

**AMERICAN LIBRARY ASSOCIATION
VIRTUAL COUNCIL SESSION
SEPTEMBER 18, 2020**

The 2020 Virtual Council Session was convened at 12:00 pm CT on Friday, September 18, 2020.

INTRODUCTIONS & ANNOUNCEMENTS. Council Secretariat Marsha Burgess outlined the Code of Conduct and logistical instructions for the meetings.

Parliamentarian Eli Mina outlined the rules and procedures of the meeting.

ALA President Julius C. Jefferson, Jr. welcomed newly elected councilors and participants. He noted that a quorum of 75 councilors has been met and the **Rules Governing Virtual Council Meeting, CD #5.2**, are **ADOPTED by CONSENT**.

ESTABLISHING THE AGENDA, ALA CD #8.8. By **CONSENT**, agenda was **ADOPTED**.

President Jefferson acknowledged that we are all living and operating under unprecedented circumstances. COVID-19 has had a profound impact on our lives and our association, including its three primary revenue streams. The challenges have shown that ALA must work to be a modern association in a modern world.

The discussion today focuses on financial issues, specifically a FY20 forecasted budget, FY21 preliminary budget and the FY21 annual estimates of income. Due to the re-engineering of our finance office and unknown financial implications of canceling ALA 2020 and other events, these items could not be fully considered at the June meeting.

FY20 Budget, ALA CD #33.2. Budget Analysis & Review Committee (BARC) Chair Peter Hepburn provided the following report. While monthly results have been updated since Council last met, they still lag as multiple calendar months remain unavailable. It was decided that it would be more helpful to prepare for FY21 by looking at an FY20 year-end projection. ALA Finance has expressed confidence in these numbers:

- FY20 Total Budget is projected at \$39.6 million dollars, which is lower than budgeted 49.9 million dollars.
- Lower revenue in the General Fund of almost \$10 million and in Divisions of \$827,000.
- Total ALA expenses are projected at \$50.6 million dollars, lower than budgeted \$53.8 million, due to lower expenses in the General Fund of \$2.5 million and in the Divisions of \$650,000 approximately.
- Net expenses are projected to be an \$11.1 million dollars deficit to the budgeted \$4 million deficit. While that seems an extraordinary overspend by the association in FY20, there was a planned budget deficit spending. Additionally, the circumstances of this pandemic year have seriously constrained ALA's revenue, most notably in the case of Annual Conference cancellation, which largely accounts for the gap between budget and projection. ALA's revenue stream could not carry ALA through these unanticipated challenges without the association realizing financial loss. This necessitates a pivot in revenue streams, a topic that Executive Director Tracie Hall will address later in this meeting.
- General Fund:
 - Revenues are projected at \$18.3 million dollars versus budgeted \$28.2 million dollars.

- Expenses are projected to be lower than the budget of \$28.5 million dollars by \$2.5 million dollars.
- Net expenses projected at \$10.1 million deficit
- Cancelling Annual reduced the General Fund by \$7.7 million dollars. ALA has filed an insurance claim and continues to work through that process with the insurance company, seeking monies that will compensate in good part for the lost revenue.
- Divisions/Roundtables:
 - PLA, thanks to its early and successful conference, is expected to have higher than budgeted net revenue by \$287,000 dollars.
 - ACRL is projected to have lower than budgeted net expenses thanks to cost cutting measures.
 - Overall, the Divisions are projected to realize a net expense of \$1.3 million, which is a greater expense than budgeted by \$178,000.
 - The projections for Round Tables are tracking on budget for net revenue, total revenue and expenses.
- ALA strategies cover the projected budgetary shortfall:
 - Paycheck Protection Program (PPP)
 - Draws from short-term investments
 - Draws from line of credit
 - Successful PLA Conference (held February 2020)
 - Increased goals for contributed revenue
 - Furniture and Equipment/Depreciation

Councilor Eileen Palmer asked the amount of the insurance claim. ALA Treasurer Maggie Farrell noted that ALA is asking in the range of \$7 to \$8 million, but it is unlikely ALA will get that full amount.

Councilor Amber Williams asked how the projections were made, given unavailable statements and the unusual circumstances of the past year. Mr. Hepburn noted that Interim CFO Denise Moritz and Finance worked closely with various units that generate income as well as looking at expenses to make accurate predictions for numbers.

FY 21 Budget, ALA CD #13.4. ALA Treasurer Farrell noted that this year's reports are provided on a different timeline than normal. Typically, during Annual Conference, Council will look at April budget reports and forecasted FY reports through August. As noted, five months of FY20 data are still missing, primarily due to the outsourcing of finance to a company, EXL, in India. The pandemic has complicated and delayed reporting from EXL. ALA is reassessing that decision.

Another question was posed about the thinking behind the outsourcing and its cost. Ms. Moritz noted that she was not part of the original decision-making but acknowledged there was likely room for more due diligence. The cost is approximately \$20,000/month.

A question asked for an update on the Development investment. Ms. Hall noted that, as she has a background in philanthropy, she will oversee the Development department.

Ms. Farrell provided the following notes on the FY21 Budget:

- BARC and the Finance and Audit Committee did look at these preliminary budgets earlier this month. Those groups identified some areas that ALA Finance staff and ALA Leadership can work

on for the final FY21 budget that will be considered and approved in October.

- ALA Council considers but does not approve the budgets. Council does approve the Annual Estimates of Income.
- In January, ALA Council looks at the ALA programmatic priorities and approves. The budget also needs to be developed on the strategic directions. The strategic directions are pulled from the strategic plan of the ALA, focusing on advocacy, technology, and development.

FY21 Preliminary Budget

- Forecasted revenues at \$43.4 million
 - \$26.8 million from the General Fund
 - \$11.2 million from Divisions
 - \$500,000 from Round Tables
 - Tangible assets: the ALA headquarters building has been sold, but we do have some real estate in our D.C. and Choice offices, as well as some equipment and furniture
 - Forecasting \$4 million dollars in grants and awards.
 - Just under a million dollars from the endowment.
- With total revenues just over \$43 million and expenses close to \$44 million, forecasting a deficit of \$500,000. We are being very conservative in our projections for revenue and brought down expenses significantly.
- Two specific strategies will address the deficit, in order to build a contingency reserve:
 - Part of our PPP funding at \$1.2 million in FY21. PPP is a loan but within conditions that allow for forgiveness, and ALA is meeting those conditions.
 - Economic Injury Disaster Loan (EIDL) of \$150,000 at a very favorable rate of 1%.
- The budget includes a \$1.5 million loan from the endowment, and that comes from the endowment future fund.
- Stretch goal to raise over \$2 million in donations to help stabilize FY21.
- Reminder that FY21 is a one conference year with ACRL. Usually with Divisions, we see a waver between years.
- The Executive Board, BARC and Finance and Audit Committee have asked ALA to look closely at conferences in FY21 to make sure we are being conservative in how we finance those particular events.
- Ms. Hall is continuing to look at operations. The groups also had lengthy conversations about furloughs, which do not affect benefits. Furlough will be monitored and reduced, if possible.
- There is still a possible insurance claim payment and a possible contingency payment on the sale of the ALA headquarters. Those two items are not within the budget.

Annual Estimates of Income

- Almost \$28 million in net assets
- \$43.4 budget revenues
- Budgetary ceiling of just over \$71 million.
- Ms. Farrell noted that this is a ceiling – the most ALA can spend in the coming budgetary year.

Ms. Farrell moved to approve FY21 Annual Estimates of Income of \$71,035,580

A question asked if virtual conferences were factored into the next year's budget, and if the \$10 million less of projected revenues includes that? Ms. Farrell noted that BARC, F&A and the Executive Board have asked the finance staff to work closely with Conference Services to take into account a virtual

Midwinter and various scenarios for ALA Annual.

Councilor Ann Simons asked if the budget is based on the Annual Conference being an in-person, which is something that we may or may not know, what happens if Annual 2021 is virtual? Ms. Farrell noted that the Annual Estimates of Income in the FY21 budget are based on that assuming that ALA is in person. The final FY21 budget will take into account various scenarios and will also be able to consider a new forecast for FY21 for a virtual 2021 Midwinter. It is typical to bring back a revised Estimates of Income after approval of a budget.

Councilor Jennifer Boettcher asked if Council could approve less than \$71 million to have some reserve? Ms. Moritz noted that by procedure, this is how to calculate the annual estimates of income, as outlined by the bylaws. She emphasized that this number is an absolute ceiling not what ALA plans to spend.

Councilor Stephanie Chase asked for the Executive Board vote tally on the Estimates of Income. President Jefferson noted that can be provided, but he noted that it was approved overwhelmingly.

President Jefferson called for a vote on the Motion to approve FY21 Annual Estimates of Income of \$71,035,580.

APPROVED FY21 Annual Estimates of income of \$71,035,580.

Councilor Susan Jennings called a Point of Order. She asked for a minute between a vote being called and the vote opening, as she need a point of clarification before voting but was unable due to time.

Five-Year Pivot Strategy, CD #50. Tracie Hall, ALA Executive Director, presented an outline for the Five-Year Pivot Plan for Council's feedback:

- The concept of pivot comes from Eric Ries, who first applied the term in reference to creating agile organizations that can act and react quickly in the marketplace. According to this thinking, a pivot is making a change in strategy without a change in vision.
- This framework will double our revenue streams, with all streams offering supply value.
 - We have the current three streams: Membership, Conference Services, and Publishing. Our goal is to optimize those streams. For instance, we are only right now at about 15% of market share for membership.
 - We will add three new revenue streams: Continuing Education, Contributed Revenue, and Data, Research, & Design.
 - By doubling our revenue streams from three to six, we shift the association from implied value, value that is intangible, to supplied and tangible.
- The plan outlines a frame to bring the Association from deficit to surplus by FY25, by increasing revenues.
 - We are at 6% contributed revenue with a goal of 18% by FY25.
 - Again, we are only at 15% of market share for membership, and we hope to have that at 20% by FY25.
 - The seven divisions are responsible for 65% of our membership and we want to increase that by 10 % over the next few fiscal years.
 - We have an opportunity to move from Midwinter as a cost to LibLearnX as a revenue generator focusing on continuing education and professional development.
 - We have an opportunity to streamlining and centralizing operations

Executive Director Updates.

- Ms. Hall noted that there are two areas of internal focus:
 - Recruiting of new leadership for three key positions: ACRL and PLA Executive Directors and Director of the Office for Diversity, Literacy and Outreach Services.
 - Redistributing the work of ASGCLA.
- Externally, there is a focus on digital access and continuing to push for universal broadband:
 - Earlier this month Deutsche Bank, through its research team, released a study on the digital divide that said 70% of black people and 67% of Latino in the United States could be shut out for jobs. Ms. Hall will meet with the principal investigator of this study.
 - ALA yesterday released a critical study built by E-rate, a case study of two Tribally owned networks and making it happen. Ms. Hall applauded President Jefferson on his work to bring visibility to this divide in the Tribal library space during his Holding Space tour.
- ALA is working to address concerns around secure voting during the upcoming November elections. This work has been largely inspired by our concerns about possible erosions or privatization of parts of the U.S. Postal Service, as well as a desire to equip libraries and communities with information they need to expand secure poll and ballot drop-off sites.
 - ALA is providing a range of resources to libraries, to support voters in November's election and reaching out to remind elected officials and community leaders about the important roles that libraries play in promoting civic engagement.
 - ALA is also partnering with National Voter Registration Day, which comes up on September 22.
 - Ms. Hall commended the PPA, Chapter Relations office, and CMO for their advanced work in preparing for future media interviews, as well as creation of a library and voter engagement web press kit and other supporting materials.

A question asked where APA will factor in to the five-year pivot strategy? Ms. Hall noted that APA will play a stronger role in two areas. One is at the membership level at the outset and in the LibLearnX platform.

Councilor Jennifer Boettcher asked how data, research, and design will generate revenue? Ms. Hall noted that a lot data is available and free, but much of it, especially customized data, must be paid for. ALA has specific stakeholder groups and information that helps us conduct studies and design research studies that could be monetized.

Another question asked if a report could be provided at a later date with more specifics on staff realignment. Ms. Hall emphasized this is currently in the ideation stage, and the strategy is still a draft. ALA will be seeking Council and Executive Board input.

The meeting was adjourned.