**American Library Association**

**Budget Analysis and Review Committee**

**April 18, 2016**

**Spring Meeting, Chicago**

**Attendees:**

*Present:* Maggie Farrell, Lori Goetsch, Mario Gonzalez, Dr. Rhea Brown Lawson – via phone, Ann Martin (Chair), James Neal, Gina Persichini and Jo Ann Pinder.

*Absent Excused*: Bernie Margolis

*Staff:* Mark Leon, Keith Fiels, Mary Ghikas, Brad Geene, Joanne Lee, Denise Moritz, Keith Brown and Latasha Bryant.

**Agenda Review**

Ann Martin began the meeting at approximately 9:00 AM CST with a review of the agenda. It was noted that there was a discussion to condense the two day meeting into one, but after careful consideration the circumstances dictated staying with the original two day schedule. This idea will be explored for future spring meetings. The agenda was then accepted as written.

**Approval of Midwinter Meeting Minutes (BARC #3.0)**

The committee was asked to review the minutes from the 2016 Midwinter Meeting. After further review the following action was taken:

**Motion**: **By Maggie Farrell and seconded by Lori Goetsch**

**To approve the 2016 Midwinter Meeting minutes.**

**Motion approved.**

**FY16 2nd Quarter Financial Results – BARC #5.1 (EBD #14.6)**

Mark Leon led the committee in a discussion on the 2nd quarter results ending 2-29-16. He noted that due to a number of factors i.e. new personnel, reporting system adjustments, allocation issues etc. a good deal of staff time has been spent to produce timely and accurate financial information, particularly for the budget allocation. Overall, ALA’s midyear financial results reflected that the Association is closely tracking the FY16 budget, ending the six months with a small favorable (positive) variance from the projected net expense.

# Total ALA revenues of $22.9 million compared to budget of $23.3 million

* Total ALA expenses of $24.9 million compared to budget of $25.3 million
* Net expenses were ($2.0 million) compared to budget of ($2.1 million)
* Overall, the total ALA budget is on track

While the Association as a whole is trending in the right direction, there are still some areas that will need our continued attention, particularly the General Fund. Lower revenues in Publishing and conference Services have been partially offset by expense savings in those and other areas, but the next six months will be key to ALA’s FY16 budget performance as certain titles in Publishing continue to go to market and Annual Conference approaches. The success of PLA’s Denver conference will certainly contribute to the General Fund (overhead) and the Association’s, FY16 financial performance. The following points were made regarding the General Fund:

* Revenues were $12.4 million compared to the budget of $13.3 million.
* Expenses were $14.2 million compared to the budget of $14.2 million.
* Net expenses were ($1.8 million) compared to budget of ($950,629), reflecting lower revenues than budget.
* Results were impacted by lower exhibit and registration revenue ($200,000) from the Midwinter Meeting. The conference did not meet its revenue targets, having been impacted by the PLA conference. Additionally, there were lower product sales in the Neal-Schuman operation than projected for the period.
* Membership dues revenue was slightly under budget, personal dues revenue and membership continued to show signs of growth. Total membership was also up due to the growth in group memberships of Trustees and friends organizations.

M. Leon went on to note that the Division results were generally on budget with slightly lower revenues and expenses reflecting a better than budgeted net loss. Some of the highlights included the following:

* Division revenues were $6.4 million compared to the budget of $6.8 million
* Division expenses were $7.0 million compared to the budget of $7.8 million
* Net expenses were ($541,723) compared to the budget of ($953,930)

Some concern was expressed regarding the performance of United for Libraries.

The committee was directed to the Statement of Financial Position. The following points were highlighted:

* Total assets were $74.9 million compared to $85.3 million at this time last year due primarily to two factors:
* $2.0M Principal loan payment in August on renegotiated loan
* A decline in the value of the endowment
* Total liabilities were $48.0 million compared to $46.9 million at this time last year
* Higher accrued payroll related to Post Retirement obligation
* Lower long-term debt related to the principal loan payment
* Net assets were $26.9 million compared to $38.4 million at this time last year

At the conclusion of the review it was stated that the Association was in a solid financial position.

**FY 2017 Preliminary Budget Overview - EBD #14.7**

Keith Fiels and Mark Leon led a discussion on the preliminary FY 2017 budget. K. Fiels started the discussion by highlighting the programmatic aspects of the budget. He noted that the units developed their individual budgets around the Association’s agreed upon programmatic priorities, strategic directions and identified enabling strategies. He also noted that the Association was still feeling the effects of the most recent recession. Recovery for libraries has tended to be 8 – 10 years behind the general economy. Since the recession, management has been very diligent in its efforts to use every available source to manage its resources.

K. Fiels then presented the ALA’s Five Year Financial Plan. He acknowledged D. Moritz for her help in updating the model and making it a more useful planning tool. He provided an overview of the plan and illustrated how the information guides future planning. He noted the following:

* The Divisions were calculated according to the timing of the conferences.
* The projections for conferences and net revenue were based on the old rate.
* He discussed the challenges of going to a biannual budget, particularly trying to estimate the income for book sales in advance.

Given this information it was noted that the FY 2017 budget was designed to provide maximum support to ITTS and the Associations’ technology infrastructure plan.

*Overhead Rate Adjustment* - It should be noted that 1.5 ITTS positions were added after negotiations with the divisions on a modification of the preliminary 2015 overhead rate of 31.2%. The rate will now change from the scheduled rate of 23.7% in FY 2017 to 26.4% for both FY 2017 and FY 2018. The negotiated rate change resulted in an additional $166,000 in FY 2017 to fund two new positions; a database manager and content systems administrator for the ALA store (Publishing/ITTS). The discussion was concluded with highlights of the enabling strategies that will be employed by various units around the Association.

Mark Leon then led the committee through a discussion of the financial information that supports the budget. He indicated that the ALA FY17 total ALA budgetary ceiling is $64,379,278. This total includes the carryover net asset balances for the Divisions and Round Tables ($16,410,960). He noted that this total was down by 4.1% from FY 2016, consistent with the ALA’s biennial Division conference cycle. Additionally, budgeted revenue was $47,755,588 was down by 5.4% from FY 2016. For the General Fund the budgetary ceiling was $30,120,362, which is an increase of 2.6% over FY 2016. Management feels that the Association’s resources are being maximized in this budget to accomplish identified initiatives and meet the needs of its members.

**FY 2017 Preliminary Budget Overview – Divisions**

The committee prepared to present preliminary budgets of the divisions. Each division executive director and BARC liaison presented to the committee. The results were as follows:

**ACRL/Choice** – M. Farrell and ME Davis

* Will be a conference year – not expecting typical bump in membership
* Investing in membership efforts
* Sponsorships getting more difficult to obtain
* New staff position to support training
* Choice going through a transformation in publishing space
* Beefing up e-commerce efforts
* Will use net assets to invest

**RUSA** – R. Lawson and S. Hornung

* Being affected by negative trends in industry
* Strategic planning team put together to identify important trends
* A surge in membership realized
* Will use endowment proceeds
* Looking for a dues increase – first in 12 years
* Will redesign governance structure

**ASCLA** – G. Persichini and S. Hornung

* Financial sustainability a concern
* Proposed to join with FLFLRT (5/1/16)
* New strategic plan being developed with M. Golrick
* Using new travel agent resulting in higher profit margin
* Will receive a grant from LOC on serving patrons with disabilities – every 5 yrs.

**ALCTS** – B. Margolis (out)/K. Cascio

* 60th anniversary
* CE geared toward paraprofessionals
* Slow declining membership – 4% per year
* Subscriptions on journals declining

**United for Libraries** – J. Pinder and S. Reed

* Looking to train more Trustees through the academy
* Looking for more sponsorships
* $28,000 subsidy in 2017 and $14,000 in 2018
* Lost a lot of brand recognition resulting from name changes
* More Friends and Foundations combining

**LITA** – L. Goetsch and J. Levine

* A rebuilding year
* Membership declining – 10% in 2017
* Updating 2 titles
* Concerned about staffing limitations

**PLA** – J. Jefferson, Jr and B. Macikas

* FY17 is a spend down year for their national conference
* Investing in “digital Learn” - $50,000 in new revenue
* Beginning a podcast series
* More spending on professional services and web activities
* Anticipates receipt of a grant from the Bill & Melinda Gates Foundation that will positively impact salary expenses by approximately $100,000

**YALSA** – R. Lawson and B. Yoke

* Membership flat
* Seals from non-fiction books flat
* No new revenue streams
* Will fund a part time position from endowment proceeds
* Organizational planning coming to an end
* IMLS planning a new project - $300,000 over three years for small/tribal libraries

**ALSC** – M. Gonzalez and A. Strittmatter

* Completing strategic plan
* Requesting an endowment transfer
* Plan to cancel institute scheduled for North Carolina due to recent law regarding

transgender individuals. Will shift content to MW in Atlanta

**LLAMA** – J. Neal and K. Ward

* Dues and webinars make up the major of revenue
* Reorganizing to reduce bureaucracy
* New leadership curriculum to be fund by NAB

**AASL** – A/ Martin and S. Norton

* Conference was successful but no bump in membership
* Vendor relationships getting stronger
* Revising professional standards
* Conference in Phoenix – Celebrating 65th anniversary

**Conferences** – P. Graller/M. Ghikas and A. Martin

* Upcoming conference in Orlando will generate lower than budgeted revenues
* Can’t shake the image as a theme park city
* Business mergers impacting the exhibit space rental revenue
* Continue to look for ways to reduce expenses- “saying no to more requests than ever”
* Will be adding the symposium. Conference Services will restructure the conference “bundle,” shifting from a onetime purchase to an AC discount coupon for individuals attending MW. This will eliminate some structural issues for Conference Services.
* Recognized the need to get content out to attendees as soon as possible in order to promote the conferences more

**Development Office** – S. O’Donnell/J. Roth and B. Margolis (absent)

* New to position
* Establishing separate “Annual and Endowment “ campaigns
* Putting together a fundraising calendar – 18 months
* Suggested using a high-end tracking software for donor follow-up

**FY 2017 Preliminary Budgets - Round Tables**

BARC liaisons after consultation with RT managers and volunteer leaders presented and discussed the highlights of their respective 2017 preliminary budgets. While there were no outstanding concerns or issues there were a few points that did get some additional discussion. They were as follows:

* FAFLRT is considering the possibility of integrating into ASCLA
* RMRT considering expanding its base by reaching out to all/other Round Tables
* LIRT looking to make a $10,000 transfer into their endowment
* EMIERT is expanding its diversity program at Annual Conference
* MAGIRT continues to have strong attendance by its members at conferences
* GLBTRT has expanding membership, particularly non-GLBT ALA members. Stonewall book awards growing in prominence
* LIRT endowment transfer ($10,000) issue is being addressed by staff
* GAMERT continues to be a fast growing Round Table. Will expand outreach and exposure to schools

**Finance/Staff Support** – M. Gonzalez and M. Leon

* Decrease in budget to actual, but up budget to budget ($73,000)
* There will be lower spending on professional services ($20,000)
* Working to improve communications and reporting results
* Will hold flat non-program related spending
* Staff Support spending is down 6%

**Feedback on New Reporting Form**

The committee received feedback during the presentations on the new reporting/summary forms used to highlight the 2017 budget. Although there was some confusion over the need to reproduce information that was initially in the budget overviews, the form was viewed as positive. The form kept everyone focused. It was determined that the forms should be shared with all the committee members and should possibly be completed by the member leaders for the Round Tables.

**American Library Association**

**Budget Analysis and Review Committee**

**April 19, 2016**

**Spring Meeting, Chicago**

**Attendees:**

*Present:* Maggie Farrell, Lori Goetsch, Mario Gonzalez, Ann Martin (Chair), James Neal, Gina Persichini and Jo Ann Pinder.

*Absent Excused*: Bernie Margolis and Dr. Rhea Brown Lawson

*Staff:* Mark Leon, Keith Fiels, Mary Ghikas, Brad Geene, Joanne Lee, Denise Moritz**,** Keith Brown and Latasha Bryant.

**Agenda Review**

Ann Martin began the meeting at approximately 9:00 AM CST with a review of the agenda. No changes were made.

**Capital Request Update**

M. Leon highlighted the fact that $2.0 million was authorized for the budget with a strong emphasis on IT investment.

**Spectrum Analysis Update**

K. Fiels summarized for the committee the process that was undertaken last year to address the issue of spending. The result was a thorough review that resulted in 10 additional scholarships (60) for the next three years beginning in 2016, as well as, a disposition of all funds available for use. W. Prellwitz will be asked to provide an update of the program at the Annual Conference.

**Preliminary 2017 Budgets – Con’t**

**Member Programs and Services –** M. Ghikas

* Noted that Mary MacKay is now in her unit
* Discussed the trouble with AV and labor costs associated with conferences

**ITTS** – M. Farrell and S. Vanyek

* Noted that day-to-day operation impacted major project implementations
* Investment in technology is an Association priority
* Moving to cloud based services were possible
* Will add 1.5 new positions – database manager and e-store
* iMis data clean up and upgrade
* Will implement some of the recommendations from the external IT review
* Standardization/customization not addressed in IT review
* Vendor selected to do data recovery in the cloud

**Advocacy and Member Relations –** L. Goetsch and C. Bourdon/R. Jankowski

* Budget flat
* Membership Development and Member Services combined to save on costs
* No dues action
* Expect a ½% - 1% drop in membership ($40,000 - $50,000)
* Student membership growing
* Membership committee will discuss a joint membership with affiliates and students
* A number of large libraries (11) have dropped their memberships
* Discussed the implications of the Canadian Library Association demise

**Washington Office/OITP/OGR –** J. Neal and E. Sheketoff

* Reducing staff by 1.5 positions
* Youth and Technology is a priority for OITP – looking for grant opportunities

**Publishing Department** – J. Pinder and D. Chatham

Don Chatham reviewed the report included in the FY17 budget book for Publishing. He forecasted a shortfall in sales for New Editions and Shuman. Booklist has been very creative in generating newsletters which attracted advertisers. The department has hired a new Publisher, but he/she needs to go through reference checks. The FY17 impact of the new publisher will be relative to marketing efforts. J. Pinder discussed the revenue for the publishing budget. D. Chatham discussed the new items that are coming out in FY17 to contribute to the budget projection. K. Fiels discussed the amortization schedule for Neal Shuman.

**Executive Office/HR** – J. Jefferson, Jr. and J. Kempf/D. Hoppe

* Budget flat
* Presidential Initiative will require a half-time person for website work
* Additional staff support will utilize the Executive Director’s contingency
* HR will focus on senior level searches
* Will be reviewing changes proposed by the Department of Labor for overtime rules
* Rising medical costs are a concern, but working to stay competitive
* Will be implementing a new employee evaluation form and process

After some additional discussion the committee began the process of approving the motions needed to finalize the preliminary budget. The following actions were taken:

**Motion: by M. Gonzalez and seconded by L. Goetsch**

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

**General Fund $30,120,362**

**Division Fund 28,387,887**

**Round Tables 2,091,551**

**Grants & Awards 3,413,210**

**Long-Term Investment 366,268**

**Total ALA Budgetary Ceiling $64,379,278**

**Motion passed**

**Motion: by J. Neal and seconded by J. Jefferson, Jr.**

**BARC recommends to the Executive Board approval to provide staff with a 1% increase in compensation, along with consideration for an additional one-time organizational incentive as a top priority based on any positive 2017 year-end results.**

**Motion passed**

**Motion: by G. Persichini, second by M. Farrell**

**BARC recommends to the Executive Board approval**

**of the Preliminary FY 2017 total ALA Capital Budget of $2,087,894.**

**Motion passed**

**Expense Report Proposal**

In closing, K. Brown provided the committee with information regarding the processing of their expense reports. He noted that staff is in the process of streamlining the process. Blank expense forms were handed out with recorded charge lines for each corresponding category. It was recommended that reports be submitted 10 days after the meeting with hard copies sent directly to L. Bryant. For those submitting electronic versions, scanned receipts are acceptable and should be submitted to L. Bryant and cc’d to K. Brown. An electronic version of the form will be sent to the committee members for completion at their leisure. K. Fiels went further and suggested that Finance staff meet with the Governance Office staff to come up with a streamlined form that could be used by both offices.

With no further business the meeting was adjourned at approximately 1 pm CST.