

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.

FISCAL YEAR 2013 BUDGET UPDATE

- 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%
Member 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>29,055,015</u>	\$ <u>(2,585,161)</u>	<u>-8.2%</u>

FISCAL YEAR 2013 BUDGET UPDATE

- Publishing Revenues: Projections

	Annual	Year-End		%
	<u>Budget</u>	<u>Projections</u>	<u>Variance</u>	<u>Change</u>
ALA				
Editions/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%
ALA Digital				
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>

FISCAL YEAR 2013 BUDGET UPDATE

- 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%
Member 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 Fin/Acct & Staff Supp	\$ 4,776,143	\$ 4,529,739	\$ 246,404	5.2%
Overhead Recovery	\$ (6,689,851)	\$ (6,114,291)	\$ (575,560)	-8.6%
General Admin.	\$ 1,716,510	\$ 1,240,557	\$ 475,953	27.7%
Total	\$ 31,348,405	\$ 29,055,015	\$ 2,293,390	7.3%

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

FY13 Budget Adjustments

- Reported at Midwinter 2013

- Eliminated the budgeted \$291,771 to replenish net 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)

Identified Expense Reductions

- 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

Implementation of Expense Reductions

- 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>Actual</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

Council Referral Fossil Fuel Divestment

- Financial Impact

Council Request

“Directs its Endowment Trustees to divest all holdings in the fossil 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.

Council Referral Fossil Fuel Divestment

- *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 very expensive, renewable funds have short track records and performance of this asset class has been poor.

Council Referral Fossil Fuel Divestment

- *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*
- As such, spending out of the endowment (5% payout rate) would have been less by \$60,000 impacting the General Fund, the Divisions, Round Tables, Scholarships and Awards.

As a result, **BARC concurs** with the Endowment Trustees and at this time does not endorse the proposed resolution.

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

Membership Retention Proposal

- Approved at Spring Meeting

Increase the Retention of Recently Dropped Small 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

- BARC approved FY14 small division support to ASCLA - \$20,789
- BARC approved a requested extension of the ASCLA small division support through FY16
- BARC approved FY14 small division support United for Libraries - \$28,292
- The small division support in FY 14 has been reduced by 50% as part of budget cuts

FISCAL YEAR 2014 PLAN BUDGET PREPARATION PROCESS AT BARC SPRING MEETING

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

- Key Functions/Alignment with ALA Priorities i.e. 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

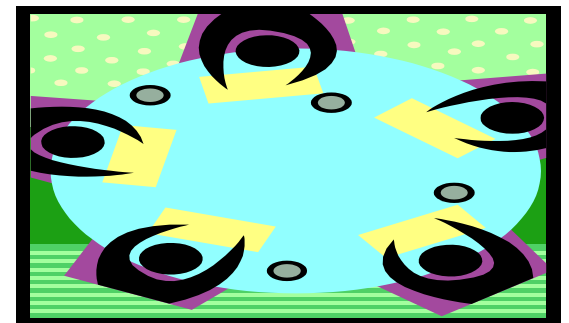
BUDGET MONITORING/CONTINGENCIES

- Detailed Month-to-Month Budget Review
- October 2013 - Final FY13 Results
- February 2014 - FY14 Six-Month Analysis
(Annual Year-End Projections)
- Detailed Revenue Trends Analysis
 - Publishing
 - Dues
 - Meetings and Conferences
 - 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