



Operating Agreement Council Discussion

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ALA OA Working Group Co-Chairs
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ALA Policy A.4.3.4.1

Policies of the American Library Association in Relation to
its Membership Divisions

Affectionately known as the “Operating Agreement”



Agenda

- Charge and Operating Agreement Working Group Goals
- Recommendations approved by the Executive Board
- Progress since ALA Annual
- A transparent look at major policy changes
- Discussion, Feedback, Questions



Operating Agreement Work Group Update

ALA Annual 2022: EBD#10.12/CD#40.1

ORIGINAL CHARGE:

To evaluate, assess, and make recommendations to the ALA Operating Agreement that defines the relationship between ALA and Divisions. Specifically, the WG will examine how the existing Operating Agreement is fulfilling the mission and values of the association as well as the financial structure that supports the joint and individual goals of the Association and Divisions. In addition, the WG will examine the relationship between ALA and the Roundtables and will provide recommendations that guide that relationship as well. The Operating Agreement values unity, diversity, authority, autonomy, and collaboration. These values will guide the WG in its assessment and communication.



Operating Agreement Work Group Update

ALA Annual 2022: EBD#10.12/CD#40.1

Chairs

Maggie Farrell
Andrew Pace

Members

Miranda Bennett
Clara Bohrer
Wanda Brown
Diane Chen
Christine Dulaney
Clara Harmon
Peter Hepburn
Sophia Sotilleo

Staff

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Denise Moritz
Tammy Dillard Steels
Lorelle Swader
Dina Tsourdinis
Melissa Walling
Kerry Ward

Ex Officio staff

Keith Brown
Marsha Burgess
Holly Robinson



Operating Agreement WG: Goals

- Support “One ALA” and ensure its financial sustainability.
- Simplify financial reporting to reflect ALA financial realities.
- Ensure ALA has sufficient resources to cover the costs of shared infrastructure, core values and mission-based work, and strategic investments.
- Align financial reporting, budget planning, and strategic planning with the Pivot Strategy ([2020-21 ALA CD#36](#)).
- Preserve the autonomy necessary for Divisions and Round Tables to meet the unique programmatic needs of their members.
- Continue to encourage innovation across all ALA units.



Working Group recommendations to the Executive Board

1. The Executive Board accepts the OAWG final report and **presents the rewritten policy** and outline for changing internal processes and procedures to ALA Committee on Organization for their review, **continued association wide feedback, and forward to the Executive Board and Council** for final review and vote.
2. If the new policy [draft] is approved the right direction, **authorize an Implementation Task Force to develop a new budget process** that consists of ALA management including Division Executive Directors and ALA division budget leaders to outline a new budget process. This process should be developed during FY23-24 with a report to the Executive Board, Division Boards, and Council. The goal would be to implement a new process for FY25.
3. The Executive Board encourages the ALA Executive Director to **form an internal working group to revise the Operational Practices** that update and include accountability and service expectations for shared services.

[ALA Annual 2022 CD#40.1 / EBD#10.12](#)



3. Operational Practices

- Executive Director Hall has formed an internal staff group to update, modernize, and align the operational practices with the OA WG recommendations
- Issues under consideration
 - General update of the practices
 - Replace internal transfer of overhead, and consider applying that same change to Round Tables and ALA Offices using a well-defined allocation of shared services approach
 - Develop Accountability measures that review and ensure quality and service level of shared services.
 - Address and define historical Net Asset Balances of Divisions



2. Budget Process: new language

The ALA budget process is codified in [Operational Practices](#) and is based on transparency, collaboration, and cooperation between all units. It is a process that is iterative, inclusive, and accountable. Division Boards have responsibility for developing and approving budgets and multi-year program and financial plans, which are then reviewed by ALA management and BARC. Annual budgets are approved by the ALA Executive Board. Division representative(s) have the ability throughout the review process to support their approved budget requests. Divisions will receive reports on revenue and expenses (income statement) in a timely manner to effectively monitor their budgets. Divisions have the responsibility to alert the Association to multi-year budget cycles and any planned activities that could have a potential negative impact upon the fiscal stability of the Association. In turn, Divisions will be kept informed about the Association's financial health and will be involved in meaningful consultation when there is potential impact on Divisions, collectively or individually.



2. Budget Process: OA Implementation TF

1. Two Division Representatives from each of the 8 Divisions (Division Executive Director + Division Treasurer)
2. BARC Chair, Karen Schneider
3. ALA Treasurer, Peter Hepburn
4. Round Table Coordinating Assembly Convenors (Charles Kratz and Mark Robison)
5. ALA Executive Director, Tracie Hall
6. Chief Financial Officer, Dina Tsourdinis
7. Budget Director, Brad Geene
8. Director Governance, Sheryl Reyes

12 Volunteer Leaders and 12 Staff



2. Budget Process: Considerations

1. Historical net asset balances
2. Two-year budget cycles
3. Endowment contributions and distributions
4. Incentivizing Divisions to increase revenue



1. Rewritten Policy

- Removes “historical baggage” language
- Removes redundant repetition of Bylaws and other portions of the Policy Manual; references to historical staff titles and offices, etc.
- Supports “One ALA”
- Clearly articulates exhaustive list of shared services and shared member values or mission-based activities
- Clarifies the fiscal realities of ALA’s operational practices
- Emphasizes transparency, collaboration, and cooperation between all units in budget development, operational practice, and strategic planning



Easier stuff: Minor recommendations So Far

- A.4.3.4.5
 - Financial, Introduction - add “current accounting principles”
 - Section D. - add “timely” to financial reports
 - Move Section B regarding Net Asset Balances within Section D
 - Section E – add “otherwise a recommendation to the ALA Council will be made for dissolution.”
- A.4.3.4.7 Personnel
 - Correct typo from hard to “head”
 - Change “convey recommendations” to “convey review” to ALA Management.



Harder Stuff

- Division Conferences as non-business
 - Defined in the Bylaws – Article VI, Section 8
- Endowment Decisions
 - Defined in Constitution, Article IX, Section 2
 - Defined in A.6.5.1 Long-Term Investment Funds: Association's Use/Withdrawal and Repayment



Endowment

Original

A.4.3.4.6 Financial

E. Endowments

Divisions may establish endowments or add to existing Division endowments from any source including **existing** fund balances once the Division has reached a minimum fund balance as determined by the Division and approved in accordance with the budget review process and approved financial plan. The establishment of Division endowments will follow the guidelines outlined in ALA policy. **The use of the interest from these Division endowments will be subject to Division Board approval and applicable ALA policy**

New

A.4.3.4.5 Financial

C. Endowments

Divisions may establish endowments or add to existing Division endowments from any source, including **historical** net asset balances or budgeted revenue that exceeds expenses, **once ALA's liquidity position and budget can support the Division endowment transfer**. The establishment of Division endowments and associated spending policy will follow the guidelines outlined in ALA policy **A.6.5.1**.

Net asset transfers by the Divisions to the Endowment Fund will be reviewed and approved as part of the budget process and after review of ALA's liquidity position to determine sufficient cash balances to support the transfer.

Now on to the Hardest Stuff



[Sisyphus](#) (1548–49) by [Titian](#), [Prado Museum](#), Madrid, Spain
<https://commons.wikimedia.org/wiki/Category:Sisyphus>



Net asset balances

Original

A.4.3.4.6 Financial

D. Fund Balances

1. ALA Divisions build and maintain fund balances appropriate to their needs. A fund balance is defined as accumulated net revenue.
2. Divisions will not receive interest on fund balances or deferred revenue.

New

A.4.3.4.5 Financial

B. Net Asset Balances

ALA maintains a single net asset balance which represents the excess of assets over liabilities. Divisions do not build or maintain separate net asset balances.



Revenues over Expenses

- A.4.3.4.5 Financial, Section D
 - Budget process within Operational Practices
 - Process to be iterative, inclusive, and accountable
 - Division Boards' responsibilities
 - Multi-year budgets
 - Planned activities including use of revenues over expenses
- A.4.3.4.11 Planning
 - Responsibility for multi-year financial plan

Next Steps

- Get more feedback here
- Nov 3, 2022 – Jan 27, 2023 (LibLearnX)
 - get details of progress and plans from Budget Process and Operational Practice groups
 - Incorporate edits into draft
- Determine whether the policy as written and incomplete status of Budget Process and Operational Practice group makes this policy re-write ready for Council debate and an up/down vote at LibLearnX or ALA Annual 2023



QUESTIONS & DISCUSSION