

March 5, 2022

Maggie Farrell
Andrew Pace
Co-chairs, ALA Operating Agreement Working Group

Dear Maggie and Andrew,

Writing on behalf of the PLA Board, thank you for your ongoing work to shepherd this important, complicated, and overdue work. PLA appreciates the opportunity to provide feedback on the proposal to update the financial model within the operating agreement. We also look forward to the concomitant proposal(s) on the policy that governs the relationship between ALA and divisions.

First, we appreciate and support the goals that underpin all the work of the OAWG. We have applied these goals as a lens for our review, alongside PLA's deep knowledge of public library members and services, and our commitment to a vibrant and sustainable ALA.

The proposal to remove application of the indirect cost rate (overhead) to divisions, roundtables, and ALA office units, as well as eliminate reporting of net asset balances for individual ALA units, seems to best meet the OAWG goal of simplifying financial reporting. PLA agrees with eliminating paperwork and budget transfers that bring little benefit to ALA, its divisions, or units.

However, eliminating the division net asset balances and related reporting has prompted questions. PLA does not oppose the proposal per se but asks that it be clarified and/or amended to address these issues. PLA historically has maintained an asset balance, which helped to enable innovation like the Every Child Ready to Read and leadership development initiatives, as well as address the ebb and flow of biennial conference funding. As such, PLA's key questions and requests to best address goals related to innovation, autonomy, and financial sustainability are:

- Can you clarify that eliminating reporting of net asset balances doesn't preclude financial reporting by each unit across the ALA? Our expectation is that ALA will establish a new financial model that clearly addresses the elimination of net asset balances; a budget process tied to the ALA Pivot Plan and related budget goals, revenue targets, and financial reporting alongside implementation of the new financial model.
- How will seed money for new initiatives, in past taken from the net asset balance, be enabled in the future? For instance, could a division retain a percentage of revenue over expense for this purpose? Or could an annual stipend be included in each division budget to fund innovation? Alternatively, a well-documented budget process could enable funding requests for strategic initiatives with division and finance staff working closely together with established parameters for review, approval, and resolving any disputes. PLA has a track record of successfully stewarding investments into significant member programs and services, and we believe ensuring mechanisms for funding innovation benefits all.

- Related, in a successful budget period, will PLA be able to transfer some revenue over expense funds into the endowment based on established practices? This aligns with both the ALA Pivot Plan to increase the book value of the endowment and overall sustainability.
- With the elimination of net asset balances, will a two-year budget cycle (or similar) be enabled to address “spend down” years when there is no division conference revenue?

Other overall concerns for PLA in terms of any new financial model and budget procedures include:

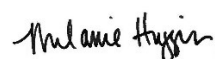
- As mentioned above, PLA believes we need a well-defined budget process that enables a high level of collaboration, communication, transparency, and accountability for all units. What are/will be the established practices to tangibly recognize when unit budget goals have been exceeded or address consistent shortfalls at the unit level?
- We also would like to see evaluation of and accountability for the level of core support services rendered. The current lack of accountability often leads divisions to pursue alternatives to address gaps in service, which can result in some duplication of effort and add to ALA complexity. Could service-level agreements or something equivalent be among OAWG recommendations? PLA would be happy to help in this effort, which could help build confidence and trust.
- PLA believes it is mutually beneficial for both divisions and ALA to have the ability to seek external funding in support of projects that advance programmatic priorities. PLA has been successful in this area and regularly communicates and collaborates with other ALA units. Is any change anticipated here? If so, how?
- Under the current operating agreement, a division determines its own staffing based on what its budget can bear, as well as other strategic considerations. Is any change anticipated here in terms of division staffing under the new financial model? If so, how?

OAWG division representative and PLA Fiscal Officer Clara Bohrer participated in the recent PLA Board discussion and can amplify and/or clarify PLA points of concern during OAWG discussions. We also would welcome the opportunity to host one or both of you at a PLA virtual board meeting in April or May to hear your feedback and discuss further. We hope the final OAWG proposal will explicitly address these concerns before any final decisions are made.

Finally, we believe we need to commit to a regular cycle of review and evaluation for the operating agreement and related policies and practices to support continuous improvement. As with any meaningful change, it is not a one-time action but an ongoing process to learn, iterate, and grow.

Thank you for your consideration, and we look forward to our future conversations.

Warm regards,



Melanie Huggins
PLA President