

To: ALA Executive Board and ALA Council

Re: Operating Agreement Work Group Update

ACTION REQUESTED/INFORMATION/REPORT: This report provides an update on the activities of the Operating Agreement Work Group to the Executive Board and ALA Council.

CONTACT PERSON:

Maggie Farrell, maggie.farrell@unlv.edu, ALA Treasurer; Operating Agreement Work Group Co-Chair
Andrew Pace, andrewkpace@gmail.com, Operating Agreement Work Group Co-Chair

DRAFT OF MOTION: none

DATE: January 6, 2022

BACKGROUND:

<https://operatingagreement.ala.org/>

The Operating Agreement Work Group was proposed during ALA Midwinter 2020 with a final charge and appointments in June 2020. The WG has met throughout the year and meeting materials are available on our ALA website. The WG appreciates the time extension for our work through June 2022.

The WG is focused on two activities – rewriting the relationship document and examining the financial practice of applying the overhead rate.

Rewriting

The Operating Agreement Policy (A.4.3.4.1) requires a complete revision. The Policy is not only dated, but the language does not reflect the current values and aspirations of ALA. The goal of the relationship between ALA and Divisions is to advance the entire membership and values that all members hold. This sentiment needs to guide the tone and language of a revised policy. The WG wants to clearly outline support systems that include accountability, efficiency, and quality while also strengthening communication and excellence throughout ALA.

Overhead Rate

The WG considered three options for the overhead rate:

1. Retain the status quo
2. Tweak the current overhead formula including the inclusion of new revenue streams
3. Eliminate the overhead rate and consolidate financial reporting with budgets tied to specific ALA units, including Divisions and Round Tables.

The WG is very intrigued by option 3 to eliminate the overhead rate as it is movement of funds within ALA. The elimination of overhead does not change any revenue for ALA but it does change how internal budgeting is conducted across the Association. The elimination of the overhead rate would facilitate everyone pulling together for association goals, implementation of the Pivot Strategy, and a consolidated budget.

Naturally, the elimination of the overhead rate raises several questions: how will ALA Finance report Division net asset balances? How will revenue surpluses be managed? Would more financially stable Divisions subsidize other Divisions? Where is the incentive to develop revenue? How will budgeting ensure that all overhead expenses are covered? The WG will continue to examine these questions and their financial implications.

During the January 2022 meetings, specifically the joint PBA/BARC/Division meeting, the WG will hold discussions on the ramifications of not having an overhead. Following this meeting, the WG will hold various discussions with Divisions' leadership. In addition, the WG is working with the ALA Finance Office to examine how funds are transferred within the Association to determine if there will be any impact.

Timeline

January 2022 WG discusses drafts with EB, BARC, F&A, PBA, Division Leadership, and Council with a focus on communication.

Spring 2022 WG continues to refine drafts

April 2022 WG provides draft recommendations to EB, BARC, and F&A

May 2022 WG refines final recommendations

June 2022 WG provides final report and recommendations to EB, BARC, F&A, PBA, Division Leadership, and Council.

Next steps for the WG

The WG will touch base with appropriate governance committees to ensure the policy proposal process is clearly understood.

The WG will continue drafting and meeting to meet the above timeline.

The WG will work with the ALA Finance Office to discuss financial and process implications.

Operating Agreement Work Group members:

	Name	Home Institution
Co-Chair	Maggie Farrell	UNLV
Co-Chair & SCOE Rep	Andrew Pace	OCLC
Division Member	Clara Bohrer	Retired Director, West Bloomfield Township Public Library
Division Member	Diane Chen	Stratford STEM Magnet School Library
Roundtable Member	Sophia Sotilleo	Lincoln University (PA)
Membership Member	Miranda Bennett	University of South Carolina
Publishing Committee	Christine Dulaney	Library of Congress
Member	Clara Harmon	Calumet City Public Library (IL)
Executive Board Member	Wanda Brown	ALA Past President
BARC Chair	Peter Hepburn	College of the Canyons
Division Staff	Tammy Dillard Steels	YALSA Executive Director
Division Staff	Kara Malenfant	ACRL Interim Executive Director
Division Staff	Kerry Ward	Core (previously LLAMA Executive Director)
Roundtable Staff	Lorelle Swader	Associate Executive Director, HR
Finance Staff	Denise Moritz	Director of Financial Reporting & Compliance
General Fund Staff	Melissa Walling	Associate Executive Director, AOMR
General Fund Staff	Kathi Kromer	Associate Executive Director, PPA

ALA Personnel Supporting/Contributing to the WG:

- Keith Brown
- Marsha Burgess
- Holly Robison

ACTIONS: None