

Minutes for the regular National Finance Committee meeting August 16, 2016.

Meeting convened at 8:32 PM (ET) a quorum being present, the Chair and Secretary being present.

Attending: Sam Agarwal (CFO), Nick Arena, Fred Blair, Adriana Casenave, Joseph Davis, Brian Edwards-Tiekert (Chair), R. Paul Martin (Secretary), Tony Norman, Michael Novick, Cerene Roberts, Barbara Whipperman, also attending was Maria Negret, KPFA Business Manager.

Agenda:

1. Agenda Approval (5 minutes)
2. Minutes Approval (5 minutes)
3. BUDGET DELIBERATIONS
 - A. National Office Preliminary Budget Review (Sam Agarwal - 20 minutes)
 - B. National Office Central Services funding formula (Michael Novick - 20 minutes)
 - C. SCA Issues (Cerene Roberts - 10 minutes)
 - D. Preliminary Review of KPFA Budget (20 minutes)
 - E. Motion from Joseph Davis re: Closing KPFT PD position (10 minutes)
 - F. Scheduling special meetings for additional budget review (10 minutes)
4. Motion referred from PNB for NFC review (10 minutes)
5. Policy motion re: allocating ambiguous donations (Brian Edwards-Tiekert 10 minutes)
6. Motion re: Broadcast Equipment Replacement Funds (Joseph Davis 10 minutes)
7. Motion re: Prioritization of Central Service Payments (Cerene Roberts 10 minutes)
8. Motion re: National Mailing Lockbox (Fred Blair - 10 minutes)
9. Motion re: CFO recommendations (Michael Novick - 10 minutes)
10. Adjourn 10:30 PM (ET)

Motion: (Michael Novick) “To approve the agenda.” (Passed without objection)

The committee discussed the motion.

Minutes Approval 8:37 PM (ET)

Motion: (Michael Novick) “To approve the minutes of the July 19, 2016, meeting.” (Passed as amended 8 for, 0 against, 2 abstentions)

Amendment: (Barbara Whipperman) “ On page 4 to strike ‘for the audit’ and substitute, ‘for the Pacifica fund raising letter to be mailed.’” (Passed without objection)

BUDGET DELIBERATIONS 8:41 PM (ET)

National Office Preliminary Budget Review 8:41 PM (ET)

The CFO reviewed the draft FY17 National Office budget which he’d sent to the committee earlier in the day. He said that he didn’t have any good benchmarks. He said that for FY15 and FY16 the Central Services payments to the National Office have been short by about \$300,000 each year, and that the actual expenditures for both years don’t reflect the real trend line. He has made assumptions in the draft National Office budget based on the payments that they are currently making. He said that since the National Office is short of cash these are the payments that must absolutely be made. He has kept the Central Services fixed as they have been. He said that based on the assumption that both the FY15 and FY16 audits will be completed in FY17 he has budgeted the audit fees for both years in FY17 for a total of \$200,000. He said that he is not budgeting payments to *Democracy Now!* because those payments haven’t been made in FY16. He said that there is an outstanding amount of about \$2.3 million to *Democracy Now!* but until a settlement agreement is reached he didn’t know what a current payment should be. He said that in the past Pacifica had been paying about \$50,000 a month to *Democracy Now!*

The CFO said that he’d seen an E-mail sent by the National Elections Supervisor saying that the 2016, elections should cost about \$100,000. He said that if this is the case then there will be a substantial amount that will remain unpaid in FY16, and these expenses will cause the National Office draft FY17 budget to be underbudgeted in this area.

The CFO said that he has rolled the proposed \$50,000 upgrade for the *Great Plains* software over into FY17.

The CFO said that he thinks that a salary for an Executive Director should be budgeted for at least half of FY17, but he would run out of money by doing that. He noted that there is a small error in the National Office draft FY17 budget because he has not budgeted for tax services which are due for FY15 and FY16. He said that those should amount to about \$25,000 to \$30,000.

The CFO said that he thought that about \$60,000 of 2016, election expenses would carry over to FY17.

The CFO said that he wanted to submit this as a tentative budget, which shows a deficit of about \$150,000 to \$200,000 for FY17, in order to get a perspective on the formula for Central Services because that is the key component. He said that the substantial amount of Central Services which the National Office has not received is reflected in the cash flow. He noted that the National Office’s cash flow statement would look substantially different from the budgeted cash flow. He said that the primary reason for this is that we have substantial other debts that need to be paid and they need the money to pay for those debts. He said that this is a fairly involved process and he is looking for ways to bridge the gap.

The committee discussed the CFO's report. There was a discussion regarding if the Free Speech Radio News (FSRN) line should be a balance sheet item rather than a budget expense. The CFO said that because the books from last year are not completed yet it is very difficult to say if this expense should be accrued or not and what the amount would be. FSRN sued for non-payment in 2014, and the CFO said that the National Office is trying to put all of the paperwork on this together and see what the settlement agreement is and what the outstanding amount is. He said that if necessary the expense would go from the Income Statement to a Balance Sheet.

In answer to a question the CFO said that the \$50,000 revenue from a Mail Fund Drive might be overly optimistic, but there had not been an amount in that line before. He noted that the SCA income is collecting \$23,000 every month, and that's right on target.

There was a discussion of the projected Income from Affiliates, and the CFO said that the amount in the draft budget might be overly optimistic.

There was a discussion of the gross salaries and the CFO said that for FY14 it was about \$885,000 as opposed to the \$718,000 he has budgeted, so full time positions were occupied in FY14, and that year may be a good comparison benchmark for a budget with a paid Executive Director.

There was a discussion of the bank charges. The CFO said that there is no bank loan projected in the National Office draft FY17 budget.

It was suggested that since there wasn't a paid Executive Director for all of FY14 that maybe the National Office should look to see if other staffing levels had raised the Total Salaries & Related Expenses then.

The question of more expenses needing to be added to the National Office draft FY17 budget and the fact that the nominal Central Services fees not being paid was discussed. The CFO said that the National Office is having a tough time paying bills, and that the budgeting process seems to be divorced from reality. He said that Pacifica has reached a critical point, and must explore some options which can reasonably be taken at this time. He suggested that maybe Pacifica Radio Archives (PRA) should look for external sources so they are not dependent on Central Services payments. He said that there were multiple topics he'd like to discuss in closed session.

In answer to a question about higher consultant expenses the CFO said that the National Office had a large backlog, they have just completed preparing the FY14 audit and are working on the FY15 audit, they also had completed the IRS form 990 a few days earlier, they need consultants to handle the extra work. The insurance company is demanding a balance sheet and they are having to do that also. He said the backlog cannot be reduced without consultants working on it.

Motion: (Adriana Casenave) "To extend the time for this item by five minutes." (Passed without objection) 9:10 PM (ET)

There was a discussion of line items not matching exactly, and how some of the lines need to be added together to match. The CFO said he would look at what seems to be a negative figure for Donations in the FY15 actuals column.

There was a brief discussion of the need for supporting tabs and notes attached to some lines. The CFO emphasized that the National Office still needs to reconcile the accruals with the FY15 balance sheet. He estimated that the National Office is paying out about \$15,000 to

\$20,000 a month on old debts.

National Office Central Services funding formula 9:18 PM (ET)

The committee discussed how this has been handled in the past and the fact that significant Central Services payments have not been made from some stations in FY16. The issue of some stations lumping their gross revenue into the Listener Support line was discussed. The overall downtrend of total Listener Support from FY11 through FY15 was noted. The CFO said that these miscategorizations of revenue are not cleaned up for the audits, unless it's a major misclassification, and it is possible that some sources of income are not properly reflected. There was a discussion of assessing Central Services payments based on gross revenue instead of Listener Support. The fact that the CPB grants are based on Listener Support was discussed.

Point of Order: (Brian Edwards-Tiekert) "Call for the orders of the day." 9:38 PM (ET)

Motion: (Barbara Whipperman) "To extend the time for this item by five minutes." (Passed without objection) 9:38 PM (ET)

The committee continued its discussion of the item. It was suggested that the committee reassess the expenses, and that maybe having the National Office bill stations for expenses would be a better model. It was noted that for WBAI Listener Support revenue would show a drop off for FY15 and FY16.

Motion: (Michael Novick) "To meet the budgeted expenses of the National Office not covered by other sources of income in fiscal year 2017, Central Services shall be a fixed monthly cost set at 15% of the prior 5 years' (2011-2015) average annual listener support. For WBAI, Central Services shall be set at 8% of that average." (Passed 6 for, 2 against, 3 abstentions)

The committee discussed the motion.

SCA Issues 9:49 PM (ET)

The Chair asked if this item could be postponed till after the review of the KPFA draft FY17 budget because the KPFA Business Manager was on the call. There was unanimous agreement to this proposal.

Preliminary Review of KPFA Budget 9:50 PM (ET)

The Chair told the committee that the KPFA draft FY17 budget was approved by the KPFA LSB and that it showed overall spending cuts of \$205,000 below the projected levels of FY16. Revenue has been cut by shrinking expectations for bequests. The other major adjustment was to lower KPFA's projected fulfillment rate to 86.2%. The station is projected to end FY17 with a surplus of about \$21,000.

The KPFA Business Manager said that the draft budget anticipates 78 days of on-air fund raising

for FY17. In December the station had gotten 102% of its tally goal. She said that all of the revenue goals are based on actual history. She explained that KPFA has an arrangement with the person running the Craft Fair whereby they get the door sales for December and June. Personnel costs reflect cuts that are being made. The KPFA Business Manager said that the Health Insurance premiums cost is increased by 5% in the draft budget because they will not know what the actual increase in price will be until November or December. They will be trying to get telephone expenses down. They are dropping the use of the Reuters service.

The Chair noted that KPFA's cash flow will show a deficit of about \$147,000 in November, and the station will have to put off paying some bills.

The committee discussed the KPFA draft FY17 budget proposal.

The CFO noted that there were questions around stations prioritizing their bill payments when they have a cash shortfall. In answer to a question the KPFA Business Manager said that the station was paying its earthquake insurance monthly now instead of annually.

SCA Issues 10:17 PM (ET)

Motion: (Cerene Roberts) "Be it hereby resolved, that the WBAI Local Station Board recommends to the Pacifica National Board (PNB) that it approve a policy that ninety-nine percent (99%) of SCA rental fees due as of October 1, 2016 for use of any station's sidebands shall be credited, retroactively if necessary, to that station's current Central Services accounts and one percent (1%) to the National Office with copies of all existing SCA contracts shall be submitted to the respective General Manager and Local Station Board (LSB), and to the PNB within 14 days of the passage of this motion, and

That an accounting of all SCA related income and expenses, since January 1, 2013, including billing and payment of legal and collection fees, and maintenance and upgrade costs, and any other expense, be submitted to the respective General Manager and LSB, and to the PNB within 45 days of its passage of this motion, and further

That pending and future contracts are to be submitted to the respective LSB and the PNB for advance review and feedback after having been reviewed by our FCC attorney and are to be signed by both national and local management ."

The committee discussed the motion.

Amendment: (Brian Edwards-Tickert) "To substitute 'NFC' for 'WBAI Local Station Board.'" (Passed without objection)

Motion as amended: "Be it hereby resolved, that the NFC recommends to the Pacifica National Board (PNB) that it approve a policy that ninety-nine percent (99%) of SCA* rental fees due as of October 1, 2016 for use of any station's sidebands shall be credited, retroactively if necessary, to that station's current Central Services accounts and one percent (1%) to the National Office

with copies of all existing SCA contracts shall be submitted to the respective General Manager and Local Station Board (LSB), and to the PNB within 14 days of the passage of this motion, and

That an accounting of all SCA related income and expenses, since January 1, 2013, including billing and payment of legal and collection fees, and maintenance and upgrade costs, and any other expense, be submitted to the respective General Manager and LSB, and to the PNB within 45 days of its passage of this motion, and further

That pending and future contracts are to be submitted to the respective LSB and the PNB for advance review and feedback after having been reviewed by our FCC attorney and are to be signed by both national and local management .” (Fails 4 for, 7 against)

Point of Order: (Brian Edwards-Tiekert) “Call for the orders of the day.” 10:31 PM (ET)

Motion: (Brian Edwards-Tiekert) “To extend the time for this item by five minutes, and to extend the meeting by an additional 10 minutes.” (Passed without objection) 10:31 PM (ET)

The committee continued to discuss the motion.

Point of Order: (Brian Edwards-Tiekert) “Call for the orders of the day.” 10:36 PM (ET)

Point of Order: (Adriana Casenave) We still have time for this item.

The Chair ruled that the five minute extension for this agenda item was over.

Motion: (Brian Edwards-Tiekert) “To go to ‘Scheduling special meetings for additional budget review’ next on the agenda.”” (Passed without objection)

Scheduling special meetings for additional budget review 10:39 PM (ET)

The committee discussed when to schedule another meeting.

Motion: (Michael Novick) “To adjourn this meeting to August 23, 2016.” (Fails 5 for, 5 against, 1 abstention)

Motion: (Michael Novick) “To hold a regular meeting on August 31, 2016.” (Passed 5 for, 1 against, 5 abstentions)

Adjourned 10:56 PM (ET)

Submitted by R. Paul Martin, Secretary.