

CD #33.1

ALA Council/Executive Board/Membership
Information Session

2012- 13 Annual Conference

BUDGET ANALYSIS AND REVIEW COMMITTEE

REPORT TO COUNCIL

- Membership Information Session -

Annual Conference
Saturday, June 29, 2013
Chicago, IL

BARC REPORT

- **Fiscal Year 2013 Budget Update**
 - End of Year Projections
 - Action to Cover Deficit
- **Council Referral**
 - Fossil Fuel Divestment Financial Impact
- **Other BARC Activities**
 - Organizational Member Special Promotion
 - Fiscal 2014 Small Division Support
 - Fiscal 2014 Budget Development/Monitoring
 - Meetings at Annual Conference

FISCAL YEAR 2013 STATUS

- 9 month Period Ending May 31, 2013

- ❑ **Total ALA Revenues** (all combined funds) :
\$33,517,178 or less than budget by \$1,879,690 (-5.3%)
- ❑ **Total ALA Expenses** (all combined funds) :
\$35,409,571 or less than budget by \$3,639,035 (-9.3%)
- ❑ **General Fund Revenues:**
\$17,424,192 or less than budget by \$2,425,008 (-12.2%)
- ❑ **General Fund Expenses:**
\$19,898,693 or less than budget by \$2,529,910 (-11.3%)

FISCAL YEAR 2013 STATUS

- 9 month Period Ending May 31, 2013 con' t -

❑ Division Revenues: \$10,209,104 or more than budget
by \$107,721 (1.1%)

Division Expenses: \$9,958,441 or less than budget
by \$1,436,574 (-12.6%)

❑ Roundtable Revenues: \$242,691 or less than budget
by \$56,724 (-19.0%)

Roundtable Expenses: \$108,273 or less than budget
by \$109,377 (-50.3%)

FISCAL YEAR 2013 STATUS

- 9 month Period Ending May 30, 2013 con't -

- ❑ Grants and Awards: \$5,184,927 or more than budget by \$667,346 (14.8%)
- ❑ Investment Int/Div: \$456,264 or less than budget by \$173,026 (-27.5%)

Long-Term Investment: \$34,944,471 (\$32.6 million in Aug/2012)

Implementation of Expense Reductions

- *General Fund*

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Projected Deficit --\$1.9 million

Senior management and staff reviewed all aspects of the ALA operation. Upon doing so revenues were projected through the end of the fiscal year and a number of areas where it is believed that cost savings can be realized were identified. BARC, F&A and the Executive Board reviewed, discussed and supported management's recommendations.

- General Fund Revenues: Projections

	<u>Annual</u>		<u>Year-End</u>		<u>%</u>
	<u>Budget</u>		<u>Projections</u>	<u>Variance</u>	<u>Change</u>
Publishing Services	\$ 15,650,815	\$	13,241,921	\$ (2,408,894)	-15.4%
Progs/Ser	\$ 9,280,971	\$	9,166,499	\$ (114,472)	-1.2%
Communications	\$ 5,792,538	\$	5,617,285	\$ (175,253)	-3.0%
Interest Income	\$ 734,940	\$	848,398	\$ 113,458	15.4%
Mail List Sales	\$ 180,912	\$	180,912	\$ -	0.0%
Executive Office	\$ -	\$	-	\$ -	0.0%
Total	<u>\$ 31,640,176</u>	<u>\$</u>	<u>29,055,015</u>	<u>\$ (2,585,161)</u>	<u>-8.2%</u>

- Publishing Revenues: Projections

	Annual <u>Budget</u>	Year-End <u>Projections</u>	<u>Variance</u>	<u>% Change</u>
Techsrce	\$ 7,270,187	\$ 5,659,225	\$ (1,610,962)	-22.2%
Booklist	\$ 5,045,042	\$ 5,090,415	\$ 45,373	0.9%
American Libraries	\$ 781,800	\$ 772,420	\$ (9,380)	-1.2%
Reference	\$ 1,253,202	\$ 701,977	\$ (551,225)	-44.0%
ALA Graphics	<u>\$ 1,300,584</u>	<u>\$ 1,017,884</u>	<u>\$ (282,700)</u>	<u>-21.7%</u>
Total	<u>\$ 15,650,815</u>	<u>\$ 13,241,921</u>	<u>\$ (2,408,894)</u>	<u>-15.4%</u>

- General Fund Expenses: Projections

	<u>Annual Budget</u>	<u>Year-End Projections</u>	<u>Variance*</u>	<u>% Change</u>
Publishing Services	\$ 14,236,996	\$ 12,658,618	\$ 1,578,378	11.1%
Progs/Ser	\$ 12,201,303	\$ 11,899,071	\$ 302,232	2.5%
Communications	\$ 3,132,722	\$ 2,952,235	\$ 180,487	5.8%
Executive Office	\$ 4,776,143	\$ 4,529,739	\$ 246,404	5.2%
Supp	\$ 1,974,582	\$ 1,889,086	\$ 85,496	4.3%
Overhead Recovery	\$ (6,689,851)	\$ (6,114,291)	\$ (575,560)	-8.6%
General Admin.	\$ <u>1,716,510</u>	\$ <u>1,240,557</u>	\$ <u>475,953</u>	<u>27.7%</u>
Total	\$ <u>31,348,405</u>	\$ <u>29,055,015</u>	\$ <u>2,293,390</u>	<u>7.3%</u>

*ALA accounting convention for expenses i.e. less than budget is positive.

Eliminated the budgeted asset balance.

- Management successfully negotiated favorable rates with healthcare providers, which will result in expense savings on the medical benefits provided to staff.
- \$400,000 expense savings across General Fund units was implemented.
- Management is delaying (currently eliminated) the **budgeted** 1% adjustment to base salary for staff and 1% year-end compensation adjustment - \$295,000.
- Vacant positions remain unfilled (since 2008 — 33 in General Fund)

- Projected Deficit (\$952,896) Before Expense Reductions

Staff Development	\$	99,983
Open Positions (Publishing)	\$	108,814
Subscription Equivalent	\$	53,754
Bad Debt	\$	27,595
ED Contingency Fund	\$	100,000
Committee Expenses	\$	66,316
Subscription Income	\$	122,918
Maintenance Reduction	\$	70,000
Executive Board Expense Savings	\$	30,000
AED 10% Salary Cut	\$	46,610
Lease Expense Reduction	\$	20,887
Growth Fund	\$	25,000
Vendor Settlement	\$	120,000
Other	\$	<u>61,019</u>
Total	\$	952,896

- General Fund

- **BARC, F&A and the Executive Board each took action to firmly support that staff compensation receive the highest priority if the year-end results are more positive than is projected.**
- **Lack of revenue growth in the FY 13 budget requires that the FY14 budget be conservative**

General Fund Revenues/Expenses

2012 - 2014

	2012	2013	2013	2014
	<u> </u>	<u>Budget</u>	<u>Projections*</u>	<u>Proposed</u>
Revenues	\$ 27,245,834	\$ 31,640,176	\$ 29,055,015	\$ 28,821,439
Expenses	<u>\$ 28,618,064</u>	<u>\$ 31,348,405</u>	<u>\$ 29,055,015</u>	<u>\$ 28,821,439</u>
Net Revenues	<u>\$ (1,372,230)</u>	<u>\$ 291,771</u>	<u>\$ -</u>	<u>\$ -</u>

*Year end projection based on February results and implementation of expense reductions

- *Financial Impact*

fuel industry and invest in renewable energy initiatives”

- BARC referred the proposal to the ALA Endowment Trustees for their input on the financial impact on the endowment fund by implementing the resolution.

- *Financial impact* Con't

Endowment Trustees reviewed and analyzed the request and at this time do not support this or similar types of proposals for the following reasons:

- It is screening, which is not endorsed in any form.
- It has a negative financial impact on the Association through the General Fund, on the Divisions and on the Round Tables to carry out their programs.
- It works against the strength and “Best Practices” built into the investment policy, which protects the organization.
- It will limit the recruitment of strong/qualified Trustee candidates.
- Reduces Trustee flexibility i.e. Limits the tools available for investing.
- Investing in renewable energy initiative i.e. Increases the risk profile of the portfolio, is

class has been poor.

- Financial impact Con't

BARC reviewed the findings of the Endowment Trustees and determined the impact on the ALA budget as follows:

- Per the proposed resolution, the endowment would have been less in value by \$1.2 million*
- (5% payout rate)
have been less by \$60,000 impacting the General Fund, the Divisions, Round Tables, Scholarships and Awards.

As a result, **BARC concurs**
time does not endorse the proposed resolution.

*Financial impact of this resolution is if it was in effect over the last three years.

- Approved at Spring Meeting

and Very Small Organizational Members*

- Small & Very Small Libraries – Organizational Members
 - offer a discounted renewal rate (1x 50% of regular rate)
 - build ongoing relationship
 - show support during difficult economic times
- Strategy Successfully Pilot-Tested in FY12

FY14 Small Division Support

small division support
to ASCLA - \$20,789

- BARC approved FY14
small division support
United for Libraries -
\$28,292

requested extension of the
ASCLA small division
support through FY16

- The small division support
cuts

PROCESS AT BARC SPRING MEETING

- *All General Fund Units, Divisions, and Roundtables*

ALA 2015 strategic plan

- Environmental Assumptions
- Positive/Negative Trends
- Major Multiyear Unit Goals
- Service and Product Enhancements
- New Business Development Strategies
- Current Year Budget Review
- Next Fiscal Year Budget Request

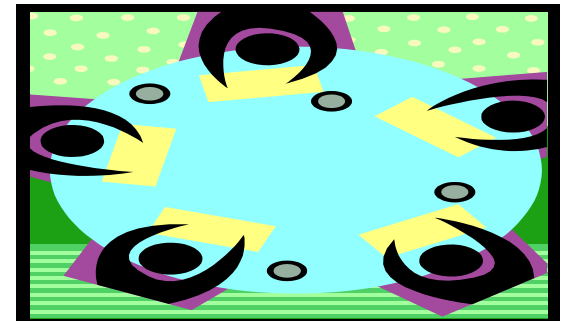
BUDGET MONITORING/CONTINGENCIES

- October 2013 - Final FY13 Results
- February 2014 - FY14 Six-Month Analysis
- Detailed Revenue Trends Analysis
 - Publishing
 - Dues
 - Grants and Awards
 - Interest and Dividends
- Detailed Expense Reduction Strategies – if needed

Other BARC Activities

- At this Conference

- Will be participating in the Planning and Budget Assembly
 - Sunday @ 1:00 – 2:30
 - Hyatt Regency McCormack Place, Hyde Park 11AB
- Will be meeting with Division Member Leaders
 - Sunday @ 1:00 – 2:30
 - Hyatt Regency McCormack Place, Hyde Park 11AB



Thank You for Your Attention