

**American Library Association
Budget Analysis and Review Committee Report
to the ALA Executive Board
Saturday October 22, 2016**

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

- BARC Orientation
- 2016 Year-End Financial Review - BARC #5.3 (EBD #14.1)
- Final FY 2017 Budget Review - BARC #20.2 (EBD #14.2)
-Action Item
- FY17 Health Benefits Cost Adjustment - CD BARC #27.0 (CBD #9)
- Spectrum Scholar Resolution (BARC 22.1)
-Action Item
- ITTS Review, Update and Status (BARC #25.0)
- Publishing Report (BARC #23.1)
- Conference Services
- Membership - Dues (BARC 26)
- Preparation for Midwinter Meeting

BARC Orientation (BARC Info #1)

The committee welcomed and introduced the newest members of the committee (M. Marlin, Steven Potter, and Susan Hildreth). 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 three additional 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
- APA Responsibilities

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.

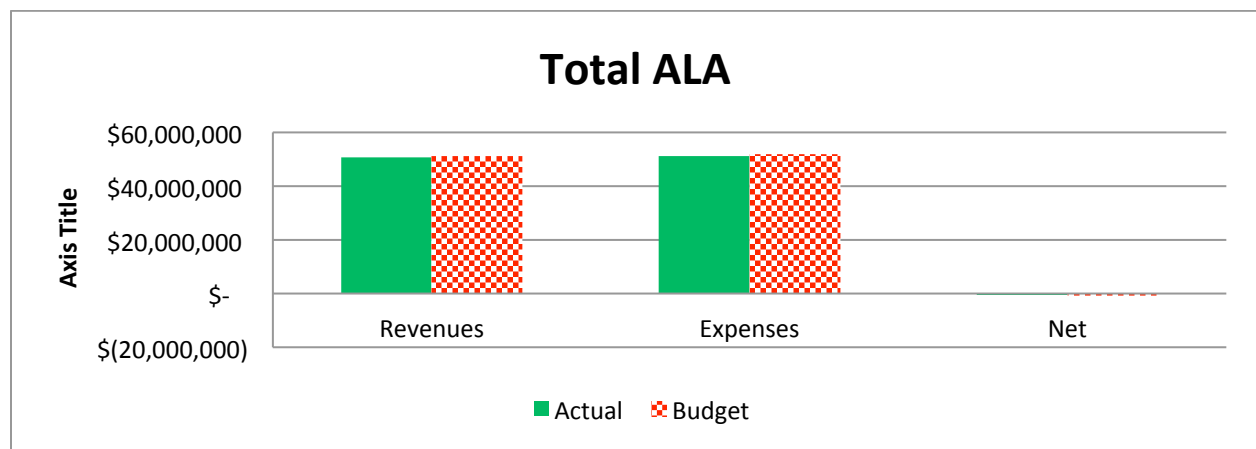
2016 Year-End Budget Review - BARC #5.3 (EBD #14.1)

Mark Leon led the committee in a discussion of the twelve month FY 2016 year-end 3rd close results. This close information represents the most currently available information in preparation for the year-end audit. However, it was pointed out that some additional non-operating adjustments are yet to be made.

Five-Year Plan – The discussion began by directing the committee to the Association’s five-year plan. It was noted that the document is now a foundational and central tool used in building of the Association’s finances and planning. Essentially the five-year plan focuses on the General Fund and the revenue and expenses that can be controlled by management. The latest version highlighted the actual third close information for FY16 and the FY17 budget approved at the Annual Conference in Orlando. Also included was a column for a revised FY17 budget which reflected necessary adjustments to the original FY17 budget driven by the results of the FY16 actuals. The change between the two versions of the FY17 budget highlighted the changes in expected revenue from the Publishing operation i.e. a reduction of \$468,139. This change in revenue flowed through the model and illustrated the impact on expected overhead and net revenue.

Finally, it was pointed out that three additional lines of information were added to the bottom of the document to help track some important non-operating expenses. In this case it’s related to the impact of Neal Schuman amortization. After some discussion management felt that including a non-controllable, non-operating expense item like amortization worked against the goals of the planning tool. However, the expense is still too important not to track.

ALA Operations - The following is a summary of the results for Total ALA:



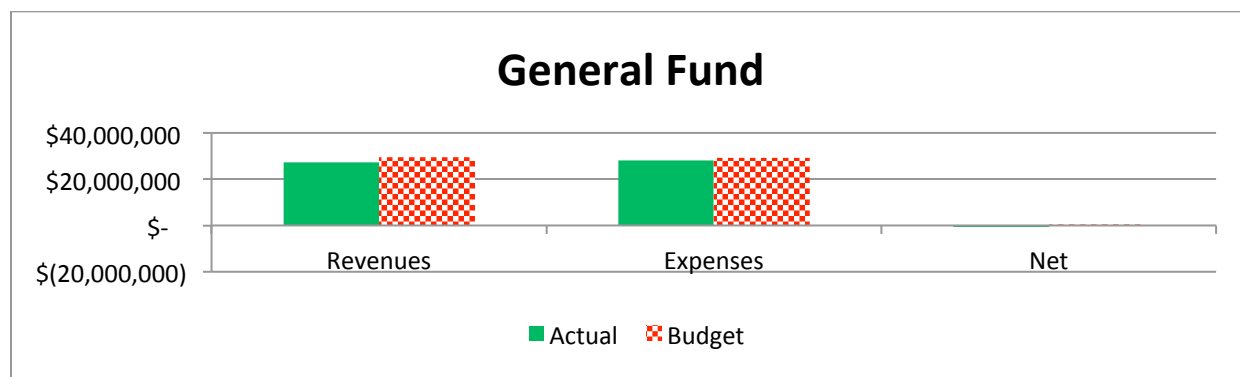
- Total ALA revenues were \$50.7 million compared to the budget of \$51.2 million;

- Actual revenues were lower than budgeted revenue in the General Fund (\$2.3 million). This was offset by higher actual revenue than budgeted in Grants & Awards (\$1.4 million), LTI (\$171,280) and Division activity (\$122,713);
- Total ALA expenses were \$51.3 million compared to the budget of \$51.9 million;
- Lower total expenses were the result of savings in the General Fund (\$1.2 million) and the Divisions (\$845,507).
- The result was net expenses of (\$566,380), which compares to the budgeted net expense of (\$655,161) for a positive net variance of \$88,781.

Referring the committee to the Statement of Financial Position, Mark Leon noted that the information being reviewed represented just a moment in time and that a number of year-end adjustments that will typically take place. He noted that total assets were \$75.7 million, a decline of \$1.9 million from the same period last year. There were reductions in most categories but primarily in lower Cash, Grants Receivable, Prepaid Expenses and Fixed Assets. These reductions were slightly offset by a gain in the value of the endowment of \$1.4 million.

Total liabilities for the period were \$43.9 million, which is a decline of \$2.2 million from the same period last year primarily in Accounts Payable and Long-Term Debt. The result was a fund balance of \$31.8 million, which is a small increase of \$225,217 (0.7%) from the same period last year. The Association’s financial position remains quite strong.

The committee was then referred to the General Fund. As noted earlier the General Fund represented the significant drag on revenue. The results are reflected below:



- General Fund revenues were \$27.3 million compared to the budget of \$29.5 million, a shortfall of \$2.3 million
- Actual revenue was lower than budgeted due to shortfalls in Publishing (\$1.2 million), particularly ALA Editions (fewer released titles/no Editor) and Booklists (lower subscriptions), and Conference Services, particularly registration and exhibit sales revenue. Both Publishing and Conference Services did contribute to the General Fund substantially via overhead with contributions of \$3.0 million and \$2.2 million respectively.

- General Fund expenses were \$28.0 million compared to the budget of \$29.2 million for an expense savings of \$1.2 million
- The net results was net expenses of (\$745,055) compared to budgeted net revenue of (\$368,856) resulting in a negative variance of (\$1.1 million)

In closing staff noted that due to the results in the General Fund, adjustments were made to the FY17 budget to better reflect more realistic revenue expectations, particularly in Publishing. Also, that both the Divisions and Roundtables have been performing quite well and met budget expectations.

Final FY 2017 Budget Review - BARC #20.2 (EBD #14.2)

Brad Geene and Mark Leon led a discussion on the Final FY17 budget and the most significant changes that occurred since the Annual Conference in Orlando, FL. The budgetary ceiling approved at the Annual Conference was \$65,403,215. 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 \$917,883, which includes two from Dollar General – American Dream #5 (\$314,797), Dollar General-American Dream 2014 Supplement (\$235,066)) and Gates – PLA African Leadership Development (\$253,802) and a reduction in General Fund expenses (\$533,139) related to Publishing.

	AC Orlando	Fall Meeting	(\$) change
General Fund	\$30,120,362	\$29,587,223	<i>(\$533,139)</i>
Division Fund	28,349,272	28,702,106	352,834
Round Tables	2,090,736	2,210,882	120,146
Grants & Awards	4,475,827	5,393,710	917,883
Long-Term Investment	367,018	847,358	480,340
Total ALA Budgetary Ceiling =	\$65,403,215	\$66,741,279	\$1,338,064

As illustrated in the table above, the result was an increase in the budgetary ceiling of \$1.3 million (2.1%) to \$66,741,279. After some additional discussion the following action was taken:

Motion: BARC recommends to the Executive Board approval of the FY 2017 Total ALA Budgetary Ceiling as follows:

General Fund	\$29,587,223
Division Fund	28,702,106
Round Tables	2,210,882
Grants & Awards	5,393,710
Long-Term Investment	847,358
Total ALA Ceiling	<u>\$66,741,279</u>

Finally, it was noted that the capital budget of \$1.9 million remained unchanged from the Annual Conference.

FY17 Health Benefits Cost Adjustment (CD BARC #27.0)

Closed Session - Dan Hoppe updated the committee on a planned adjustment to the healthcare plan offered by the Association. Due to the increasing cost related to healthcare, management over the last 12 -15 months has been reviewing and discussing its options over for controlling these costs while maintaining the current level of quality in the plans that are offered. The first step has been taken and the impacted parties are in the process of being notified during this meeting with a scheduled opportunity to discuss the details on October 27, 2016. Details of the change and its execution will be discussed with the Executive Board in closed session.

Spectrum Scholar Resolution (BARC 22.1)

Keith Fiels updated the committee on the background information developed by staff on the financial implications of the Spectrum program referral received by BARC from Council at the Annual Conference in Orlando, FL. He noted that the finance staff and members of the Office of Diversity, Literacy and Outreach (ODLOS) met and discussed the current level of recruitment and marketing activities taking place in the Spectrum program. It was determined that by ALA policy, HRDR is responsible for marketing/recruitment. As such, Lorelle Swader Director of HRDR joined the discussions. After reviewing the work of HRDR and ODLOS it was determined that both units are providing and executing recruitment/marketing activities. Additionally, it was felt that the units could easily work together to piggyback and leverage their individual efforts to further enhance the impact of recruitment/marketing in FY17.

It was noted that ODLOS has been working to implement many of the recommendations (57) advanced by the Task Force on Equity, Diversity and Inclusion (TFEDI), which was submitted in its report to Council in June. Staff recognized that implementing the recommendations will require additional time and is more of a long-term effort. As such, ODLOS, HRDR and the TFEDI will coordinate and work together to develop a longer term plan. In the interim for FY17, the ALA Executive Director has made available \$10,000 to kick start the recruitment/marketing effort until a long-term plan has been developed.

After reviewing information in BARC document #22.1 including Appendix A and the Extended Recruitment Plan 2016-2017 (see attached), a thoughtful discussion ensued to determine if the Council Resolution in support of the Spectrum program has a financial impact for ALA. BARC members expressed continued strong support for the Spectrum program and ALA's diversity recruitment efforts led by the Office for Diversity, Literacy and Outreach Services and the Office for Human Resources Development and Recruitment and their member committees.

Based on the committee members' review:

BARC identified that there will be a financial impact to the resolution presented, though the full impact cannot be defined at this time without further information and analysis. BARC will

revisit the financial impact as part of the implementation of the Task Force on Equity, Diversity and Inclusion (TFEDI) Recommendation 6.1 calling for the development of a long term library profession recruitment plan, which will include the Spectrum program. The following action was taken:

Motion: BARC will respond to the Spectrum Scholarship Resolution from Council

ITTS Review, Update and Status (BARC #25.0)

Sherri Vanyek updated the committee on the most recent project completed in FY16 and moving forward into FY17.

The following projects have been completed:

- Ecommerce for Membership Join/Renew/Rejoin/Donate
- Soft launched the new dues and donations systems was in late August

The following projects are underway:

- ITTS will assume management of the contractual relationship between ALA and the Moodle consultant and the hosting company. New site launch date is 11/7/16
- Outbound e-mail routing will be moved to Mailchannels 10/17/16
- Office 365 upgrade expected fall 2016
- Ecommerce eLearning Portal fall launch
- New responsive Design for ALA.Org prototype completed with rolling changes to Follow
- Estore Project Manager and Data/Business Analyst hires expected fall 2016
- New Estore system spring 2017
- New ALA Connect implementation scheduled for 2/21/17
- New telephone system scheduled for spring 2017
- PC Laptop & desktop rollout spring 2017
- IMIS membership system upgrade Spring 2017

ITTS Challenges – In order to carry-out the goals of the ITTS department in FY17 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. He acknowledged that FY16 was a difficult year for the publishing operation, particularly in ALA Editions/Neal Schuman. Overall total revenues were \$11.7 million compared to a budget of \$12.9 million for a shortfall of \$1.2 million (-9.3%). Most of the shortfall was in ALA Editions (\$933,698) with revenues of \$3.8 million and Booklists (\$155,906) with revenues of \$4.9 million. ALA Editions was impacted by sales that were not realized in July and August for the Neal Schuman operations best-selling book by Rubin, as well as, the disruption in the Publisher position and the lack of a consistently applied publishing strategy. As expected sales were not realized, adjustments were made on the expense side resulting in total expenses of \$10.8 million compared to a budget of \$11.5 million for a savings of \$643,459. As a result the publishing operation realized net revenue of \$881,417, which compares of a budget of \$1.4 million for a shortfall of \$550,730. Despite the shortfall, the overhead contribution to the General Fund was \$3.0 million, which was less than the budget by \$309,295.

Looking Forward – As noted earlier, as revenue expectations were not realized adjustments to the publishing operation were made in the last quarter of the fiscal year to establish a stronger foundation for future efforts. Some of the changes include the following:

- Publisher for ALA Editions is in place
- Staff Additions for FY17
- Technology Improvements for FY17
- Operational Efficiencies Planned for FY17
- Additional Neal-Schuman Textbook Releases for FY17/18
- Partnering with AASL on Standards

Challenges and Areas of Focus – As changes have been made to the general publishing operation in FY17 and beyond for better results, there are still challenges that must be addressed and given significant focus.

- Building Frontlists
- Addressing the 2 year publishing timeline
- Stabilizing the financial recording process
- Activating sales reports from the new Order Processing/fulfillment vendor

Conference Services (BARC 24)

Mary Ghikas updated the committee on the activities of Conferences Services and the Conference committee. She briefly talked about the conferences in FY16. She noted that both MW and AC were impacted by lower than expected registration revenue due in large part to the lingering perceptions for each site. While MW shows a net expense of (\$294,035), it contributed \$719,827 in overhead. AC net revenue was under budget by \$264,059 at \$323,345

it contributed overhead of \$1.4 million. It was stressed that we need to be careful how this information is illustrated as both activities make a significant contribution to the General Fund (\$2.2 million) via overhead.

In closing it was noted that Conference Services basically rebuild its budget each year from the ground as a result of the special characteristics of each host city. Additionally, the hotels are becoming much more challenging with respect to the room rates they expect as a city like San Francisco will not accept any rate lower than \$300. Finally, there was a discussion on some of the things that the Conference committee is considering. They are as follows:

- Looking to reduce campus size
- Reviewing a cut in the convention center room inventory
- Looking to control room turnover
- Looking to control bussing costs
- Looking to get better program content and even out quality

Membership - Dues (BARC 26)

Cathleen Bourdon and Ron Jankowski met with the committee to provide an update on membership and dues. The committee was reminded that ALA dues are pegged to the Consumer Price Index (CPI). Due to the low level of the CPI in 2016 no dues increase was proposed for FY17. ALA is current in year 4 of the original five year plan to tie ALA dues to the CPI. As such, plans are now underway with the Membership committee to determine the next steps – renew the current plan, recommend a modification or a total new plan. Senior management will be meeting in November to discuss with the idea of advancing a recommendation to the Membership committee at the Midwinter meeting in Atlanta. A decision will have to be made by the Membership committee to insure that the question is before Council at the 2018 Midwinter Meeting.

Preparation for Midwinter Meeting

Planning and Budget Assembly (PBA) – Input will be solicited from Jim Neal and the Executive Board. It was felt that the latest information on plans for Conference Services and the rich data provided to the committee on membership would provide excellent discussion topics. Additionally, a communique will be developed for PBA regarding the agenda and a regular flow of information to the assembly.

Division Leadership/BARC Meeting – BARC is scheduled to meet with the division leadership on Sunday, January 22, 2017. 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
Susan Hildreth, Treasurer
Julius Jefferson, Jr.
Dr. Rhea Brown Lawson
Mike Marlin
Gina Persichini
Steven Potter - Absent

TO: BARC

RE: BARC Referral: Council Resolution – Spectrum Scholarship Program

ACTION REQUESTED/INFORMATION/REPORT:

Information Report

ACTION REQUESTED BY:

None

CONTACT PERSON:

Keith Michael Fiels, Executive Director

DATE: October 12, 2016

BACKGROUND:

At the 2016 Annual Conference in Orlando, FL., a Council resolution was proposed in support of the ALA Spectrum Scholarship Program. The resolution calls for ***“the ALA Executive Director and the ALA Executive Board to develop an operational budget inclusive of staff with increased funding for recruitment, marketing and expanding the impact of the Spectrum Scholarship program, and include input from the Spectrum Advisory Committee in the development of an operational budget.”*** The resolution was referred to BARC to determine if the resolution has a financial impact and if so to provide an estimate.

To address the potential implications of the proposed resolution, BARC has asked staff to provide an initial review of the Spectrum program’s current recruitment and marketing activities, and how these activities might be strengthened in the short and long term. They also reviewed the association-wide environment within which any action would occur.

The primary focus of activity over the past year has been the work of the association-wide Task Force on Equity, Diversity and Inclusion (TFEDI), which submitted its report to Council in June. This report included 57 recommendations across the Association designed to advance diversity at all levels.

Recommendation 6.1 is as follows:

“Develop and implement a long-term library profession recruitment plan; increase chances of recruiting professionals from diverse backgrounds through recruitment in high schools and undergraduate institutions to increase LIS school retention; design a plan for providing library experiences and career information early -- from childhood forward.”

Beginning immediately after the conference, the Office for Diversity, Literacy and Outreach Services (ODLOS), working with a TFEDI Implementation Task Force, began looking at implementation of the recommendations. As of the beginning of October, the recommendations are now in the hands of the entities that will be leading their implementation (ODLOS, Conference Committee, divisions, the Office for Human Resource Development and Recruitment (HRDR), etc.). To support this implementation, the Executive Director has committed \$10,000 in contingency funds to ODLOS for the current year so that work on implementing the recommendations may move ahead as quickly as possible.

In discussing the council resolution, ODLOS has indicated that they will require some time to work on the long-term professional recruitment plan called for in the TFEDI report. This plan will by definition involve collaboration between ODLOS and HRDR, which has primary responsibility for recruitment under ALA policy. Based on this plan, funding would be included in the Fiscal Year 2018 and 2019 budgets for these units.

Because the importance of this effort is understood, and because it is one of the recommendations in the TFEDI report, the Executive Director has worked with ODLOS and HRDR to develop a plan that can be implemented this current year. This plan, along with brief background information on current efforts, is appended, and will also be funded through contingency funds. The plan, which supports the recommendation of the TFEDI, involves using materials developed as part of the Spectrum program to promote library careers, increasing collaboration between HRDR and ODLOS, and providing for an immediate impact on ALA's diversity recruitment efforts.

APPENDIX A:

Current Efforts:

Office for Diversity, Literacy, and Outreach Services (ODLOS)

Utilizing the nation's changing demographics and responding to the need to serve diverse communities, ALA proposed to recruit ethnically diverse high school and college students by developing a stronger professional presence at local career, education, and cultural events through the Discovering Librarianship project.

- This project enlisted early career librarians to serve as ambassadors and to develop a resonant professional brand. The Knowledge Alliance is a diverse network of culturally competent recruiters who provide initial support for career exploration and ongoing mentoring to individuals entering the profession.
- The Knowledge Alliance reached over 36,000 career seekers with its exhibit, provided 174 individuals with graduate degree preparation workshops in five cities, and continues to build a pipeline through <http://knowledgealliance.org/>. With the Knowledge Alliance, ALA is positioned to bring LIS recruitment into a consistently higher-quality brand that reflects the transforming profession as rich in expertise, committed to diversity, and abundant with mentoring opportunities.
- Recruitment partners can utilize the website's tracking system to gather event statistics across efforts, promote local events and share scholarship and professional development opportunities with prospective recruits, and encourage recruit sign-ups to build a national leads database.

Office for Human Resource Development and Recruitment (HRDR)

Part of the mission of HRDR is to assist in the development of a diverse workforce. The office designs and disseminates recruitment materials, conducts recruiting activities, and encourages participation in recruitment at the grassroots level of the profession. To that end HRDR does the following:

- Maintains the ALA website section for education and careers as well as the public website: LibraryCareers.org.
- Actively recruits individuals for careers in libraries and information centers.

- Provides recruitment materials to member volunteers seeking to conduct or attend College/Community/Career/Alumni Fairs.
- Develops career recruitment materials targeted at respective disciplines in collaboration with the divisions and other ALA units.

The Recruitment Assembly is a sub-unit of the HRDR Advisory Committee whose charge is to facilitate communication about activities related to recruiting for the profession among ALA units and other groups. Its membership is open to representatives from ALA units as well as individuals. The assembly members have designed and produced several products and services including the LibraryCareers.org website and Recruitment Clearinghouse Wiki for member volunteer resources.

Expanded Recruitment Plan for 2016-2017:

1. Produce additional Spectrum & Librarycareers.org Materials – \$2,000
2. Utilize new & existing knowledge alliance materials at 30-100 events – \$5,000

Additional volunteers will be trained through the Knowledge Alliance recruiter training series. Funds will be used to register volunteers at free and low cost career events and to ship Knowledge Alliance, Spectrum and LibraryCareers.org materials to volunteers.

3. Support leads management system – \$3,000

ITTS will be asked to perform critical site updates on current server and investigate most cost effective hosting options for continued site functionality and/or building similar functionality on LibraryCareers.org.

4. Align volunteer efforts

Knowledge Alliance recruiters will engage the Recruitment Assembly at ALA Midwinter and LIS Program Deans/Directors at ALISE to discuss unified recruitment plan for the future.

