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**PLA Budget and Finance Committee Meeting**

**Virtual Meeting-10:30 – 12:30 CT, June 16, 2022**

**Meeting Minutes**

**Attendees:** Clara Bohrer, PLA Fiscal Officer, PLA Budget and Finance Committee Members

Tim Miller, Steve Potter, Melanie Huggins, Karen Danczak-Lyons, Mary Hastler, Chris Jowaisas, Kelly LaRocca, Maria McCauley and Cindy Fesemyer, PLA Executive Director Mary Davis Fournier, PLA Deputy Director Mary Hirsh

**Guests:** ALA Treasurer Maggie Farrell and ALA CFO Dina Tsourdinis

1. **ALA Request for FY23 Regarding Endowment Interest**

PLA Fiscal Officer Clara Bohrer set context for the conversation with a recap of where PLA is in the FY23 budget process:

* At this time, the PLA Budget and Finance committee has not reviewed or recommended a FY23 budget. The PLA board has therefore not yet seen or approved a FY23 budget.
* PLA executive director Mary Davis Fournier submitted preliminary numbers as part of the ALA budget process. The goal was to have PLA B&F committee review in June for approval at June PLA Board meeting, which is long-standing PLA budget practice.
* In order to fully consider the ALA Request for FY23 Regarding Endowment Payout, the PLA budget will move to review by the Budget & Finance committee at a special meeting in August, with approval requested from the PLA Board at a special meeting in August or September 2022. In essence this is a very preliminary budget.
* Bohrer cautioned Farrell and Tsourdinis that the PLA budget may change, based on the review and approval by PLA member leaders. This means that when the PLA FY23 budget is approved, it may not reflect the numbers shown in ALA’s endowment payout request letter because the PLA Board has still to confirm that our programmatic priorities are met by the budget.

PLA is sensitive to ALA budget needs and understands the entire organization~~s~~ is working toward financial stability. Fiscal Officer Bohrer also noted that progress towards sustainability is being made.

Treasurer Farrell was invited to respond to questions from the committee sent in advance of today’s meeting. Farrell provided context regarding the ALA budget cycle and process:

* Governance and budget calendars are out of alignment.
* Divisions with conferences operate on two-year cycle, which introduces other inconsistencies in practice related to carrying deficits.
* Operating Agreement Work Group (OAWG) has not solved these problems but are identifying the need for the development of a new budget process.
* Any changes will need to be designed and implemented internally, with member-leader oversight.

Farrell stressed that there are conflicting policies related to the endowment: The ALA bylaws give authority over the endowment to the ALA Executive Board. The Endowment Trustees policy handbook and the Operating Agreement give authority over the endowment to divisions.

PLA’s first written question asked if the current FY23 endowment request sets a precedent, and whether PLA has control over its endowment funds.

Farrell responded that she does not know; acknowledged it is unusual but said that it is permissible under the bylaws. PLA’s control over its endowment and its disbursement is a point of tension between division and ALA. ALA is one legal entity with one endowment. There is not a clear yes/no answer to this question. Farrell believes clearer communication between division directors, ALA Executive Director and ALA CFO would improve practices and implementation.

PLA B&F Committee Member Cindy Fesemyer indicated she heard the final answer to the question as no, that PLA does not have control of its endowment. Fesemyer observed that if PLA does not control its endowment, then there are implications for growing the endowment. Specifically, PLA needs to have a compelling reason that resonates with members, to ask public librarians to give money to PLA endowment. This is something we should work on together. Confident there can be a balance, but needs conversations with a number of stakeholders

Farrell commented that ALA finances and cash flow have been challenged in the past but have turned around thanks to PPP loans, sale of 50 East Huron and other loans. A recent focus on contributed revenue has help stabilize operations. Farrell acknowledged the association is still not where it needs to be financially.

PLA B&F Committee Member Mary Hastler noted that it appears ALA is meeting the organizational budget, not increasing their own revenue streams but by taking from the divisions that have worked extremely hard for years to increase their revenue streams. She expressed need for clearer, long-term direction that does not rely on one-time, unsustainable funding models while the association continues to lose members.

PLA B&F Committee Member Tim Miller expressed agreement and characterized division net asset balances and endowment gains as one time fund infusions. He asked where the motivation for PLA to work hard with no appreciable control over its revenue or investments.

Farrell observed that divisions have developed revenue streams, and that creativity in conferences has drawn people to PLA/ACRL.

Farrell suggested PLA invite Executive Director Hall or ALA President Wong to talk about the pivot plan and the new revenue streams to better understand ALA sustainability plans.

PLA B&F Committee Member Karen Danczak-Lyons requested that that Pivot Plan financial streams be added to BARC reports.

Farrell indicated that there will be an updated five-year plan at BARC. These documents have not been posted to the inventory yet.

Farrell shared: ALA ED Hall has secured cash to underwrite operations. $4 million in cash has been contributed to the ~~to~~ the bottom line. The ALA Development office has a goal of $4 million every year.

Danczak-Lyons suggested adding language to the Endowment policy to forbid using interest to cover operating gaps. Chicago Public Library the following language in its endowment policy: “Funds contributed will not supplant the obligations of the general fund and the operating plan.”

ALA CFO Dina Tsourdinis thanked PLA for its transparency. She pointed the group to the five-year budget plan that projects ALA revenue covering expenses in 2026.

PLA President Elect Maria McCauley reflected that she understands that ALA makes the ultimate decision about transferring interest. But, even if this is within the Executive Board authority, clear communication, including specific requests, would create a more trusting environment.

Bohrer agreed, acknowledging that the Executive Board has the ability, if they so choose, to grant divisions the authority to spend the payout as they see fit. PLA has been very strategic with its payouts in past years. For example, PLA has used Endowment payout to develop Every Child Ready to Read, one of its most profitable products ever. That particular payout not only helped to move forward PLA’s programmatic priorities but brought in significant revenue.

Discussion then moved on to submitted questions related to PLA’s two-year budget cycle.

Tsourdinis clarified that all of ALA has to be on the same budget cycle. Moving to a two-year cycle requires a lot of investigation and change management.

Bohrer expressed the hope that as the CFO and Treasurer reflect on PLA’s budget during the off-conference year in its 2-year cycle, they look at the revenue PLA brings in during the conference year.

Fesemyer stated that referring to PLA’s off-conference year as a “deficit year” is problematic in light of the PLA 2-year budget, in which year one generates net revenues that exceed PLA operations expenses for year 2. Farrell expressed appreciation for the nuance and said that BARC refers to year two as a “spend-down” year. She said that ALA reporting has changed to encompass three years, so that like years can be compared. All agreed that there needs to be more timely access to current financial reports.

Farrell has encouraged the ALA ED and CFO and all division directors to engage early with consistent communication.

Tsourdinis recapped the budget process for FY23 to date:

* All division were invited to put in budgets without restrictions.
* After review, the CFO went back and asked for specific amounts in cuts per unit.
* Endowment transfers to unit operating budgets came in during second budget iteration.

She reflected that she did not know the endowment funds would be needed until then. She acknowledged the step of formal request was missed. She apologized for missing this step.

Bohrer remarked that for the next step, PLA member leaders will finalize, review, discuss and approve its budget over the summer. PLA budget numbers may not be accurate in documents shared at Annual. Tsourdinis reminded the group that the ALA budget is not final until October.

Tsourdinis said that if PLA approves the Endowment fund requests, it will not take place until March of 2024. The funds will remain in the endowment until then. She is in the process of looking at other vehicles for the funds, and if ALA achieves revenues above the budget, the funds may not be transferred.

She shared that the ALA general fund takes a distribution from the 21st Century Fund in the endowment to support operations every year.

Questions were asked about better aligning policies and practices.

Farrell indicated the Operating Agreement Working Group (OAWG) will send draft policy to COO to look at bylaws and constitution. She stated that OAWG can only call attention to the issues, changes will have to be made in the bylaws. Farrell indicated that part of OAWG will include a budget review recommendation.

In conclusion, the CFO offered her availability to the committee and PLA ED on quarterly basis.

Farrell will brief BARC chair and EB on this conversation.

Farrell and Tsourdinis were thanked for making time to join the meeting.

1. **FY22 Financial Update**

There were no questions about the financials for FY22 ending November 2021.

There were no questions about the financials for FY22 ending January 2022.

To date, financial data beyond January 2022 is not available. The latest set of financials do not include most of the conference related expense and revenue. ALA has not yet provided a firm timeline as to when data from March 2022 will be available. Davis Fournier expressed that it is challenging to prepare the budget without knowing actual results from conference.

Committee members expressed frustration with ongoing delays, ongoing delays in reporting and that finance outsourcing issues continue to impact operations.

Bohrer suggested that Davis Fournier be given time to look over the preliminary budget data she submitted and make any necessary changes. The goal would be for the Budget and Finance Committee to meet in early August to review and recommend the budget to the PLA Board, who hopefully will meet shortly thereafter to review and approve it. This will allow time to make adjustments and recommendations so that ALA has PLA’s budget data in time for final budget approval at the fall Executive Board meeting. Davis Fournier will work out an internal schedule with the CFO before setting this meeting. The committee agreed to this plan.

1. **Budget & Finance Committee meeting schedule**

PLA staff put together a working document to better align PLA budget process to ALA process for the FY24 budget year**.** Will also need to coordinate with PLA Board meeting dates.

Bohrer reported that staff are working on a fundraising plan that will be reviewed by our committee and ultimately approved by the PLA Board. Our committee will also be involved in developing a plan to transition off Gates Legacy Funds.

1. **ALA Update:** Operating Agreement Work Group

This item was largely covered in the ALA Treasurer’s presentation. The OAWG will be submitting a revised operating agreement policy with accompanying recommendations at Annual Conference.

The meeting was adjourned at 12:08 Central