To: PLA Board of Directors

From: PLA Budget and Finance Committee

Re: Operating Agreement Working Group Recommendations

Date: October 12, 2022

The PLA Budget & Finance committee met to discuss the Operating Agreement Working Group (OAWG) Final Report and Recommendations (EBD#10.12/CD#40.1) presented at the June 2022 ALA Executive Board Meeting. We support the revised policy which eliminates practices, procedures and internal ALA processes and maintains governance and programmatic autonomy and authority for Divisions. At this point, we support a single ALA net asset balance as a means to strengthen the Association as a whole and streamline its operations. We will, however, need to see how the new financial model is clearly reflected in budget practice and procedure.

In February of 2021 the PLA Board provided feedback to the OAWG, expressing support for the goals that underpin the work of the group, to simplified financial reporting, along with a number of requests to best address goals related to innovation, autonomy and financial stability.

Now that the OAWG’s Recommendations and Report have been accepted by the ALA Executive Board, and referred to the Committee on Organization for review, the PLA Budget & Finance Committee looks ahead to the next steps in this process, namely the work of the Implementation Task Force charged with developing a new budget process, and the possibility of an internal working group recommended to “revise operational practices that update and include accountability and service expectations for shared services.”

Following discussion, and agreement that we support the recommendations regarding the operational practices articulated in EBD#10.12/CD#40.1, the PLA Budget & Finance Committee affirms the overall concerns articulated in February 2021 and expands on positions and recommendations in light of the OWAG Recommendations.

* Our expectation is that by shifting the Operating Agreement to an exclusive policy focus, the recommended internal operational practices group will include division representation; We wish for this to be a participatory process that includes the divisions and general fund staff. We recommend that an external facilitator convene the operational practices group to ensure fair, equitable and transparent process, ask tough questions, and ensure an efficient timeline. This internal group will benefit from a clearly defined charge and expectations for implementation.
* The establishment and codification of specific standards and expectations for mandated shared services, as well as accountability to those standards, will be essential to financial growth of the Association as well as cultivation of a culture of trust and mutuality within the Association.
* Our expectation is that ALA will establish a budget process tied to the ALA Pivot Plan and related budget goals, revenue targets, and financial reporting alongside a clearly well-defined new financial model; The budget process must address how seed money for new initiatives, taken in the past from net asset balances, will be determined. The process must also explicitly address the extent to which some revenue over expenses may be transferred into the endowment in any given fiscal year.
* With the elimination of the net asset balance practice, it is essential that both policy practice and process specifically address the division two-year budget cycle. This ebb and flow of conference and “spend down” years is how divisions sustain revenues and contribute significantly to the ALA bottom line.
* We encourage a regular cycle of review and evaluation for operational practices alongside the 5-year review cycle for the Operating Agreement; Interim changes to the operating agreement recommended by ALA leadership or other appropriate policy-making bodies should also be accompanied by an operational practices review. There should be reciprocity in this dynamic (e.g., should operational practices shift, an interim adjustment to the Operating Agreement would follow).
* It is important for a division to determine its own staffing based on its strategic considerations and financial resources. A transparent process for divisions to add staff under the new financial model must be part of codified internal operations.