

**American Library Association
Budget Analysis and Review Committee Report
to the ALA Executive Board
Saturday October 24, 2015**

The Budget Analysis and Review Committee (BARC) are pleased to report to the Executive Board on its recent activities. Committee met on Monday October 19th and Tuesday October 20th to discuss and review a number of financial issues. Below is a list of the primary topics discussed:

- BARC Orientation (BARC Info #1)
- 2015 Year-End Budget Review - BARC #4.4 (EBD #14.1)
- Review the Role of Liaison
- Final FY 2016 Budget Review - BARC #20.2 (EBD #14.2)
-Action Item
- ITTS Review, Update and Status (BARC #26.0)
- Publishing Report (BARC #23.0)
- Preparation for Midwinter Meeting

BARC Orientation (BARC Info #1)

The committee welcomed and introduced the newest members of the committee (M. Farrell, Dr. R. Lawson, B. Margolis and G. Persichini). A broad overview was provided to provide a basic foundation for many of the issues that the committee members are likely to encounter during the course of their tenure on the committee. This overview was supplemented by some additional (3) information packets, which were designed to act as a reference resource throughout the year. The session covered the following information:

- Committee Charge and Responsibilities
- Organizational Structure and Decision Making Process
- Importance of the Strategic Plan & Building Budgets Around It
- Liaison Responsibilities and the Importance of Communications
- Budget and Financial Planning Calendars
- ALA Fund Structure
- The Operating Agreement and Indirect Costs
- Long-Term Investments

It was stressed to all the committee members but particularly the newest members, that open communication between the committee and the staff liaisons is the key to a successful and open relationship.

2015 Year-End Budget Review - BARC #4.4 (EBD #14.1)

Mark Leon led the committee in a discussion of the twelve month FY 2015 year-end 4th close results. The 4th close results represent the most currently available information in preparation for the year-end audit. Taking a broad overview the results reflected total ALA revenues of \$52.3 million, which compares to budget of \$49.5 million for a variance of \$2.8 million (5.7%). Most of the variance was due to higher than budget Grants and Awards of \$2.6 million at \$7.7 million (51.8%). Also contributing to the overage was higher than budgeted revenue in the Divisions of \$803,341 at \$14.2 million (5.9%).

Total ALA expenses were \$51.3 million and less than the budget of \$51.7 million by (-\$430,399) (-0.8%). Expense savings were realized in three primary areas – Long-Term Investments (\$1.1 million), the Divisions (\$1.0 million) and the General Fund (\$771,194). These savings were offset by the increase in expenses related to activities in Grants & Awards of \$7.7 million, which was over budget by \$2.6 million.

The final result before any final accounting related adjustments was net revenue of \$1.0 million, which is more than the budgeted net expense of (\$2.2 million) for a positive variance of \$3.2 million. The most significant impact was the results in the Divisions where net expenses of (-\$383,444) were less than budget net expenses of (\$2.2 million) by \$1.8 million.

The Statement of Financial Position reflected total assets of \$77.8 million, which represents a year to year decline of \$2.6 million primarily in Long-Term Investments (-\$1.5 million), Fixed Assets (-\$991,431) and Cash (-\$956,461). Total liabilities for the period were \$40.4 million which is a decline of \$1.2 million primarily in Long-Term Debts (-\$3.7 million) as the ALA loan was renegotiated and paid down. The result was a fund balance of \$37.4 million, which is a decline of \$1.3 million (-3.4%). Despite the decline in net assets the Association's financial position remains quite strong.

The General Fund realized total revenues of \$29.0 million compared to the budget of \$29.5 million for a shortfall of \$423,054 (-1.4%). The most significant impact came from lower revenue in Publishing Services (-\$460,324). It should be noted that the ALA Annual Conference was very successful with net revenue exceeding the budget of \$517,613 by \$258,717 (50.0%). Total General Fund expenses were \$28.6 million, which was less than the budget of \$29.4 million by \$771,195 (2.6%) as expense monitoring was in place and successful. Most of the savings were in Member Programs and Services related to lower expenses in ITTS and the Midwinter Meeting. The result was net revenue of \$348,141.

Review the Role of Liaisons

Growth in ALA – As the Association expands and grows to meet member needs the work and role of liaisons grow. Round Tables as a whole seem to be growing in number. Also, membership in Round Tables is up and revenues positive. BARC members emphasized the

important role that Round Tables play in providing a home for young people to get started in the activities of the Associations. Round Tables assist the efforts within the Association to increase member engagement and to attract members of various interests.

Discussion on the role of the liaison focused on how to best represent the interests of the reporting unit. BARC liaisons are asked to start with the perspective of the ALA strategic plan and how each unit's budget is developed to meet the plan's goals. To help the staff in its presentation of information to the committee it was suggested that the following would go a long way toward better utilizing everyone's time and effort:

- Highlight key trends and issues
- Highlight new revenue streams
- Highlight new expenses, projects and initiatives
- Operating fund transfers to the endowment
- Illustrate how the budget ties to the strategic plan

It was felt that if these few items were relayed to staff, particularly during the spring budget meetings that staff time could be maximized. Keith Fiels indicated that he would take the lead and make sure that this information was given to staff prior to the spring meeting. It was also acknowledged that some Round Table liaisons would prefer a more modified monthly financial report. As such, staff will begin to develop some sample reports that will better fit the needs of those staff liaisons.

Final FY 2016 Budget Review - BARC #20.2 (EBD #14.2)

Brad Geene and Keith Fiels led a discussion on the Final FY16 budget and the most significant changes that occurred since the Annual Conference in San Francisco. The budgetary ceiling approved at the Annual Conference was \$67,102,752. The changes that occurred since then were in a number of different areas but the most significant change was an increase in newly secured Grants & Awards \$2.0 million. These included Public Programs: Smart Investing @ Your Library (\$923,083) and ALSC: Disney Generation Create @ Your Library (\$800,000).

The result was an increase in the budgetary ceiling of \$1.5 million to \$68,657,188. After further discussion the following action was taken:

Action: BARC recommends to the Executive Board approval of the final FY 2016 Budgetary Ceiling of \$68,657,188 as highlighted in BARC #20.2 (EBD #14.2) plus the approval of an IRRT transfer request of \$5,000 from their operating fund to their Long-Term investment fund.

Finally, it was noted that the capital budget of \$1.7 million remained unchanged from the Annual Conference.

ITTS Review, Update and Status (BARC #26.0)

Sherri Vanyek updated the committee on the most recent plan for the ITTS department. It was noted that the plan and vision for the technology plan for FY16 and beyond is designed to enable members to easily find current and historical information, participate in learning activities, participate in group work outside of face to face meetings etc. Additionally, the plan looks to provide a portal for the public to find basic information about ALA, libraries, general information, goods/services and advocacy.

FY 2016 - Plans are now underway to introduce a new E-Commerce system, which has a November 2015 launch date. System testing is now underway. The E-Learning Commerce system is scheduled for a launch in April 2016. The ALA website will be redesigned to be more responsive to member needs and will include the ability to utilize mobile device access. The website template is scheduled to be deployed in December 2015. ITTS is currently investigating options to replace ALA's Moodle platform which is used for ALA's e-courses with an externally hosted software platform to increase support for professional development. ALA Connect, which is ALA's professional collaboration and community site, is scheduled to be replaced with a new product in 2016 right after the Midwinter Meeting.

FY 2017 – Utilizing mobile apps for the ALA website will continue to evolve in order to allow better access to information and services which includes membership renewals, current membership information, the most popular websites etc. In order to reduce staff time options are being explored with respect to moving and or replacing the software used to maintain the website to an outside service. Since the Association is now on iMIS 20 staff will begin migrating all staff to the web based portal for access so that iMIS information can be searched and updated from anywhere. This will reduce the demands on our current Citrix server. Alternatives will also be explored for the iMIS Association Management System. Past exploration for replacing the system resulted in the conclusion that iMIS was still the best solution.

ITTS Challenges – In order to carry-out the goals of the ITTS department in FY16 and beyond, a number of situations need to be addressed. These include the following:

- ALA's heavily layered organizational structure
- Excess complexity if Association practices and lack of standardization
- Coordination across the Association to take advantage of the creative work and minimize duplication and conflicts between projects
- Varying capacity to identify IT implications of new projects or scope of changes

Publishing Report (BARC #23.0)

Don Chatham updated the committee on the year-end operating results in the Publishing department, as well as, expectations for future activities. It was noted that the department was expected to realize net revenue of approximately \$678,745, which was less than the budget of

\$925,246 by \$246,501. As a result, the overhead contribution to the General Fund was \$3.2 million, which was less than the budget by \$130,000. Other areas highlighted with positive results that outperformed the budget included the following:

- Advertising revenue by \$160,000
- Net revenue in Booklist by \$93,000
- Net revenue in ALA Graphics by \$68,000
- Reprographics by \$46,000

Areas that were short of budgeted net revenue included the following:

- ALA Editions by \$121,000
- Neal-Schuman by \$176,000
- Guide to Reference by \$52,000
- RDA by \$54,000

The original business model was to have all professional development titles placed in ALA Editions and textbooks in Neal-Schuman. Of the twelve budgeted Neal-Schuman titles scheduled to be released, six titles were moved into ALA editions. As a result, the Neal-Schuman operation reflected \$95,000 in lower sales revenue that was realized in ALA Editions. The textbooks in ALA Edition that were not moved into Neal-Schuman, resulted in another \$68,000 in lower sales revenue for Neal-Schuman. Finally, TechSource online revenue derived from Neal-Schuman sources generated another \$100,000 that was not reflected in Neal-Schuman. The result is approximately \$350,000 in revenue not reflected in the Neal-Schuman operation. However, from this point forward Neal-Schuman will be a standalone company and maintain all of its revenue sources.

Another major event to take place during the year was the transition to a new fulfillment house from PBD in Bolingbrook, Illinois to BrightKey in Annapolis Junction, Maryland. The transition has proven to be more difficult than expected and issues are still being addressed. The new service provider is a company with a good reputation and is in a position to provide the publishing operation with a level of service i.e. reports, billing flexibility, new royalty system, customization etc. that has never been experienced.

Finally, there were two very positive points of note that will benefit the publishing operation – ALA's renegotiate loan and a project with AASL. The renegotiated bank loan will result in the publishing operation saving approximately \$365,183 over the term of the new loan. The publishing collaboration with AASL will produce the AASL Standards whereby AASL in develop the content and ALA Editions will incur all the costs and revenue. AASL will benefit via a 50/50 share of net revenue. ALA benefits from the application of 100% of the overhead rate on publishing revenue – *Note: Divisions only pay 50% of the rate on certain revenue, AASL pays no overhead and the 50/50 split will be treated as a division royalty.*

Preparation for Midwinter Meeting

Planning and Budget Assembly – In view of the excellent discussion during the Publishing operation update during this meeting, the BARC committee agreed that this information should be shared in other venues with PBA being one. After some discussion the following represents a draft agenda:

- Summary Observation of FY15 Results – Mario Gonzalez
- Summary Observations FY16 Results (1st Qtr.) – Ann Martin
- FY17 Budget Assumptions – Keith Fiels
- President Initiatives – Julie Todaro
- Publishing Update – Dan Chatham

Division Leadership/BARC Meeting – BARC is scheduled to meet with the division leadership on Sunday, January 10, 2016. The general discussion topic is still to be determined, although the committee felt that a discussion with Publishing may be useful. Mary Ghikas will be polling the division member leadership to solicit agenda topics that might be discussed.

Acknowledgement

BARC extends its sincere thanks to the ALA finance staff: Mark Leon, Brad Geene, Joanne Lee, Keith Brown, Denise Moritz and Latasha Bryant for their work throughout the year and support in preparing for the committee meetings and discussions. The chair would also like to thank Keith Michael Fiels and Mary Ghikas for their insightful and helpful input and participation.

Respectfully submitted:

Ann Martin, Chair
Maggie Farrell
Lori Goetsch
Mario Gonzalez, Treasurer
Julius Jefferson, Jr.
Dr. Rhea Brown Lawson
Bernard Margolis
Jim Neal
Gina Persichini
Jo Ann Pinder