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**TO:** Board of Directors  
**FROM:** Finance Committee  
**DATE:** December 15, 2008  
**RE:** Fiscal Year 2008 and Fiscal Year 2009 Budget Analysis

**Recommendation:** The Finance Committee recommends that the Board of Directors approve the proposed 2009 Programming 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.

2008 and 2009 will be difficult years for SLA and our members. We are fortunate at SLA to be in a more solid economic position than many associations. But make no mistake: we are not immune from the economic downturn. Nobody has a crystal ball, so we will have to consider innovative ideas if we are to maintain financial stability and take advantage of emerging opportunities.

SLA's earnings on investments have gone down, and we neither predict when that will change nor will we earn as much as we hoped. Our own retirement funds have felt the impact, too.

SLA has a strong membership base. But like everyone else, we have seen the effects of the bad economy. It is safe to assume that revenues from dues, conference registrations, sponsorships and so on will likely decrease—though how much is anyone's guess. We know that some libraries have already cut staff and can certainly expect that others will, too; they will also cut their spending, which will affect our sponsors, our registrations, membership, exhibits, etc. So we have to be prudent in our revenue predictions for memberships, conference registrations and exhibitors and all other revenue programs. The bottom line is that we have looked at every line in our budget and cut out and cut back wherever we can without diminishing our important services to members. Communication and prioritization were a key aspect to getting our budgets balanced and preparing the Association for the harder times ahead.

The vast majority of people are looking for economies in their daily lives, whether it is driving less, looking for sales on groceries or cutting back on entertainment. We as leaders and staff need to be just as careful with our spending at SLA. If monies are not coming in, we must work harder together to keep more of it:

- During bad economic times membership in SLA is probably more important than ever before. Regardless of what happens, SLA is here to help members develop new skills as new technologies emerge, keep them in touch with other information professionals, give them access to job listings and more. And, we will continue to do that better than ever.
- At the same time, we have to ask: What can we postpone? What can we do without? What can we cut back on? What new ideas do we have for alternative revenue streams?

## SLA's Budgeting Process

The Association's budgeting philosophy is to propose and attain a balanced budget each year. The budgeting process begins in August with the goals exercise. Once the association goals are determined, budgets are put together to reach the desired goals. This includes revenue and expenses and possible sponsors or donors to cover the projects and goals.

During the planning process three scenarios are considered:

**Current Reality Budget:** Up-to-date financial information and program goals (both short-term and long-term) are used to develop a well-thought, realistic budget based on specific goals and objectives.

**Stretch Budget:** If the Association were to have unlimited funding or imagine additional revenue from promotions, technology, or new services, what would it do with the funds? Here we examine the impact *stretching* would have on the Association as a whole. For example, having \$10,000 in additional promotional dollars might yield \$50,000 in new product orders. What is the impact on other program budgets and staff resources? There must be a direct benefit in allocating the additional funds (i.e. increased income, or x% more product to benefit the members).

**Contingency Budget:** The contingency plan is for times of change when income is down and/or there is an unforeseen major expenditure in a program area or activity.

To insure the association stays on budget, staff will meet on a monthly basis to continuously track membership and conference registrations and all other departmental revenue and expense lines. All department heads receive a detailed account of their department's monthly general ledger and draft financial statements to review for accuracy in revenue and expense. These reports include all association revenues and expenses and special projects and investments. Staff analyze how each month's report relates to the overall budget projections and recommends possible changes that need to be made to those projections. Staff will conduct this exercise monthly to be sure that revenue is coming in on target, expenses are being held at budget and applied to the correct line items, and to determine each month where we stand. This gives management the opportunity to make put in motion contingency plans, as needed.

The Finance Committee also reviews the monthly financial statements and investment reports.

## Budget Highlights for 2008 and 2009

### Fiscal Year 2008

The 2008 budget is projected to come in balanced despite the bad economy and falling short in revenue categories. Despite not reaching the revenue goals, staff maintained stability by reducing expenditures and carrying out services in new ways. A detailed explanation of the major departments/functions that missed their revenue target is below:

**Membership Development:** Revenue from membership actually increased from 2007 to 2008. During the implementation of the new AMS and preparation for the 2007 audit, we found that there was a long-standing problem with the previous membership database that doubled membership records. Therefore, our projections for 2008 were incorrect as they were based on bad data from previous years. We suggested a prior year adjustment to the audited statements for 2007. This occurred in March 2008, after the budget was approved. Staff immediately altered planning in other departments to cover the difference in the loss of projected 2008 revenue for membership.

**Information Outlook:** Single issue sales did not meet projections and advertising was down from projections as more and more organizations move to online advertising.

**Conference:** The 2008 Conference registration revenue did not meet projected income due to several factors. We did meet the projected number of registrants, but received more registrations in the early bird category than in the regular registration category, as we had hoped and projected. This was the first time we had such an early date for the early-bird registration rate, so we had projected that more attendees would register after the early-bird deadline. That was not the case in 2008. Additionally, several attendees who may have come at the last moment and paid the full registration price were restricted from attending due to cutbacks in travel budgets. Most of the expense lines did come in lower than projected, helping to off-set the lower revenue amount.

**Exhibits:** The exhibitor survey conducted after conference showed that exhibitors met their ROI goals, although the attendance traffic in the INFO-EXPO was not as high as the exhibitors would have liked.

A lot of money is spent on food and beverage not only in the hall but also in the exhibitor lounge. The food and beverage industry succeeds on guarantees that cannot be changed after a certain point. This food and beverage budget line was based on several points 1) we thought that Seattle would be a big draw 2) exhibitor numbers would be higher 3) the weather would be rainy and attendees would stay in the hall 4) once the registration numbers are closer to final in May the budget has already been set and the guarantees given to the center (in March) and could not be changed 5) the food and beverage tax increased from 7% to 9.5% and SLA was notified after the budget was already finalized, and 6) there were additional costs that the hotels and convention center did not alert us to when we initially did our site visit, but we had to pay the fees anyway. Going forward, the exhibits department will aim to lower costs for the INFO-EXPO as much as possible.

**Sponsorship:** Some sponsorships items that were budgeted as Conference Sponsorships in 2008 were, and should have been, included in Exhibit Sponsorships rather than Conference. This accounts for a good portion of the difference in revenue for the two sections.

**Special Projects:** In early 2008, Dow Jones cut back on their sponsorship of the homepage from \$80,000 annually to \$40,000 in cash. They compensated with an exchange of services which included a major print advertising campaign surrounding our Annual Conference for the Wall Street Journal.

Another reason that the budget was not met was due to lack of resources to build out a new option for Banner Advertisements on our homepage. The new Dow Jones contract allows for up to 3 additional banner ads to be sold separately by SLA. At this time, our homepage does not allow for this and this feature will need to be created for 2009. The line item for Contributions did exceed the projected budget by \$68,819 due to some larger contributions and income generated by the Campaign For Tomorrow.

**Professional Development:** The budgeted registration for the CE courses was \$54K and the actual income came in at \$33K; we offered two fewer courses than anticipated, resulting in a shortfall of \$9,160

and the average attendance for the 9 courses we offered was 15 rather than 20 resulting in a shortfall of \$10,300. Additionally, expenses were higher than anticipated, particularly in the areas of travel, food, and AV costs. For 2009, we are providing experience-based estimates for travel and AV and limiting the food and beverage that will be offered during morning and afternoon breaks.

The projected registration income for Click U Live! was slightly less than budgeted by \$7K, but projected expenses are also \$7K less than anticipated. Therefore, the \$30K shortfall in anticipated income can be attributed to the \$0 sponsorship versus the budgeted \$30K in sponsorship.

The Click U registration income that was budgeted was based on an anticipated percentage increase of the 2007 registration figure. It has been determined that the 2007 figure was not accurate in that it included a substantial amount of income that should have been reported under Click U Live!. The ability to track and report revenue from Click University using reports from Learn.com has been a chronic problem because of the inaccuracy and unusability of the reports. That situation will be alleviated in 2009 when Click U becomes part of the SLA website. The decrease in expenses was primarily due to a less than anticipated payment to the LMS provider which off-set the loss in revenue a bit.

For the certificate programs there is an anticipated \$75K deficit between the budgeted \$290K income and the projected \$215K. Most of this, approximately \$55K, can be attributed to a leveling off of the CI participants from an expected average of 21 per class to an actual average of 13.

Click U is the most difficult sponsorship to motivate vendors to sponsor as the price tags for these sponsorships are fairly high due to the cost associated with production. It appears that most vendors chose to use their marketing dollars towards conference and advertising leaving little for other investments. Another factor that has made obtaining sponsorship difficult is that Click U has been offered as part of a Learning Management System (LMS) which did not allow counts of page views. However, in January of 2009 we are moving to a website versus an LMS and this will enable web page view statistics, which should make obtaining sponsorship of particular pages/programs easier in the future.

**Marketing:** In 2008, sponsorship dollars were brought in for the Marketplace at conference for \$10,000 and various award sponsorships covering the cash awards granted to recipients at \$11,000, as well as revenue generated from Marketplace sales, newsletter sponsorships and banner advertisement revenue. The revenue generated from the banner ads was lower than expected. The reasoning, in part, for this shortcoming is based on the economy as well as lack of usage statistics. Revenue from sales at the Marketplace were lower than expected in part due to a nationwide industry trend of declining book sales and to a lesser degree the split exhibit hall at the Seattle Convention Center.

**Research:** In the 2008 budget for sales of the salary survey we increased the total sales by 16% which reflected the increase in the sale price from \$55 to \$60 (9%) and the fact that the actual income for 2007 was exceeding budget at the time of 2008 budget preparation. Actual 2007 sales (\$31,264) did exceed budget (\$26,500) by 18%. We are anticipating the sales for the 2008 survey, after the launch at the end of October, as less than previous years so we have lowered the sales for November and December 2008.

## Fiscal Year 2009

The FY09 budget was developed with conservative figures on the revenue and expense lines and new streams of revenue.

Total income for the FY09 budget is estimated at approximately \$6.75 million; total expense at approximately \$7.11 million; funds moved from reserves to cover already budgeted and approved special projects at approximately \$367K; with a projected surplus of \$3,460. The increases to income and expenses for 2009 are due, in part, to increased activities and products for the Centennial year celebrations and conference, a slight increase in conference attendance, the elimination of fees for Click U and Click U Live! programming, as well as more conservative income and bare bones expense projections throughout each of the program areas.

Membership dues, in fact, make up a small part of the investment SLA makes in programs and services for every member. Membership dues account for \$1.5 million out of a total \$6.75 million in revenue for the Association. This means that membership dues cover approximately 25% of operations. Non-dues revenue streams such as conference registration, exhibits, advertising, sponsorship, mailing list rental, and new streams of revenue being introduced in 2009 cover and pay for basic member services like Click University, leadership and volunteer activities, research, information resources and general operations. With our different tiers of dues, the average dues paid by a member in 2007 was \$133.35, yet it cost SLA \$549.13 to service that member. As you know, we work hard to generate the remaining revenue (\$415.49 per member in 2007) from exhibitor fees, sponsorships, advertising, conference registrations, and so forth. But SLA has always relied on the voluntary contributions of members who can help us bridge the gap. Simply put, without the generosity of our members, SLA would not be able to provide the kinds of cutting-edge programs and information our members have come to rely on. This is one critical reason for the Campaign for Tomorrow and SLA's other fundraising campaigns. More and more associations are looking to non-dues revenue and capital campaigns to support the delivery of critical products and services; SLA is ahead of the curve.

There are three sections to review together to fully understand the budget figures:

**Management Overview:** Provides general information and highlights of the programs and activities of the Association.

**FY09 Budget:** Provides line-by-line detail for each program and activity.

**Budget Justifications:** Provides detailed information for each and every budget line contained in the above report.

Please use all three documents to review the budget prior to the Board discussions.

## FY09 Budget Management Overview

### Fiscal Year 2009 Program/Activity Highlights

#### **Membership Dev**

Many membership activities are budgeted in conjunction with marketing efforts such as Click U., conference campaigns, and the Career Center. All membership activities will be conducted electronically in 2009.

Taking advantage of the Centennial year, membership discounts will be introduced in early 2009 which will entice members to renew early or simply maintain their membership if they have a change of employment. The new third tier of dues for the full class of membership will be promoted to the global community and those hit by the sagging economy making membership in SLA affordable for members in developing economies, unemployed, part-time workers, retired, paraprofessionals and those new to the profession.

#### **Information Outlook**

Overall net income for IO has dropped each year since 2002-03 due to a decline in print advertising usage. The 2009 budget is reflective of a slight increase over the 2008 budget figures. Additionally, the magazine will go from 12 to 8 issues in 2009 and advertising will be brought in-house while an RFP is being conducted.

#### **Conference**

The Centennial Conference planning is in full swing, with an invited opening keynote speaker, secured closing panel, and several spotlight sessions. It is much more expensive to do business in Washington, DC than in previous conference cities like Seattle, Denver, Baltimore or Toronto so the registration rates have been increased slightly. Additional expenses are included in the conference budget to cover the centennial celebrations that will occur at conference. The Opening Centennial Reception is new for 2009; the SLA: Salutes Awards/Leadership Reception is being held at the Library of Congress and we anticipate higher ticket sales; we are introducing a City mini map; and limited bus shuttle from hotels not directly accessible to the convention center.

We believe our sponsorship estimates will be on target for 2009 reflecting a slight decline due to the economy and vendor marketing budgets being cut. Also, in late-2008 we reached an agreement with Multiview which will increase our vendor leads to help secure new conference sponsorship revenue.

#### **Exhibits**

Overall, exhibitors are excited about Washington, DC and the Centennial celebration and have already signed up for 2009. To date we have commitments from exhibitors at just over \$1.1 million. Additional expenses are included in the exhibit budget to cover the centennial celebrations that will occur at conference.

We are working with Charles W. Allen who will provide the Celebrity Robot, Millenia, to open the general session and to produce SLA-TV, which will highlight SLA's past, present, and highlights of SLA 2009 on CD, the sales from which SLA will receive royalties. Additionally, we will offer a SmartCar as the grand prize giveaway at the closing general session.

As with conference sponsorships, we believe our exhibit sponsorship estimates will be on target for 2009 reflecting a slight decline due to the economy and vendor marketing budgets being cut. Also, in late-2008 we

reached an agreement with Multiview which will increase our vendor leads to help secure new exhibitors and exhibitor sponsorship.

## **Professional Dev**

The Professional Development program has undergone many substantial changes in the past few years and will continue to explore new ventures for 2009 and beyond. Access, affordability, and ease of use have been the key factors in determining offerings for 2009.

All programming under Professional Development are offered or sold under the auspices of Click University. Click U is beginning its fourth full year as an exclusive member benefit. It provides 24-hour access to learning opportunities for members. It offers learning on general business skills as well as customized offerings that we produce which are more targeted to the information profession. As we introduce new services, such as the certificate programs at a reduced fee for members or free WebEx sessions for leadership training, we hope to recoup, through title sponsorships, on our ongoing investment so the PD program can break even.

In 2009, we will introduce a quarterly class on Copyright which carries a nominal fee to members. Due to the high importance and interest in copyright, we expect these classes to be well attended. The reputation and diversity of the presenters, Copyright Clearance Center, SIIA, Leslie Ellen Harris and License Logic, will lead to exciting presentations, thus high attendance. Also, in late-2008 we reached an agreement with Multiview which will increase our vendor leads to help secure new Professional Development revenue.

There will be no charge for Click U offerings in 2009. This includes Click U and Click U Live! offerings. While it may seem counter-intuitive to be turning away revenue during a sagging economy, being able to significantly increase the real and perceived value of SLA membership during this period of global economic turmoil should have a direct impact on the ability of current and potential members to justify membership to their employers and to themselves. Thus, this relatively small investment, which should be offset by increased sponsorship, should have a direct impact on our ability to retain current membership and increase new membership. In addition, offering free professional development opportunities and continuing education with demonstrated value will establish the Association as a valuable partner during this time of economic crisis.

## **Career Services**

This program is budgeted to profit again in 2009. One item not included in the budget is the Career Connection at Annual Conference. This expense is not reflected in the budget figures, so an alternative for this service will be investigated.

## **Marketing**

The FY09 budget includes amounts for promotional materials, print media, development of unique ads, advertisement/article placement, media and public relations, awards and recognition, and exhibits and tradeshow attendance. Increased costs are reflective of the additional materials and outreach needed for the Centennial year.

In 2009, new more professional collateral will be created to illustrate average usage statistics and evidence to prove that these types of advertisements are a good use of marketing dollars when targeting the SLA audience. A small amount of revenue will also be realized in 2009 from the sale of the "SLA at 100" book throughout the year and at conference.

The Public Policy program continues to monitor legislative activities relating to postal, copyright, association, digital rights, and other key issues; and to development and deliver government relations promotional and educational tools. There is an increased emphasis being placed on outreach to the membership regarding key legislative issues.

## **Fundraising**

Sales/rental of our mailing list continues to be a low cost, high profit program for the Association.

Sponsorship income generated by the fundraising department is recorded to the program or activity that is being sponsored. This is the proper way of accounting for this income as it is directly attributable to the specific program.

Special projects include sponsorship of the Website, discussion lists, e-newsletters, and *Information Outlook* on-line. These sponsorships are posted to the fundraising department under special projects. The competition for dollars is still fierce and it is becoming increasingly more difficult to secure sponsors for our various projects.

The Campaign for Tomorrow began in late-2008 and will continue throughout 2009 with a unique 'wall' for members to be recognized for their contribution to the future of SLA. The Campaign includes contributions from members and vendors.

New revenue streams for 2009 include royalties generated from new program agreements in place, such as Bank of America (affinity credit card), Newstex Blogs and Multiview Search (to increase our vendor leads to help secure new leads and revenue). This first set of initiatives will serve as business models when exploring additional revenue streams, such as a revenue share with additional free services provided to SLA members, in 2009.

The website redesign allowing for multiple banner ads in rotation, should be completed by January 1, 2009. This additional new source of income should help to meet the goals in 2009 as this is the most sought after space of SLA's entire website. We will market to all of the vendor community.

## **Leadership Services**

Travel costs continue to rise as the Association seeks to have an increased presence at key events for the information profession. Staff continue to work with other organizations or units to cover travel expenditures for the President and CEO.

Expenses for in-person AOC and Finance Committee meetings have been drastically reduced to cover teleconference/WebEx meetings in lieu of in-person meetings, saving the association on high travel and accommodation expenses.

## **Research**

The 2009 Research budget will be aimed toward projects that bring attention to SLA, predominantly pushing out the 2008 Salary Survey during a year when it is anticipated that members will need the additional resources. We will not produce a salary survey in 2009.

## **Information Center**

This program will be maintained with activities similar to 2008, with the utilization of online services. Staff continue to contain costs through the utilization of more cost-effective technology. In addition, Factiva provides online services free of charge, resulting in the vast reduction of the online services budget. Were these items not underwritten by a sponsorship it would cost the Association approximately an additional \$100,000 to deliver services to the staff and membership.

**General Administration** The general operations budget was prepared by SLA management using the most recent financial information, through 10/30/08, for the staff salary and benefits, office services, occupancy, computer services, and financial management.

**Salaries** 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 bonuses for a limited number of super stars, but not across the board. There will be no staff salary increases for 2009. We do not plan to cut staff at this time.

**Benefits** 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.

**Office Services** The overall office services expenses have remained constant over the past three years. In 2008 and again in 2009 we are decreasing these expense lines.

**Occupancy** Overall occupancy costs are lower than FY07 and FY08 figures with the exception of taxes and condo fees.

**Computer Serv** 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.

**Financial Mgmt** Overall costs in this area have remained constant. There is an increase in the audit fees as the unit consolidation is a requirement during the annual audit.

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.

**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 – 20%, 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.