

**TO:** ALA Executive Board

**RE:** PLA Position Paper related to Proposed ALA FY19 investment budget

**ACTION REQUESTED/INFORMATION/REPORT:**

Information

**ACTION REQUESTED BY:**

Pam Sandlian Smith, PLA President on behalf of the PLA Board of Directors

**CONTACT PERSON:**

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**DRAFT OF MOTION:**

N/A

**DATE:** June 8, 2018

**BACKGROUND:**

The attachment provides an overview of the PLA Board of Director's discussion and positions related to:

- the proposed ALA FY19 investment budget
- Future of the Midwinter Meeting

**ATTACHMENTS:** *PLA Position Paper*

**PLA Response to ALA Investment Plan (FY19-21)**  
**May 22, 2018**

ALA FY19-21 Investment Budget Plan

Over the next three years, ALA is proposing an \$8.8 million investment strategy in light of changing markets and evolving member requirements, as well as unrealized opportunities for investment and innovation since the recession. The strategy is to make substantial investment and structural changes that will position the Association for success and financial sustainability going forward. During FY 2019-2021, these investments will require use of the net asset balance that ALA has built. There will also be a review of other options including a recommendation as to the “highest and best use” of ALA’s Chicago real estate, as well as use of ALA Endowment funding. See ALA Board documents [14.9](#) and [12.36](#).

PLA Board Response

ALA members deserve an effective, high performance organization. The PLA Board has reviewed and discussed the proposed FY19 ALA investment budget. The Board fully supports ALA’s strategy to make needed major investments and the proposed FY19 investment budget. The Board understands the factors that brought us to this point and the urgency driving the budget and governance review plans (see financial talking points attached).

Oversight is needed to ensure return on this significant investment. Along with the PLA Board’s support comes a strong conviction that there must be clear operating and financial outcomes established with careful review and monitoring of operating and financial measures related to investments over time versus the baseline pre-investment. ALA must monitor and account for ROI via identification of clear indicators, both operating and financial. ALA and division leadership, along with the membership in general, must be kept apprised in a transparent manner on a regular basis. Oversight should include review and monitoring of IT, development, advocacy and other areas with strong revenue impact potential such as conference. Specifically:

IT (proposed investment over three years = \$6.8M)

The PLA Board has particular concern about IT’s ability to manage and implement this significant investment. Concern stems from multiple past issues, which seem to indicate an inability to prioritize projects, including:

- multi-year delay on new ALA Connect launch, poor coordination and communication internally and externally
- multi-year delay on responsive web design and website security (https)
- lack of coordination and communication regarding internal protocols for e-mail marketing practices
- slow response to impact of GDPR on ALA privacy policy and data management
- the [ITTS Technology Investment](#) plan recognizes that ALA needs to reduce the number of internal hierarchies and that more resources are needed. However, ITTS is unable to articulate what a fully functional IT department will mean for members and staff.

Some of these issues are the result of the technology debt ALA ITTS has experienced for the last several years but the PLA Board feels the technology debt alone may not fully account for the underperformance of ALA ITTS over time. To insure the best possible results, we strongly encourage:

1. Comprehensive review of IT staff and operational performance conducted by an outside firm to evaluate current IT resources, equipment, capacity, networking and best practices to provide a technological assessment and recommendation for moving forward. An audit by an IT consulting firm that can assess against current standard association IT practice will insure creating a best practices strategy and optimal return on investment and realignment as dictated by review.
2. Clearly defined performance indicators and schedules that are regularly tracked.
3. Clear communication and accountability related to implementation and adjustments.

#### Development (proposed investment over three years = \$744K)

The ALA Development Office has made significant progress over the last year and has reached out to ALA units to insure coordination toward successful fundraising. The PLA Board commends Development staff for their accomplishments with limited capacity. Supporting this positive trajectory makes good sense. ALA Development should be supported in its work by both ITTS and Finance so that accurately documenting donations is a simple, centralized process. ALA Development should continue to:

1. Provide clear and regular donation tracking.
2. Communicate regularly regarding goals and progress.
3. Work toward educating and increasing a culture of giving at ALA as evidenced by more staff/members involved in fundraising.

#### Advocacy (proposed investment over three years =\$1.3M)

PLA supports the changes the ALA Washington Office has identified as critical to libraries' future advocacy success and has these recommendations:

1. Sharing of the CRM resource with relevant ALA units where possible to maximize return of investment potential.
2. Clear communication on goals and monitoring on progress of goals.
3. Coordination and involvement of ALA units with aligned advocacy goals to insure consistency, reduce redundancy and for best outcomes.

#### ALA Conferences

PLA Board members would rather allocate their libraries' resources to send more people to ALA Annual and PLA conferences than to Midwinter. PLA members, including the PLA Board, can do their association work virtually and a focus on higher quality education at the summer meeting is a better investment than the Midwinter meeting, which diverts limited resources. One board member stated: "The value and purpose of Midwinter are no longer evident."

The Board questions why investment in Conference is not included in the ALA plan. ALA Annual Conference is a major revenue source and a driver of member engagement and learning. ALA Conference Services is not sufficiently supported or organized to allow ALA to maximize the educational, networking, and financial potential of the conference and members lose out as a result. While good progress has been made on reducing its footprint, PLA encourages investment in the Annual Conference to insure the highest quality programming, better overall coordination, and improved marketing.

Currently, Annual produces net revenue as well as overhead for the association. Overhead is used to support operations in mission-driven services like OIF and ODLOS. Midwinter does not produce revenue over and above overhead it generates. Improvements to Annual Conference could offset the overhead loss if Midwinter is eliminated. Additionally, eliminating Midwinter would reduce costs across multiple

units of the Association that could be used for investment in current successful or promising new ventures. From the PLA Board's perspective, ALA should strongly consider the elimination of the Midwinter Meeting.

Attachment-Financial Talking Points

## Financial Talking Points

1. The **2008 recession** challenged associations *and* libraries to make hard decisions, be innovative, and to change. In intervening years, while many libraries and associations adjusted, ALA did not.
2. To deal with **decreasing revenue**, ALA implemented a series of **across-the-board budget cuts** in the 2-5% range/year for general fund units.
3. **ALA's governance organization** exacerbated the impact of strategy-less budget cuts. Smaller units were cut to bare bones with reduced capacity but the same or increased expectations for output. Overall, the organization's composition did *not* change. This meant that administrative units (IT, Finance, HR) had no reduction in their burden while their budgets also were cut or kept flat at best.
4. For larger units, across-the-board cuts diminished the very offices ALA relies on for revenue and member services and programs, especially **conference and publishing**.
5. **Lack of IT investment** hurt the association in ways that are apparent to members, stakeholders, and current and potential supporters: lack of quality, easy-to-use technology for engagement and transactions; confusing, antiquated web presence, etc. Internally, staff do not have the IT tools they need to run a 21<sup>st</sup> century association and this results in waste and poor outcomes.
6. At the same time, the **pace of change** continued to accelerate, requiring strategic thinking and constant innovation in order to be successful. ALA's technology debt grew even faster in the face of rapid, on-going change.
7. The **ALA budget has continued to struggle**. Ten year financial data shows flat or declining revenues in major business areas. Over the last two years, ALA has run a deficit (-\$1M in FY16 and -\$1.6M in FY17).
8. While **ALA's balance sheet** is strong with \$72M in assets, continued deficits will decrease assets.
9. Without investment in ALA's IT infrastructure (staff and systems) and in revenue-producing, mission-focused opportunities, **ALA is not sustainable for the long term**.
10. ALA board is working on a **governance review** to address its problematic organization and is considering various efforts to increase access to cash such as monetizing ALA real estate. This must be undertaken in conjunction with the recommended financial investments.
11. Holding ALA to a balanced general fund budget without strategic investment **will quicken of the rate of decline** and further reduce ALA's capacity to address member need to support the work of libraries.
12. The **window to take action is open for only a short while**, while the balance sheet is strong and relative capacity exists.
13. If we **continue to forego substantial, focused investment in ALA's infrastructure and capacity** and follow our historical strategy of cost reduction while traditional lines of revenue decline, it's likely that we will continue to see operating deficits similar to those seen in FY16 and FY17 as traditional revenues continue their current trajectory. While the Association's Net Asset balance of \$40M provides some cushion, lack of action in the next 1-3 years will only increase the infrastructure and business investment debt that started during the recession and require drastic cuts in mission related and member support capacity;

14. **If the requested investment isn't made in FY19**, a one conference year when the General Fund has \$500k less in overhead to support its activities, the traditional strategy to balance the GF through expense cuts will require not only further deferment of sales and marketing, staff training, and new product development activities but also continued staff reductions, resulting in either the closure of mission related offices or continued reduction of the capacity of existing offices and support services.
15. ALA needs to track the success of the investments by **closely reviewing operating and financial measures related to those investments over time versus the baseline pre-investment**. ALA will monitor "return on investment" via identification of clear indicators, both operating (e.g. % of IT projects completed on time and budget resulting from the Project Manager) and financial (e.g. additional \$ raised by new Prospecting manager for Development) that is reviewed by ALA management and the Board.