

FREQUENTLY ASKED QUESTIONS ON THE ACLA BUDGET

What accounts for the growth in ACLA over the past few years? How does ACLA handle costs for administering direct services? What steps has ACLA taken to control costs?

There are several areas that account for growth in ACLA since 2006:

- *ACLA assumed the responsibility for Coordination of Youth Services and the summer reading program. This was the result of a request from the District Center (CLP) to transfer both the responsibility and funding for that function to ACLA from the District budget. Based on the interest expressed by libraries across the County ACLA has supplemented the budget for the summer reading program through system service funds for programming and marketing.*
- *Robinson Township Library was non-existent in 2006. In 2008 it will be fully operational for 12 months resulting in increased revenue (the Branch is funded through municipal support from Robinson and Kennedy Townships) and corresponding expenditures.*
- *ACLA has received significant grant funds since 2006 including a major Gates grant to be expended over three years as well as funding for Board Development and Library Leadership training programs.*
- *Mobile Services was required by the Carnegie Library of Pittsburgh to relocate from its headquarters in the West End to new space on the Northside. This required additional expenditure relative to shelving (which we were not able to move), moving expenses, and monthly rent that we had not previously been required to expend.*
- *Expenditures in support of Direct Service operations are recovered through program fees charged to those programs directly. The fees are based on time studies conducted by ACLA administrative staff. Direct Service operations are fully self-supporting.*
- *ACLA staff has not increased since 2006 with the exception of the addition of the Youth Services Coordinator as noted.*
- *ACLA is a member of the Nonprofit Health Alliance to contain healthcare costs, utilizes the services of First Nonprofit to reduce unemployment insurance costs, annually evaluates all insurance coverage for best market rates, etc.*

Why is the number of FTE's dropping so significantly without a corresponding % decrease in wages and benefits?

The re-engineering of Knowledge Connections will eliminate approximately 50 site staff, all of whom were part time. 13 of these individuals were site managers employed 25 hours per week, and 25+ were teens working 12 hours per week. Most of these individuals were paid minimum wage and were not eligible for benefits. With the redesign of the KC program, we will maintain the existing Operations Manager and Office Manager positions, add a full time curriculum and training coordinator, and hire several part time trainers. These individuals will have a higher skill set, command a higher wage rate, and will be eligible for benefits.

Please explain the financial reporting ACLA prepares and the measures it takes to control the budget.

The ACLA Board historically has set a very high priority on programs being self-sustaining. To that end it has been essential to monitor cash flow carefully to ensure that no program “borrows” funds from another designated program. In particular, direct service program funds are considered restricted to those programs. It is imperative that adequate cash reserves be maintained to manage operations without deficit position.

This past year under the oversight of the Finance Committee, monthly cash position reports were developed to monitor the cash flow. Reserves were reviewed to ensure appropriate fund balances. Administrative costs for these programs have been called out as fees against the direct service revenues to further ensure that the services are not a cash drain on the overall ACLA operations. It is certainly true that the cash reserves by program are increasing, precisely to ensure sound fiscal management of operations. These cash reserves are accumulated through various earned income sources such as fines and fess. In some cases, as with Knowledge Connections, not all revenue streams flow by calendar year – some of the government sources are on a fiscal cycle of July through June or even October through September. In these cases there is always “carry-over” of funds from one calendar year to the next. This is also true with regard to the District funds received for coordination of Youth Services.

What accounts for the fluctuation in State Aid distributed in 2007 vs. 2008 proposed?

The reduction in State Aid distributed is exclusively related to the funds being retained by the System for populations directly served by ACLA and for which ACLA receives municipal support. These include populations served directly by the Robinson Township Library (previously ceded by CLP) and populations that directly fund the Mobile Services program. CLP will receive all funding due to the Library for the population of the City of Pittsburgh plus additional funding for populations outside the City of Pittsburgh that the System does not propose to retain. However, the Carnegie Library of Pittsburgh wishes to claim populations ACLA now serves directly and for which ACLA receives municipal funding. This is in opposition to the position of the ACLA Board.

The funding retained is applied in three areas:

- *Robinson Township Library would receive \$35,000 related to the populations of Robinson and Kennedy Townships,*
- *Mobile Services would receive an additional \$50,000 related to the populations of municipalities it serves directly and receives funding to serve, and*
- *the balance would be applied to services to system members.*

Knowledge Connections will receive no funding from the State Aid.

Should these funds not be retained there would be significant cuts to the following programs: Mobile Services, Robinson Township, and System Services. Likely it would require the

elimination of Incentive Grants and funding for Reserve Pool and supplemental support for Summer Reading.

Please explain the existence of fund balances. What guidelines are being followed and what is the source of these balances?

There are numerous reasons why fund balances have been established and why, in some cases, they are increasing. ACLA has attempted to follow best-practice guidelines from nonprofit industry experts, looking to establish 3 to 6 months of general operating costs in reserve. We have looked to various entities for recommendations including, Independent Sector, the National Center for Nonprofit Boards, BoardSource, and the Pennsylvania Association of Nonprofits. There are no absolute rules but nonprofits are advised to function “with a reasonable buffer against unforeseen, seasonal, irregular, or exceptional cash shortages. Every nonprofit needs to determine an acceptable level of reserves that allows it to face the future without fear of collapsing in front of every financial obstacle or being forced to forego exceptional opportunities” (BoardSource). In ACLA’s case there are certain guiding principles at play:

- *Direct service operations should be in a solid cash position so as not to drain funds restricted to other programs. Here a target of 3-6 months of operating expenses in reserve is warranted. There are additional considerations, including operationalizing costs for vehicle replacement (designating funds for this purpose over time allows for efficient upgrading of vehicles and/or equipment).*
- *The Administrative program, in addition to the same provisions placed on direct service operations, should also be in a position to “float” unusual and/or unexpected variances in funds available for distribution to the members (for instance, delayed receipt of a RAD payment). This requires far more than what ACLA currently has in reserve.*

The Finance Committee and the Board continue to monitor the situation. Some funds have been designated to protect these basic sources, while other funds are undesignated to provide reasonable and responsible flexibility to respond to external circumstances, and some funds are restricted by program. The overall total of “cash reserves” is indeed increasing in response to sound fiscal oversight principles being observed by the Finance Committee and management.

Undesignated reserves are the result of one of two sources:

- *Normal flow of revenue and expenses by program, often reflecting program balances at year-end of non-calendar year revenue sources.*
- *Accumulation of earned (vs. contributed) income to establish sound reserves (for instance, fines and fees, interest earnings, etc.).*

Please explain Interest Income in terms of 2007 estimates and 2008 projections.

All ACLA funds, with the exception of Robinson Township funds which are completely segregated, are held in a joint account that daily sweeps all amounts in excess of a target

amount into investment funds. This results in a higher return on the funds we hold. Interest earnings are applied not only to the administrative account, but also to direct service funds of Mobile Services and Knowledge Connections, as well as certain restricted grants in an amount proportionate to the % of total funds represented. We underestimated interest earnings in 2007, and now project approximately \$30,000 rather than \$20,000. This is due primarily to the increase in interest rates on our accounts. We have projected a similar number for 2008 based on our experience this year.

Please explain Earned Income in the Administrative budget.

This Earned Income represents program fees charged to our Direct Services programs to cover administrative overhead. This is done to ensure that those programs “pay for themselves” and do not risk funds for other programs and services. The fees are charged to Knowledge Connections, Mobile Services, and Robinson Township Library.

What role does LAC play in the budget process?

There are numerous discussions held with LAC throughout the year regarding budget matters. The System provides a consolidated spreadsheet early in the year that outlines countywide sources of funding from the system, the district, and county aid. This is to assist the LAC in understanding how all of these funds work together and how they might recommend changes or adjustments. CLP holds separate negotiations on both the District and the County Coordination Aid budgets, but provides no discussion of these matters at LAC meetings. That is why ACLA staff prepared the comprehensive spreadsheet, as a tool to assist the various negotiation groups. There is always a discussion of the proposed system budget at a meeting of LAC. This past year, in addition to that discussion, there were separate regional discussions in which all of ACLA’s direct service operations were reviewed as well.

The General Membership was provided with budget information much earlier this year in response to overall initiatives to provide more transparency and a greater degree of communication around all issues. LAC members also had access to this information and were able to provide comment – for instance, there is currently a LAC Task Force addressing funding of countywide resources from the system budget as well as the District and County Coordination Aid budget.

What is the standard work week for full time employees?

ACLA full time employees are regularly scheduled for 40 hours per. Normal office hours at the ACLA headquarters are 8:00 a.m. until 4:00 p.m. but there is generally someone here from 8 until after 5. Direct service staff schedules vary, depending on need. For example, we have bookmobile runs in the evenings and on weekends, Robinson Township Library is also open on evenings and weekends, and Knowledge Connections are currently open evenings as well. We adjust the 40 hour schedule for full time employee to meet the service requirements of the operation.

Could the budget process include presentation and adoption before the end of the calendar year instead of in January?

We could certainly adopt this timeline if the Board and the Members concur. It would likely require an additional meeting in December for this purpose. As State report data (used for calculating formulas) is not certified until December, we would need to be able to incorporate that into our process. As noted, it was in response to the Members' request and in keeping with an emphasis on greater transparency that the preliminary budget was made available in October this year. The Board will continue to respond to the wishes of the Membership.