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TO: Board of Directors

FROM: Finance Committee

DATE: 5 December 2008

RE: Finance Committee Recommendation on the 2009 Operations Budget

Recommendation: The Finance Committee recommends that the Board of Directors approve the proposed 2009 General Operations budget as presented.

Rationale: The budget is a fiscal blueprint for carrying out the Associations strategic goals and objectives as determined by the Board of Directors. The FY09 budget was reviewed by the Finance Committee in great detail at its November 10-11, 2008 Meeting. The Committee reviewed and used the data from the 2009 CEO Goals and Objectives, the September 2008 Financial Statements, and the 2007 Audited Statements in its review process.

General Administration: The general operations budget was prepared by SLA management using the most recent financial information, through 09/30/08, for the staff salary and benefits, office services, occupancy, computer services, and financial management.

Interest Income	The interest income has remained almost at zero due to the declining market conditions.
Investments	It will come as no surprise that the value of SLA's long term investments continues to deteriorate. From December 31, 2007 through September 30, 2008, the Banc of America investments value has declined anywhere from 12 – 15%, depending on the investments. The overall market has declined close to 40% and we have learned that other associations have lost 25 – 40%, so SLA has not lost as much as other markets have over this period. SLA continues to monitor investments based upon the Board approved Investment Policies.
Fund Transfers	In 2009 funds from the reserve fund will be moved to operating to cover the costs of already budgeted and approved projects: the alignment project which will include the roll-out of the branding efforts; to cover the additional costs associated with the Centennial celebrations (\$134K); and funds will be moved from the Grants & Awards to cover awards.

The operations budget contains the salary and benefit allocations which not only determine the Association's overhead rate but are also passed on to the program area budgets.

- 2-1 The salaries line provides for very limited salaries and/or bonuses for staff positions. This is the first time since 2002, that all staff will not receive an across the board salary increase. Washington, DC is unique; the federal government has moved forward with a 4.49% across the board increase as have many Washington, DC-based non-profit associations. SLA will award very small increases for a limited number of super stars, but not across the board. We do not plan to cut staff at this time.
- 2-2 No anticipated overtime costs for 2009.
- 2-3 No anticipated temporary staffing costs for 2009.
- 2-4 To provide for the costs associated with recruitment for staff positions, averages three positions a year.
- 2-5 Provision for salary expenses allocated from general operations to General Fund programs, based on a percentage of staff time relating to individual programs.
- 2-6 To cover the employer portion of Social Security tax at the projected rate of 6.2% of each employee's base salary up to the federally mandated level for FICA and 1.45% of each employee's base salary for Medicare as required by Federal law.
- 2-7 To cover State Unemployment insurance.
- 2-8 To cover the Worker's Compensation premiums.
- 2-9 To cover health and dental premiums. Expenditures for benefits have been increasing for several years industry-wide. Our greatest exposure has been in medical insurance with a 13% increase in September 2008. For the first time in SLA's history, we shifted some of the costs associated with medical coverage to the employee. We anticipate a similar increase in 2009.
- 2-10 To cover Life Insurance premiums and annual premiums for Travel Accident Insurance.
- 2-11 To cover the employer's retirement plan contribution for full-time employees enrolled in the Association retirement plans.
- 2-12 No need for this item.
- 2-13 No need for this item.
- 2-14 No employee tuition reimbursement for 2009.
- 2-15 To cover the annual premiums for Standard Insurance disability insurance for eligible employees.

- 2-16 To cover the costs incurred for professional dues and staff development activities for staff. All training and professional development is included in this line item. For 2009 SLA will maintain the ASAE Circle Club offerings only.
- 2-17 Provision for benefits allocated from general operations to General Fund programs, based on a percentage of staff time relating to the program.
- 2-18 Annual costs for local and long distance telephone calls; mobile phones, SKYPE, WebEx conference calls, facsimile usage; and maintenance.
- 2-19 Annual costs for general postage meter charges; maintenance; permit fees; software upgrades; mailing supplies.
- 2-20 Annual cost of express deliveries not related to specific program operations (i.e.: tax or other required filings).
- 2-21 Annual cost of supplies, paper, and meter usage for photocopiers.
- 2-22 Annual cost for letterhead, envelopes, business cards, other stationery, and general supplies. Includes direct transfers to program budget lines for actual usage.
- 2-23 Annual cost for equipment maintenance agreements and repairs other than copiers and postal equipment.
- 2-24 Projected costs of minor equipment purchases under \$500 (such as calculators, electric staplers, etc).
- 2-25 Cost of archiving and storing materials.

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- 3-1 To cover the annual HVAC maintenance agreement and supplies.
- 3-2 Annual cost of janitorial supplies and services for maintaining the Association's headquarters to include cleaning, maintenance, lighting supplies, window cleaning, carpet cleaning, and other maintenance projects.
- 3-3 Annual cost of electrical power for the Association's headquarters.
- 3-4 Annual cost of insurance premiums for building and office operations: Commercial Package, Umbrella, and Fidelity Bond are estimated.
- 3-5 Annual cost of elevator maintenance agreement, inspections and certifications, and repairs.
- 3-6 Annual cost for maintaining burglar and fire alarm equipment systems, including inspections and certificates.
- 3-7 Cost of all taxes, including the property tax assessment of the building and land. Taxes are assessed at the full value of the property. Includes property and income taxes (New York, Virginia, and the City of Alexandria, Virginia).
- 3-8 Annual cost of providing pest control for the building.
- 3-9 Projected potential costs for miscellaneous building repairs, renovations, or improvements and monthly condo fees. (2008 included a special assessment from the condo association to cover major electrical/lighting, elevator, and utility repairs.)
- 3-10 To provide maintenance/support contracts, spare components and labor for replacement when necessary for server and desktop hardware and software. Expenditures for 2009 are up slightly as staff will continue to make enhancements in the AMS system for HQ and units and provide services for the Innovation Lab and other member services. In 2008 expenses for the computer services line were higher due to the Innovation Lab software, staff time and marketing.
- 3-11 To cover the costs of computer supplies to include paper, labels, electronic media, toner/ribbons, laptop cases, desktop publishing, and miscellaneous items.
- 3-12 Expenses for Internet Services including communications lines and equipment, outsourced Internet services including credit card verification, secure server certificates, domain renewals etc.
- 3-13 To cover the cost of minor software/hardware (less than \$5,000 each) purchases and upgrades to current software/hardware.
- 3-14 Expenses for consultants to perform analysis, development, and installation of new products and services and provide advanced technical support and troubleshooting when necessary. These funds are also used for assistance with and upgrades to the AMS. This item also includes staff training funds.
- 3-15 To provide to the Association Board of Directors and Management a financial report representing fairly the financial position of the Association for the year ending December 31, 2008 to include Annual Audit Report, Management Letter, and tax returns. (Includes full unit consolidation in the year-end audit and taxes.)
- 3-16 To provide to the Association sound legal counsel regarding the operations of the Association, tax exemptions, non profit status, contracts, partnership agreements, and postal regulations.
- 3-17 To maintain bank accounts in an efficient, cost-conscious manner. To include monthly charges for corporate standing fees, advisory fees, lockbox service, on-line banking, foreign currency fees, and volume credit card processing fees.
- 3-18 To expense fixed assets as used in accordance with Generally Accepted Accounting Principles and Internal Revenue Service rulings. To include assets in service as of December 31, 2008 and purchases made in fiscal year 2009.
- 3-19 To provide for the cost of utilizing an independent payroll processing company. The service shall include semi monthly payroll processing and the related tax filings and reports.

- 3-20 To provide for any fiscal-related costs incurred for IRS rulings advice, reporting requirements, systems review, collection advice, and internal controls.
- 3-21 Provision for allocating overhead from general operations to General Fund programs, based on a percentage of staff time relating to the program.
- 3-22 Administrative expenses not associated with specific program or operation line items, such as donations.