

TO: ALA Executive Board

RE: ALA Financial Planning: 2020 and Beyond

ACTION REQUESTED: Discuss likely strategies for reducing the organizational footprint while continuing high priority investments for the future of ALA

DRAFT MOTION: na

REQUESTED BY: Mary W. Ghikas, ALA Executive Director
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DATE: 16 January 2020

DOCUMENT OVERVIEW:

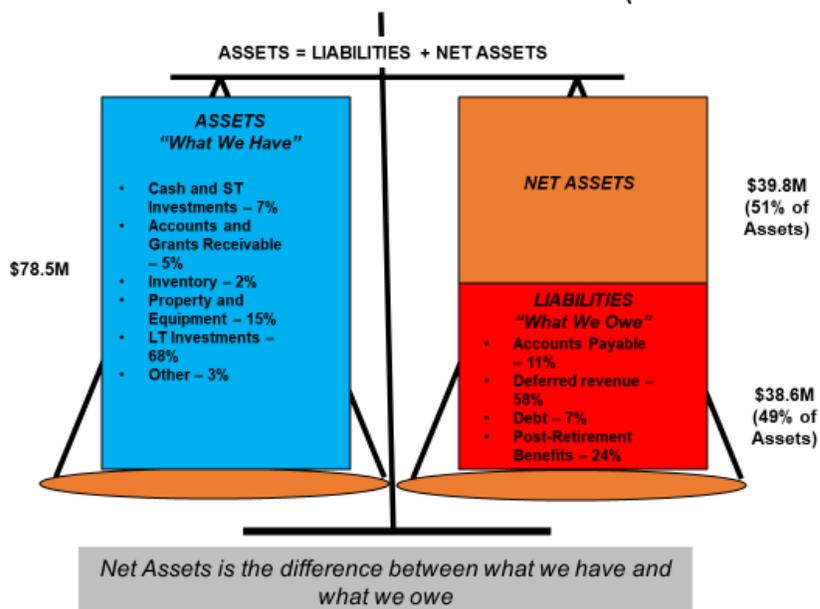
- Part 1 - Background (p2-7)**
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1- BACKGROUND: Getting to 2020

Historically, ALA is no stranger to precarious finances. Like many other organizations, over its 140+ years, ALA has weathered downturns in the larger economy, changes in the library economy, cycles of expansion and contraction in library-related industry. Through the efforts of members and staff, the Association has built a healthy balance sheet, albeit heavily weighted with non-liquid assets. The combination of a four years of budget shortfalls; much-needed, but extraordinary investment in IT, Development and Advocacy; and, slower revenue growth than initially projected have created significant stress on both the operating budget and cash. Reaching a long-term sustainable position that will support the ongoing investments in staff skills, technology and new service or product development that is essential in a changing world will require the Association to rethink how it works. As with libraries, it will need to make progress on mission-achievement while adjusting its processes, its footprint and its resource mix.

The following summary provides (a) a concise summary of decisions made, (b) 2020 options and explorations and (c) questions for the future.

ALA's Balance Sheet as of FY 2019 (unaudited)



In Fall 2017, the ALA Executive Board reviewed a substantial amount of data, developed by the Management Team. Data reviewed included:

- 10-year financial summaries for ALA revenue areas, completed by ALA Finance to support ongoing executive planning as well as the work of individual business groups, e.g. Publishing, Conferences, Membership, Divisions.
- FY2017 Operating Results and Balance Sheet;
- A Development Audit, with accompanying recommendations from Sheila O'Donnell (Director, ALA Development);
- An IT investment plan, developed by Sherri Vanyek (then Director, ALA ITTS) and Jenny Levine (Executive Director, LITA);
- Membership 10-Year Summary, developed by Cathleen Bourdon, then AED Communications & Marketing, and Ron Jankowski, then Director, Membership Development; and,
- The FY2018 budget, which had been substantially reduced, based on FY2017 results and other changes in the budget environment, including both additional grant overhead and favorable employee benefit negotiations, as well as lower revenue assumptions.

In presenting this data, Management strongly recommended (a) that in FY2019 ALA begin a multiyear investment cycle, designed to fundamentally change the operating and business environments of ALA to be sustainable well into the future, (b) that making needed investments – particularly in specialized personnel – would require internal reorganization, (c) that extraordinary investment steps would also be required to undertake these improvements, and (d) that ALA is now positioned – based on earlier work, such as the Development study, to undertake such investment.

- 10-year financial data showed flat or declining revenues in all ALA business areas. This is not a sustainable position for any operation, including a nonprofit.
- Opportunities for innovation had not been fully realized due to underinvestment since the 2008 recession.
- Both labor market decline and membership decline had negatively impacted the Association; however, data on employment trends and LIS program enrollments provided some grounds for optimism. ALA's market penetration rested at about 50%, with variations between subsets of the market. The potential for growth exists.

Based on extensive discussion during the Board meeting, there was support for the following steps:

- Management would proceed with the necessary internal reorganization. Internal reorganization is essential (a) to increase staffing in investment areas and (b) to enable new ways of working to respond to both new opportunities and new challenges.
- Development of the FY2019 budget would proceed with the understanding that an "investment budget" would be developed.
- Management was authorized by the Board to explore other options for "extraordinary" investment, including loans and use of ALA assets, including potential monetization of ALA real estate assets, with recommendations to go back to the Board for decision.

Year-by-year recap: FY2017→FY2018

The priority for Management at the beginning of FY 2018 was to modify the FY2018 budget, particularly for the General Fund, for Board review at the FY2018 (Fall 2017) Board Meeting, based on FY2017 results. While change in the Total ALA gross revenue was modest (a roughly \$20,000 increase in projected 2018 Annual Conference revenue), there were significant changes within the FY2018 budget:

- FY2018 ALA Publishing gross revenues were reduced by \$911,007. Expenses related to non-repeating artifacts (e.g. the warehouse move) in Publishing's FY2017 performance were set aside. Projected revenues from the new *AASL Standards* were considered, along with the likely impact of major staffing changes in ALA Publishing.
- FY2018 Membership gross revenue was reduced by \$118,000.
- Grant revenue was increased by \$1,504,337, based on new grants received or credibly in the pipeline, including a major grant from the Bill and Melinda Gates Foundation through PLA.

Those top-level changes had significant impact on the ALA General Fund budget. The FY2018 budget also reflected initial changes based on internal reorganization. (EBD#14.9, 2018 Spring Meeting)

While Total ALA ended FY2018 with \$1.7M in net operating revenues greater than the FY2018 budget and an increase in total net assets of \$7.2M, the General Fund FY2018 budget performance would fall short of plan by \$955k (revenues lower by 1% and expenses higher by

2%). This was due to lower overhead from the 2018 (Denver) Midwinter Meeting and grants, as well as lower net revenues from Publishing.

TOTAL ALA (ALL COMBINED FUNDS)	FY 2019 Actual	FY 2018 Actual	FY 2017 Actual
Total Revenues	\$ 49,678,568	\$ 53,190,557	\$ 48,808,627
Total Expenses	54,142,710	53,400,525	50,922,158
Net Revenues (Expenses)	\$ (4,464,142)	\$ (209,968)	\$ (2,113,531)

Year-by-Year Recap: **FY2018→FY2019**

FY2019 marked the beginning of a planned three-year, \$8.8M investment cycle, designed to lead to revitalized revenue streams and more mission-effective operations in a period of rapid, continuing change. Planned changes included new positions, systems and initiatives to build organizational capability, to lead to longer term financial sustainability. The Spring 2018 budget presentation also outlined initial internal reorganization, reallocation of some positions to priority areas, as well as the impact of the post-recession decade on ALA.

Initial steps in the three-year investment cycle were outlined in the Spring 2018 document:

- 2 new positions in IT – a project manager and a Drupal developer; the Drupal developer position was later dropped in favor of a User Experience Manager, in line with recommendations from both the ALA Executive Board and the (new) Interim CIO. There were also added capital projects and non-personnel operational investments to improve user experience and engagement.
- 2.5 additional FTE in ALA Development, plus increased non-personnel support.
- Initial implementation of the “Fly-in” to support Advocacy, initial implementation of the CRM (Salesforce) and other operational support for Advocacy, coordinated by the ALA Washington Office.

While the initial (Spring 2018) FY2019 budget included funding for two consulting reports – one for communications and one for membership – by late FY2018, two additional consultancies were underway – an organizational review and an IT review. The initial consulting reports (Communications, Membership) were concluded by early FY2019 (October 2018). The IT report was concluded in June 2018 (FY2019), although a limited contract continues to provide some interim IT management services. The organizational review is ongoing, continuing into FY2020.

Finally, based on initial authorization, in mid-FY2018, Management contracted with a major commercial real estate firm to explore the “highest and best use” of ALA’s Chicago real estate. An initial report, presented to the ALA Executive Board in June 2018, resulted in a decision by the Board to take the next step in exploration by placing the property on the market. In December 2018, the Board authorized Management to sign a letter of intent, leading to a period of intense examination and beginning initial exploration of possible alternative sites.

(Sale of the building was concluded in late November 2019 (early in FY20), followed by lease of alternative space. Relocation is anticipated in late April 2020.)

Year-by-Year Recap: **FY19→FY20**

The initial FY20 budget (Fall 2018) was based on year-to-date performance during the first five months of FY2019 (September – January) and, based on that performance, FY2019 year-end projections. FY2019 year-end results were re-projected in advance of the 2019 Annual Conference meeting, and final approval of the FY2020 budget was based on the preliminary FY2019 close. Major factors recurring in successive projections were:

- Lower than budgeted gross revenues from ALA Publishing --\$10,819,531 actual vs. \$11,493,944 budget.
- Lower than budgeted interest income - \$804,186 vs. \$1,200,000.
- Lower than budgeted net revenue from the 2019 ALA Midwinter Meeting, based primarily on higher expenses, with net revenues of \$(578,203 against a budget of (\$76,388). Gross revenues were close to target -- though a slight reduction reduced overhead. AV and electrical costs were significantly over budget by \$419,754, including over \$160,000 in AV and electrical for ALA Council.
- Lower than budgeted overhead -- \$7,534,708 vs. \$7,732,342 -- based on lower than budgeted gross revenues in Publishing, Conference, Division operating revenues, and PLA grant revenue. (Overhead is a percentage of gross revenue.)

Note that budgeting for FY2020 did not include any anticipated gains on sale of the ALA HQ, nor expenses related to the move. A separate “move budget” was developed during the ongoing process. There were, however, some assumptions made about the FY2020 budget based on a potential sale.

Overall, initial framework assumptions about the developing FY2020 budget were level to FY2019 budget, including the overhead rate, which remained flat at 26.5% (full – assessed on conference revenues and ALA Publishing revenues) or 13.25% (50% rate, assessed on Division web-CE and publishing revenues). Note that no overhead is assessed on membership revenues.

As planning for FY2020 proceeded, the following performance assumptions were made:

- ALA Publishing gross revenues would edge up slightly from FY 2019 finals, primarily based on analysis of the pipeline in ALA Editions/Neal-Schuman – including titles delayed from FY2019 to FY2020.
- ALA Conference Services assumed a strong performance from the 2020 Annual (Chicago), with some challenges at the 2020 Midwinter (Philadelphia – a high-labor-cost city). Personnel changes were slated for FY2020, including addition of a content-focused position.
- Modest ALA Membership growth was assumed, with a new Membership Director, hired late in FY2019, on board.

- An Endowment spending rate of 5% (flat to FY2019) was approved by the Endowment Trustees and included in the budget for Board approval.

Planned General Fund expenses for FY2020 – the 2nd year of the planned 3-year investment cycle – were budgeted at \$19,059,860. (compared to the FY 2019 budget of \$18,211,756 and FY 2019 actuals of \$18,574,629).

- Overhead was budgeted at \$8,133,876 compared to final FY2019 at \$7,534,708. The increase in Overhead from FY2019 to FY2020 was based primarily on ALA’s normal two-year cycle, with two Division conferences in even-numbered years (AASL/PLA) and one in odd-number years (ACRL).

Note: Indirect cost recovery (overhead) behaves like a revenue source in a five-year plan, but on a year-to-year budget basis is actually a negative expense (an offset). It is a percentage of gross revenue – and itself impacts net revenue.

- A 2% salary increase for ALA staff, effective January 1, 2020, was budgeted.
- Employee benefit negotiations for calendar 2020 (“benefits year”) occur between the Spring and Fall Board meetings, so budgeting is based on market trends. A moderately conservative 7% increase was budgeted in FY2020.

Several factors with potential budget impact were still undecided as the budget preparation cycle came to an end:

- A major review and new visioning of ALA’s organizational structure (the Steering Committee on Organizational Effectiveness, with support from Tecker International) was ongoing, with significant potential impact on Association structure and resources.
- Internal reorganization (including continued reorganization of ALA’s core advocacy/public policy work) was ongoing.
- The sale of ALA’s Chicago real estate assets was not yet completed. Sale was not completed until late in the 1st quarter of FY2020.

These would all potentially impact the FY2020 budget – as well as development of the FY2021 budget.

Key Investments in the Approved FY2020 Budget (October 2019) include the following:

Public Policy & Advocacy

- Support for year-two of the “Fly-In,” an invitational (based on key Congressional districts in the upcoming legislative cycle) advocacy event timed early in the appropriations cycle.
- A revamped Library Legislative Day in early May (no Library Legislative Day was held in FY2019).
- Implementation of phase 2 of a pilot project in Salesforce, a customer-relations management system, also involved ALA Development, with technical support from ALA IT. Phase 1 was budgeted and completed in FY2019. Phase 2 included expansion of participation and addition of Einstein Plus Analytics. The focus of the continuing project

is on supporting collection and easy retrieval of “relationship” information which is critical to both advocacy and development.

- Development of the National Network was continued, based on a minimum of one key contact in every Congressional district and development of a ground-up network to support advocacy for libraries, their staff and the communities they serve. This requires a collaborative relationship with ALA Chapters/AASL Affiliates/ACRL Chapters, as well as state library agencies and other key groups. A FY2020 pilot project to test requirements and processes is slated, in cooperation with Florida, Alabama and New York.
- The Policy Fellows Program was continued, integrated with the National Network.
- Additionally, a project to use national conferences to reach key audiences was developed by Chapter Relations Office, Public Policy and Advocacy, PLA and AASL. The project will cover costs of participation in conferences attracting key audiences, e.g. National League of Cities Summit, National Association of Counties, National School Board Association, etc. The modest budget will cover the cost of exhibits and/or programming; existing personnel budgets will cover staff cost.
- Two positions were reallocated within the Association (FY2019) and were budgeted to be filled in ALA Public Policy and Advocacy in FY2020.

Development

- Initial staffing increases laid out in the 2018 Development assessment were completed in FY2019. All positions will continue in FY2020.
- ALA Development will continue participation with ALA Public Policy and Advocacy (Washington) and IT on the Salesforce implementation.
- A Philanthropy Advisory Group (PAG), approved in 2019, will be implemented in FY2020, provided critical member support for the enhancement of ALA Development.

ALA IT

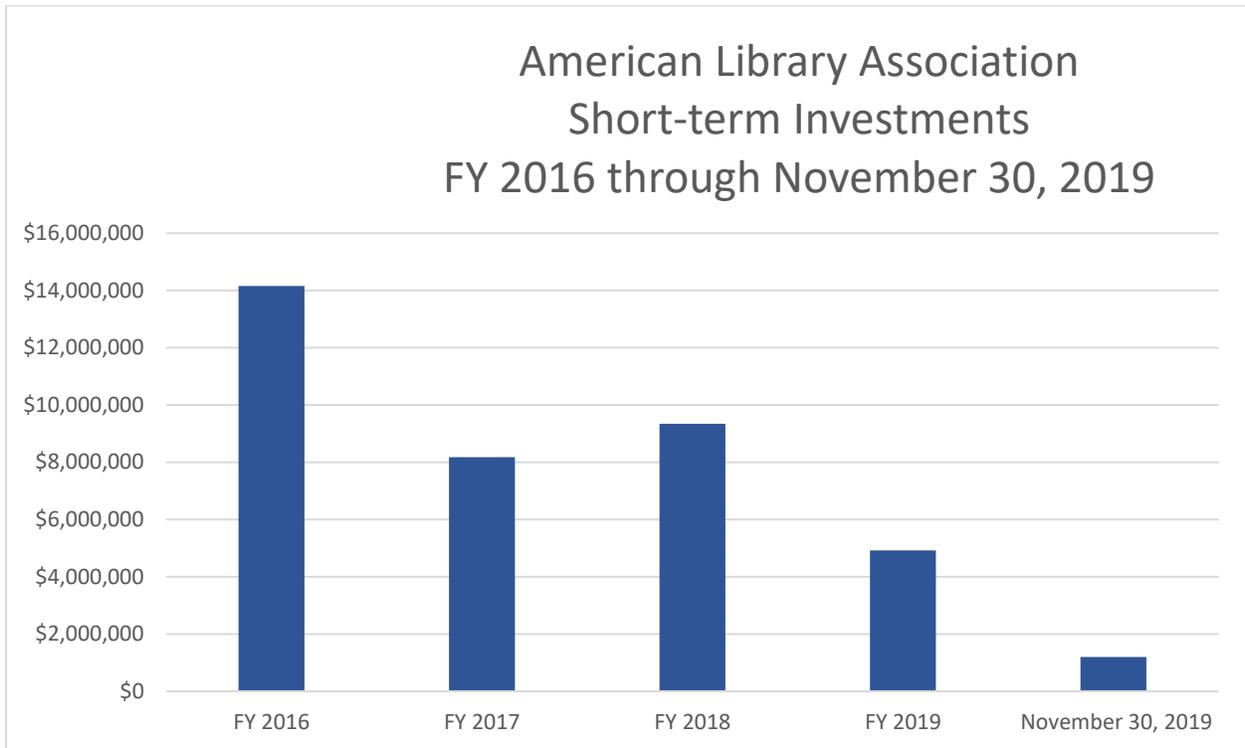
- External review and assessment (DelCor) of IT in FY2019 resulted in reorganization, with addition of a CIO (interim) and reorganization of IT into two clearly-delineated operating groups (Applications, Infrastructure) for improved management.
- Implementation of the IT continues in FY2020.
<http://www.ala.org/aboutala/sites/ala.org/aboutala/files/content/governance/ExecutiveBoard/20192020Docs/ebd%2012.11%20IT%20Strategy%20%20Investment%20Presentation%20October%20Meeting%202019.pdf>

We ended FY2019 with a roughly \$2M unbudgeted loss. Coming after three successive years of deficit budgets, this set the stage for difficult FY2020 decisions.

2 - FY2020 STATUS

With the end of the fiscal year, a transition in Finance leadership at ALA, and the sale of ALA’s Chicago real estate assets, attention shifted to changes in the approved FY2020 budget. While the approved budget stands, it became clear that operationally a number of significant changes

would, in fact, need to be accommodated in budget implementation. Significant urgency was added to this reconsideration by liquidity concerns.



FY2020 additions:

\$450,000 addition to IT depreciation: Late in FY2019, it became clear that the capital spending in IT was significantly over budget. The 2021 budget will be impacted by this addition – and also by the accompanying reductions in the 2020 and future capital budgets. This addition has a 2020 budget impact, but not a cash impact; the cash impact was absorbed in 2018 and 2019.

[NOTE: ALA IT capital expenses are typically depreciated over a five-year period, with 50% of the one-year depreciation in year one and six, and a full-year depreciation in years 2-5; cash impact is entirely in the year of purchase. So, depreciation from 2015 and 2016 expenditures will begin to roll off the current list, but new 2020 and 2021 expenditures will be added to the depreciation list.]

	Capital Requests	Capital Expenditures	Under (Over) Spent
FY 2015	\$ 33,808	\$ 3,983	\$ 29,825
FY 2016	75,000	48,908	26,092
FY 2017	124,000	50,362	73,638
FY 2018	124,000	20,760	103,240
FY 2019	150,000	10,302	139,698
FY 2020	150,000		
	\$ 656,808	\$ 134,314	\$ 372,494

Internal process changes have been made to increase control; however, it was also necessary to adjust both the FY2020 operating and capital plans to accommodate this.

- To date, reductions in FY 2020 IT operating expenses are estimated at \$300k.
- The following IT capital expenditures were pushed to FY 2021:
 - Business Intelligence Software Implementation - \$100,000
 - CRM Salesforce Phase II Implementation & iMIS Integration - \$127,266
 - Financial System cloud migration - \$50,000
 - Data Center as a Service (DCAas) Design - \$2,000 reduction in cost

\$500,000 in new headquarters rent, based on standard accounting practice: As a result of lease negotiations, ALA will have no cash outlay for rent in FY2020 for the new headquarters. Accounting conventions, however, require ALA to record rent expense when ALA has the right to use the space (the move-in date). This addition has a 2020 budget impact, but not a 2020 cash impact.

- \$100,000 in rent/property tax expense at Huron St. location: With the conclusion of the sale at 40 & 50 East Huron, ALA incurs rent and pro-rated property tax expense. This is anticipated at \$328k (approximately \$100k more than initially budgeted). This addition impacts both the 2020 budget and cash.
- \$375,000 in estimated additional maintenance cost for time remaining at 40/50 E. Huron: The FY2020 budget was built on the assumptions that the sale would be completed before the start of FY2020 and a move-in date of December 1, 2019. With the lengthier sale process, some security and maintenance costs at 40/50 E. Huron need to be built back into the FY2020 budget. This addition impacts the FY2020 budget and cash.
- \$25,000 in major repairs for the Washington Office space: ALA owns condominium space in Washington DC. Based on the need for a roof replacement, this is the

assessment to ALA from the condo board. This addition impacts both the 2020 budget and cash.

- \$165,000 interest on financing: Because of liquidity concerns, ALA negotiated an increase in an existing line of credit.

Additionally, in the process of the sale of existing headquarters and negotiation of a lease for the new headquarters, it became clear that, to the extent possible, ALA would be advised to maximize the contribution to the ALA Endowment and use a commercial loan for out-of-pocket costs of the move; the additional interest earned on money in the Endowment would exceed the interest paid to the bank on the money borrowed. Nevertheless, that interest must be budgeted. This has both an FY2020 budget and a cash impact.

- \$500,000 estimated net shortfall on 2020 ALA Midwinter Meeting. Conference Services is estimating a \$500,000 net shortfall on the 2020 ALA Midwinter Meeting. While this is not an “addition” such as the items above, it should prudently be addressed as early as possible in the FY2020 budget implementation. The net impact on the budget may change over the next several months, along with the impact on cash.

Some changes have been made within the Midwinter budget: reduced staff travel to Midwinter, elimination of *Cognotes* at the Midwinter Meeting, reduction in AV (including some reduction in Council AV), as well as other reductions wherever possible in Midwinter budget lines. Any net reductions, as well as reductions in overhead received from the Midwinter Meeting, will impact revenues available for the Association and will be absorbed elsewhere in the budget.

FY2020 Expense Reductions:

- IT FY20 reductions are outlined on p.9.
- A conservative \$325,000 net estimated in Salary Savings/Deferred Hires: This includes the change in the new Executive Director start date (to accommodate existing commitments of the designate), as well as delayed or deferred hiring for a number of open positions, including two in the ALA Washington Office (National Network), one in Communications and Marketing,
- \$165,000 total, including \$115,500 in the General Fund, from reversal of employee benefits increase: ALA’s benefits’ year begins on January 1, while the fiscal year is September 1. The current year budget is completed prior to the completion of annual benefits negotiations. ALA budgeted a prudent 7% increase in the cost of benefits but actual increase will be closer to 0%.

The need for FY2020 change has been reviewed with managers. Managers are being asked to do the following:

- Continue and accelerate where possible the good work they are doing to streamline processes, eliminate redundancies and enhance positive impact on members and mission.
- Review and reduce any discretionary spending over the coming months, based on member and mission impact.
- Defer/spread out major expenses to reach goals with manageable cash impact.
- Differentiate “nice to” and necessary wherever possible.

While necessary, these steps will ultimately be insufficient. It is essential that ALA reduce its organizational footprint. This will require both member leaders and staff to rethink both governance and operational practices, to weigh the costs against benefits from new projects and initiatives and focus on mission-critical issues and functions.

3 – BEYOND 2020

Attention in late FY2019 focused heavily on the 5-Year Plan – see <http://www.ala.org/aboutala/sites/ala.org.aboutala/files/content/Finance/EBD%203.2%20BARC%203.2%205-Year%20Financial%20Plan%20FY20-24%20Fall%202019%20v1.pdf> -- with particular attention on the work needed to close the **Investment Period to Post-Investment Period Gap**.

Investment Period → Post-Investment Period Gap: The investment process represents an extraordinary effort to “jump start” change and growth. The investments represent significant potential for fundamental change in the operation of the Association – with a shift to accessible cloud-based services, a modernized working environment for staff, intentional organization for more digital interaction with and between members. At the same time, examination of the investment process makes it clear there are not just one-time but substantial ongoing costs, e.g. personnel, recurring events, ongoing IT services within the investments.

Over the past two years, both the Executive Director and the Chief Financial Officer had estimated that gap at \$2-3M/year. The conclusion is that newer ways of working and organizing must replace – not layer over – existing processes and structure. The investment process must be seen by everyone as a fundamental change process, not a series of additions.

Realistically – both to address the short-term budget and cash issues and to allow time for revenue growth in both new and existing revenue areas, we will need to stretch out the investment period. This allows time for revenue growth.

Also on the list of strategies to fill that gap are:

- Endowment growth, based on sale of ALA’s Chicago real estate assets: \$5M was transferred to the Endowment Fund for investment on December 11, 2019. The annual increase in operating revenue for ALA is estimated at \$250,000/year. The impact of the additional Endowment investment will be seen in the ALA Operating Budget beginning in FY2021.

ALA Policy 8.5.1: In the preparation of the ALA annual budget, the ALA Executive Director is authorized to include a payout rate of 3% - 5% of the five-year trailing calendar quarterly (20) rolling average of the net asset balance of the ALA Future Fund. Additionally, the Executive Directors of the Divisions and the liaisons for the Round Tables and others responsible for endowment funds are authorized to include in the preparation of their annual budgets, the anticipated payout value as provided by the Finance department. The payouts will be subject to any donor restrictions related to a particular fund and will be made from allowable temporarily restricted and unrestricted net assets. Additionally, the annual payout rate (3% - 5%) will be reviewed, determined and recommended by the ALA Endowment Trustees and the Finance and Audit committee of the ALA Executive Board, with final approval by the ALA Executive Board.

An additional \$1M was transferred to the Short-Term Investment account, where it will have modest impact on the operating budget. An additional \$250,000 will be received when ALA vacates the 40-50 E. Huron property; that will also go to the Short-Term Investment account.

- Revenue growth: The current version of the 5-year plan assumes relatively modest revenue growth within ALA’s traditional business areas -- Publishing, Conferences and Membership. On average, growth projections are between 1-2%. Overall, these rates of growth are essentially “replacement” rates, basically supporting ongoing growth in salary and benefits costs and other normal inflation. This is positive, but not sufficient for long-term financial health.
- Development growth: The 5-year plan assumes Development gain of \$300-\$600,000 annually, based on continued investment in ALA Development.
- Expense reductions/offsets – Internal Reorganization: The initial reorganization has focused on three primary strategies:
 - Reducing the number of separate budgetary units within ALA (e.g. Offices), since the ALA’s array of (generally small) offices results in duplicative activities
 - Examining contractual alternatives for essential but not mission-specific functions – areas not unique to ALA and its mission, and
 - Reevaluating areas where ALA was making investments insufficient to create sufficient impact on members or mission -- making careful prioritization choices, seeking alternative approaches and shifting resources to core mission or member impact areas.

ALA has consolidated two sets of offices. The Office for Literacy and Outreach Services was merged with the Office for Diversity to form the Office for Diversity, Literacy & Outreach. The Chicago-based Office for Library Advocacy was merged with the DC-based Public Policy and Advocacy Office.

Accounts Payable and Accounts Receivable functions (Finance & Accounting) were outsourced, to both reduce long-term costs and gain enhanced technology outside of ALA's core areas of technology investment.

Positions in several other areas were either reallocated (in lieu of adding new positions) or eliminated (cost-savings), including positions in the Office for Research & Evaluation, a senior management position and a support position. The Office for Research & Evaluation was eliminated, with some functions shifted to the ALA Library and others to be handled through contractual services on an as-needed basis. The work of internal restructuring will continue.

Internal reorganization will necessarily continue. The organization cannot be sustained within current revenue growth projections.

- Broader ALA reorganization and process redesign: These are long-game strategies, involving significant work by member leaders and staff, as well as change to policy and governing documents, including Bylaws.
 - In 2018, the ALA Steering Committee on Organizational Excellence (SCOPE) began work. A significantly diverse group of members (not explicitly “representational”), supported by a consultant (Tecker International) began work to answer the fundamental question “how might we best organize today” – based on feedback from members and consideration of our changed environment (e.g. technology-enabled, economically-challenged). That work has the potential to fundamentally change ALA’s structure, both internally and externally, both opening up broader member participation and focusing attention on high-impact areas. Of particular note is SCOPE’s focus on digital communications/meetings and the increasing focus on simplification and consistency in structure and process. **Both complexity and unnecessary organizational and process variations drive costs across the Association in areas ranging from IT to staff utilization.**
 - Both financial stress and the work of SCOPE highlighted the need to revisit the complex relationship between the Association and its Divisions, which, combined with ALA’s own membership structure, has led to a nested structure with excessively complex pricing rules – significantly adding to the cost of IT, for instance; a competitive internal structure, and unsustainable economics.

- **New Business Development:** In 2017-18, the New Business Development group, including both executive leadership (both the ALA President and ALA Executive Director) and Endowment Leadership (Senior Trustee) recommended and the Endowment Trustees agreed to earmark \$500,000 for new business development. The Executive Director was empowered to consider and fund proposals up to \$25,000, with larger proposals to go to the Endowment Trustees
 - Two proposals of \$25,000 or less were funded for Booklist, to test potential future options.
 - Booklist will present a longer-term product proposal to the Endowment Trustees in January 2020.
 - ALA Editions/Neal-Schuman received support to experiment with patron-facing brochures (“Grab-and-go Pamphlets”) that were released in December 2018, with a focus on readers-advisory. The money committed by the Endowment Trustees supported production costs and a special marketing campaign to ensure the right decision-makers are reached with this new kind of product.

Having taken a bold step in making high-stakes investments, the question about how to retool, restructure and rethink for ongoing sustainability remains the high-priority focus for the Association.

Examination of financial performance over the past decade makes it clear that the current revenue/expense balance and structure is not sustainable. There are two challenges – each with different stresses. There must be fundamental change – which takes time. There must also be short-term changes or fixes to purchase the time needed to create long-term sustainability. The objective is to make ALA not just viable but strong for the coming decades.

In reviewing FY2020 recalibration options, business managers in all areas laid out work-in-progress that is aimed at revenue growth, greater member engagement and enhanced mission impact. The challenge over the coming few years will be to buy the time for current projects and changes to succeed.

Document Trail

- 2017-2018 EBD#14.9 ALA Executive Board, Spring Board Meeting: Planning for FY19 and Beyond.
- 5-Year Plan FY2019-2023 EBD#13.9 2017-2018
- 2017-2018 EBD#3.2 – ALA Executive Board, October 2018, FY 2019 Final ALA Budget
- 2018-2019 EBD#4.9 (BARC #4.9) – ALA Three-Year Investment Plan, October 25, 2018, updated January 17, 2019
- ALA Ten-Year Financial Results FY2009-FY2018 (INFO #4)
- 2018-2019 EBD#3.10 – ALA Executive Board, Spring Meeting: Planning for FY2020 and Beyond.

