

**Budget Analysis and Review Committee  
Report to the Executive Board  
2013 Annual Conference  
Chicago, IL  
July1, 2013**

The information below represents the report of the Budget Analysis and Review Committee (BARC) on its activities since the Spring Meeting in Chicago, IL. In the course of addressing the business issues facing the Association, the Committee discussed a wide range of topics, which included:

- FY 2013 Budget Review (May Results) – BARC #5.4
- Council Referrals to BARC – BARC #31.0
  - Fossil Fuel Divestment
- Dues Adjustment – BARC #22.0
  - CPI impact on Dues Levels

**Action**

- PBA and BARC/Division Leaders Meeting
- FY 2014 Budget Update – BARC #24.1
  - Changes since spring meeting
  - Approval of Budgetary Ceilings

**Action**

- Future of BARC Financial Learning Series
  - Webcasts/Webinars

**FY 2013 Budget Review: May Results – BARC #5.4**

G. Calloway provided the committee with a review of the financial results based on the nine months ended May 31, 2013.

**Total ALA:** Total ALA revenues for the period were \$33.5 million, which is 5.3% or \$1.9 million less than the budget of \$35.4 million, which compares to \$34.3 million last year. The shortfall was primarily a result of lower revenues in the General Fund (Publishing Services), which was under budget by \$2.4 million (-12.2%) at \$17.4 million. Also contributing was lower interest income from the long-term investment fund, which was less than the budget of \$629,289 by \$173,026 (-27.5%) at \$456,264.

Total ALA expenses for the period were \$35.4 million, which is 9.3% or \$3.6 million less than the budget of \$39.0 million, which compares to \$34.8 million last year. Significant cost savings were realized in the General Fund (\$2.5 million) at \$19.9 million and the Divisions (\$1.4 million) at \$10.0 million.

On an overall basis the net result was excess expenses over revenues for a loss of \$1.8 million compared to a budgeted net loss of \$3.7 million.

*General Fund Revenues* – As stated earlier General Fund revenues for the period were less than budget by \$2.4 million (-12.2%), totaling \$17.4 million. Most of the shortfall was related to Publishing Services, which was less than budget by \$2.2 million (-15.4%) at \$9.8 million. Reviewing Publishing Services reveals that ALA Editions/TechSource accounted for most of the shortfall with revenues of \$3.7 million, which was less than budget by \$1.7 million (-31.6%). This was due primarily to lower than expected book sales in Neal Schuman. It should be noted that ALA TechSource had revenues of \$143,262, which was more than budget by 27.0%. The ALA Editions frontlist is weighted toward end of year sales. Nine textbooks will be coming out in July and August. As such, year-end sales will be very important to meeting projections. Also contributing was a shortfall in revenue from Digital Reference of \$444,195 (-48.2%) and Graphics of \$218,482 (-21.1%). For Digital Reference the delay in authorizing the new standard by the Library of Congress was costly, as well as, the demand from LOC's RDA test Committee to re-write content. The restrictions were cleared at the end of March 2013 and are just now taking effect. Graphics suffered from a slow start at the beginning of the fiscal year. At this point the year for Graphics will be very dependent on the success of the fall catalog which goes into effect mid July and August for the beginning of the new academic year.

*General Fund Operating Expenses* - General Fund operating expenses for the period were \$19.9 million, which was less than budget by \$2.5 million (-11.3%). As revenue did not materialize certain expenses were not incurred. Two areas accounted for most of the savings – ALA Editions/TechSource and Booklist. ALA Editions/TechSource realized the most significant cost savings with expenses of \$4.1 million, which was \$978,120 (-19.2%) less than budget. Expenses in Booklist were \$2.9 million, which is \$301,735 (-9.5%) less than budget due to adjustments in manufacturing, i.e. printing, binding, prepress etc. related to lower revenue expectations. Digital Reference and Graphics were also less than budget by \$116,021 (-10.3%) and \$110,276 (-12.1%), respectively.

The result was an excess of expenses over revenues or a loss of \$2.4 million.

*General Fund Projections* – G. Calloway provided an analysis of nine months’ results compared to the projections for the remainder of the year. Referring to pages 3 and 5 of the May summary report he reviewed the categories of revenues and expenses. Each category also referenced a percentage with respect to how much of each category that needs to be generated to meet the projections. On the revenue side the Sale of Materials is 32% away from meeting projections. This is the area that is most uncertain. As such, sales in the remaining months of the year need to be strong for Neal Schuman. On the expense side Meeting & Conferences is 43% away from its year-end projection. This too is a wildcard as Chicago is a city that is well attended i.e. over budget on registration, but is also a very high-cost city.

### **Council Referral on Fossil Fuel Divestment – BARC #31.0**

C. Bohrer recapped for the committee the process and findings that were discussed earlier this spring. They received the report from the Endowment Trustees and reviewed their findings. The primary focus was the expected drop in value of \$1.2 million over the last three years if the resolution was implemented. During the discussion it was reported that \$60,000 would be the General Fund impact, which is equivalent to one staff position.

C. Bohrer concluded by noted that she would be reporting this information during her report at the Information Session and that BARC concurs with the findings of the Endowment Trustees report.

### **Dues Adjustment: CPI Impact – BARC #22.0**

C. Bohrer highlighted the contents of the report. The following action was taken:

**BARC recommends to the Executive Board approval to apply the 2012 change using the national average Consumer Price Index (CPI) to adjust personal dues in FY 2014.**

### **PBA and BARC/Division Leaders Agenda/Meetings:**

C. Bohrer reviewed the agendas for each of the PBA and BARC/Division Leadership meetings. PBA will cover the President-Elect’s initiatives, FY 2013 budget update, the FY 2014 budget and the strategic initiatives for the Association. The BARC/Division Leadership meeting covered the Divisions request for

information on the strategic long-term strategies to improve revenues streams, as well as improved communications on issues affecting the Association. J. Neal briefly covered the topics that he planned to cover in his Treasurer's report.

### **FY 2014 Budget Update – BARC #24.1**

G. Calloway highlighted for the committee changes to the FY 2014 budget since the spring meeting. 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 2013 year-end results revenue expectations are conservative. As a result, management made several modest adjustments to the budget since the spring meeting. Some of the changes include:

- Incorporated approved grants received after the spring meeting
- Additional project added for \$57k
- Incorporated modest changes in several Divisions

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

**BARC recommends to the Executive Board approval of the Preliminary FY 2014 General Fund Budgetary Ceiling of \$28,821,439, including a \$1,473,735 net asset transfer to offset the Plant Fund operating expenses.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2014 Divisions Budgetary Ceiling of \$27,395,489.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2014 Round Tables Budgetary Ceiling of \$1,659,369.**

**BARC recommends to the Executive Board an \$87,255 transfer from the Division Fund to offset the Plant Fund operating expenses.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2014 Grants and Awards (Restricted Fund) Budgetary Ceiling of \$4,578,354.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2014 Long Term Investment Fund (Endowment Fund) Budgetary Ceiling of \$1,148,898 including \$99,387 capital gain to be allocated for funding the ALA Spectrum Initiative and a transfer of \$440,539 interest and dividends from the Endowment Fund to the General Fund in accordance with Policy 8.5.1.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2014 total ALA Capital Budget of \$2,285,854.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2013 Technology Reserve Fund expense of \$341,068.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2014 General Fund Small Division allocation of \$20,789 for ASCLA and \$28,292 for UFL.**

**BARC recommends to the Executive Board approval of the Preliminary FY 2013 Total ALA Budgetary Ceiling as follows:**

<b>General Fund</b>	<b>\$28,821,439</b>
<b>Division Fund</b>	<b>27,395,489</b>
<b>Round Tables</b>	<b>1,659,369</b>
<b>Grants &amp; Awards</b>	<b>4,578,354</b>
<b>Long Term Investment</b>	<b>1,148,898</b>
<b>Total ALA Budgetary Ceiling</b>	<b>\$63,603,549</b>
<b>Tech Reserve Fund Depr Exp</b>	<b>341,068</b>
<b>TOTAL</b>	<b><u>\$63,944,617</u></b>

### **Future of BARC Financial Learning Series**

C. Bohrer updated the committee on some of its activities related to web learning. BARC recently participated in a Round Table Coordinating Committee (RTCC) orientation webinar. S. Norton represented the Committee in the webinar where she covered the budgeting process. Subsequent discussions revealed that Round Table members needed more detailed information. K. Brown attended a RTCC meeting at this conference to solicit specific examples of the information RTCC meeting participants felt they needed. The participants requested a fact sheet on how to read the ALA performance report. K. Brown informed them that the fact sheet was already in progress and it would be shared with them ASAP. Additionally, the fact sheet would be placed on the Treasurer's web page. He also informed them that ALA finance/accounting staff was in the process of developing standard report templates. Finally, C. Bohrer noted that there is an expectation of a BARC webinar on this topic later this summer or fall. The Committee discussed and determined that the fact sheet should be sufficient to address the perceived Round Table needs and that the webinar was unnecessary.

## **Acknowledgement**

The BARC committee would like to thank the Finance staff, Greg Calloway, Keith Brown, Sandy Lee, and Elaine Klimek for their outstanding efforts and support in preparing this committee for the work that it addressed during these meetings. As outgoing Chair, I want to particularly thank Keith Brown and Elaine Klimek for their support over the past two years. They were always readily available and willing to be of assistance.

Respectfully submitted,

Clara Bohrer, Chair  
James Neal, ALA Treasurer  
Sylvia Norton  
Dora Ho  
Winston Tabb  
Alexander Villagran - Absent  
Robert Walton  
Patricia Wand - Absent  
Janice Welburn