publishing saw reductions of similar amounts in all areas. Savings in MPS was primarily for the Midwinter Meeting (\$158,462). Note that Conference Services is negotiating with a number of hotels to reduce outstanding attrition charges of \$133,000. Annual Conference is also under budget by \$86,483. This may change as we get closer to conference. Other areas currently under budget are OIF (\$99,056), OLOS (\$42,537) and MPS AED (\$26,120). Note that the expense savings were offset by lower than expected overhead (\$270,932) and higher general administration (\$189,685).

On a net basis the General Fund is reflecting a net loss of approximately \$1.9 million.

FY 2010 Budget Projections - February

February Projections - After critically reviewing the February results, senior management and the department heads prepared adjusted revenue and expense projections for the end of the fiscal year. The result of this work was a projected year end net revenue shortfall in the General Fund of \$2.0 million. These shortfalls are being realized primarily in Publishing (\$963,000) and Conferences (\$900,000). In addressing this shortfall management made some difficult decisions in a number of areas. These included but were not limited to an Association wide furlough (10 days - \$560,000), publishing related expense reductions (\$527,000), payroll and related (\$734,000), travel & related (\$149,000) and the use of reserves (\$400,000). Note that the first week of the proposed furloughs have been implemented and a decision on implementing the second week is still pending.

FY 2010 Budget Update – April/May

April Results - For April total ALA (all combined funds) revenues were \$33.7 million or \$484,491 (1.4%) less than budget. The General Fund revenue of \$14.6 million was \$871,914 (6.0%) less than budget due in large part to lower revenue from publishing (\$631,962). Division revenues were \$11.6 million or \$161,290 (1.4%) less than budget. Grants and awards were \$6.4 million or \$108,000 (11%) more than budget. Interest and dividend income was more than budget by \$416,735 (108.1%) totaling \$774,411 due to higher yielding intermediate bond investments.

Total ALA expenses were \$33.5 million or \$2.2 million (6.0%) less than budget. General Fund expenses of \$17.0 million were \$615,102 (3.5%) less than budget due primarily to lower publishing (\$377,075) activity related to adjustments to lower projected revenue, lower Midwinter related expenses (\$115,030) and in OIF (\$115,317). Division expenses of \$9.9 million were less than budget by \$1.5 million (12.9%). Grants and awards were \$108,000 (11%) more than budget at \$6.3 million.

For the General fund the result is a net loss of \$2.3 million, which is more than the budgeted loss of \$2.1 million. At this point in time the projections as initially put forward are still on track.

Preliminary May Results – As of the May performance reports, which have only recently been received and reviewed on a preliminary basis, the net loss for the General Fund is \$2.7 million. This compares to the budgeted loss of \$3.4 million. Since the projections management has identified a combination of improved revenue and refined expense adjustments estimated to generate approximately \$300,000 in additional savings. As a result, the data suggests that the need for a second week of furloughs may not be necessary. It should also be noted that the Executive Board has expressed a preference to use net asset balance reserves before furloughs are implemented.

FY 2011 Preliminary Spring Budget

Total ALA Budget - Senior staff presented BARC with the Preliminary Total ALA FY 2011 Budget – General fund, Divisions, round tables, Plant fund Grants& Awards and Long-Term Investments, - which reflected revenues of \$45,151,218 and expenses of \$46,640,825. This compares to budgeted revenues and expenses in FY 2010 of \$54,095,645 and \$54,425,736 respectively. The lower budgeted revenue in FY11 represents a decline of \$8.9 million (16.5%) due to lower projected grants & awards, one division national conference and lower General fund targets. This budget reflects expenses in excess of revenues of \$1.5 million. This is due to timing of the division conference activities i.e. one less national Division conferences during the year in conjunction with a being a spend-down year for the upcoming two notional division conferences.

General Fund Budget – For FY 2011 the General Fund has budgeted revenues of \$26,822,483 million, which is \$1.3 million (4.5%) less than FY10. Revenues are budgeted as follows:

- Dues - \$6.2 million
- Conference - \$6.8 million
- Publishing - \$11.3 million
- Miscellaneous - \$2.4 million

Dues revenue represents an increase of \$294,400 over the FY10 projections. The increase is a function of an annualized organizational dues increase. Note that it is also assumed that membership will fall by 2.5%. Conference revenue is budgeted at \$783,850 less than in FY10. Attendance and exhibit square footage at both Midwinter (San Diego) and Annual (New Orleans) are both projected to be lower than in FY10. The sale of materials, which includes the sale of books, is budgeted for a total of \$4,490,510 as compared to \$4,874,526 in FY 2010. There will be a total of 36 front list titles in ALA Editions. This reflects an improvement in the product pipeline due to continued attention to arrangements with divisions and expected international expansion. Graphics revenue is budgeted to reach

\$1,491,982, which represents a reduction of \$491,947 from FY 2010. This is in recognition of the downturn in library and individual purchases. Subscriptions, a function of Booklist, Booklist Online and book Links, are budgeted at \$2,434,053 compared to \$2,763,844 in FY 2010. Advertising income is projected to decrease to \$3,511,532, which is \$302,764 less than the approved FY 2010 budget. Advertising is an area that has been hit hard by the weakness in the economy but is showing signs of coming back. Other Publishing related sales – mail list rental, RDA, Online Guide to Reference etc. – are budgeted to reach \$867,624, which is \$505,229 more than FY10. Guide to Reference will be the primary revenue driver as database budgets are expected to rebound from the slashed library budgets in the fall of fiscal 2009 (2008).

Expenses for the General Fund are budgeted at \$26,822,483, which is \$1.3 million (4.5%) less than the FY 2010 budget. Payroll and related are expected to be \$1.1 million less than last year due to 16.992 in unfunded FTE's (\$812,978). Expenses from Meetings & conferences are budgeted at \$2.8 million. This is down by \$486,621 than FY10.

Division Budgets - Revenues are budgeted at \$13,963,766, which is a decrease of \$2,105,035 over FY 2010. This is due primarily to holding only one national division conference during the year. By the end of FY 2010 the division fund net asset balance are budgeted to reach \$11,035,828. Net revenue is budgeted to reflect a net loss of \$1,352,791. Although there were no new requested positions for FY 2011 there are 5.7 unfunded positions; ASCLA, ACRL, RUSA, LLAMA, LITA and ALSC. Total expenses are budgeted at \$15,316,557. This is a decrease of \$1,076,182 (6.6%) over FY 2010. Small division support will total \$87,603 compared to \$82,468 in FY 2010. Finally, there are no planned net asset transfers to any division endowment funds.

Round Tables and Other Budgets - Round Tables have budgeted revenues of \$363,775, which is down from \$356,005 in FY 2010. Dues income of \$172,502 will account for approximately 47.4% of revenue. Expenses are budgeted at \$350,269 resulting in net revenue of \$13,506. The ***Plant Fund*** budget, which covers the costs related to the 40 & 50 East Huron buildings, the Washington office and Choice, is \$1,883,691. There will be a General fund

transfer of \$1,725,093 to cover all building related expenses. The Choice portion of the cost is \$158,598 which includes repairs, maintenance, utilities, leased equipment, interest expense and property taxes. The ***Long-Term Investment Fund*** is budgeted to generate \$540,444 in revenue to fund scholarships and awards. ***Grants and Awards*** are budgeted at \$3,436,271 but will likely be adjusted for pending proposals awaiting approval. Note that this is down from \$8,195,537 in FY10. Overhead recovered from grants are budgeted at \$401,276 compared to \$768,215 last year and will offset expenses in the General Fund. This decline reflects the impact of only one national division conference during the year. The ***Capital*** budget for FY 2011 totals \$2,105,727, which is essentially the same as last year. This budget maintains ALA's property. This also includes investment in computer and technology of \$920,227 compared to \$1,407,950 in FY10. Office furniture and building improvements total \$195,500 compared to \$497,091 in FY10. The capital contingency of \$100,000 is for unexpected contingencies.

Please note that the information reported here reflects the information presented at the Spring meeting in Chicago. There have been some adjustments that will be discussed during this conference. As such the budget that will be presented to council by the Treasurer will be different, but not in a significant way. Also note that the divisions are finalizing their budgets at this meeting. As such the final budget will not receive final approve by the Executive Board until their fall meeting.

FY 2011 Final Total ALA Budget

Since the Spring Meeting staff has forwarded a number of small adjustments to what was discussed above. BARC has reviewed and discussed the updated information. This information was then forwarded to the Executive Board for their approval on Friday, June 26.th On Monday, June 28th the Treasurer will be presenting the final budget as follows:

General Fund	\$26,822,483
Divisions	\$24,920,314
Round Tables	\$ 1,148,585
Grants & Awards	\$ 3,620,108
Long-Term Investments	\$ 561,923
Technology Fund	<u>\$ 89,000</u>
 Total Budgetary Ceiling	 \$57,162,413

As noted previously the Divisions Executive Boards will be reviewing their FY 2011 budgets at this conference. It is likely that further adjustments will be proposed and that the final approval by the ALA Executive Board will take place at the fall 2010 meeting.

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