

Minutes for the regular National Finance Committee meeting May 17, 2016.

Meeting convened at 8:36 PM (ET) a quorum being present, the Chair and Secretary being present.

Attending: Sam Agarwal (CFO), Fred Blair, Adriana Casenave, Joseph Davis, Brian Edwards-Tiekert (Chair), R. Paul Martin (Secretary), Tony Norman, Michael Novick, Cerene Roberts, Eileen Rosin, Barbara Whipperman.

Agenda:

Agenda Approval (5 minutes)

Minutes Approval (5 minutes)
 Minutes of April 19, 2016
 Minutes of May 4, 2016

CFO Report (30 minutes)
 Report (10 minutes)
 Questions (10 minutes)
 Motions / Actions (10 minutes)

Review of second-quarter financial results (60 minutes)

FY2017 Budgeting Timeline (10 minutes)

Special Meeting Schedule (5 minutes)

Motion referred from PNB for NFC review (10 minutes)

Policy motion re: allocating ambiguous donations (10 minutes)

Motion re: staffing review (10 minutes)

Motion re: Broadcast Equipment Replacement Funds (10 minutes)

Adjourn 10:30 PM (ET)

The Internet stream was down, the Chair ruled that the committee meeting could start without it being on a stream and that the audio could be posted on KPFTX.ORG at a later date.

Motion: (Michael Novick) “Top approve the agenda.” (Passed without objection as amended)

Amendment: (Joseph Davis) “To move ‘Motion re: Broadcast Equipment Replacement Funds’ to last after item 9.” (Passed without objection)

Minutes Approval 8:40 PM (ET)

Motion: (Michael Novick) “To approve the minutes of the April 19, 2016, meeting.” (Passed without objection as amended)

Amendment: (Barbara Whipperman) “To replace ‘The CFO said that Pacifica should hire a National Business Manager’ with, ‘The CFO said that Pacifica should hire a National Business Development Consultant.’” (Passed without objection)

Amendment: (R. Paul Martin) “To drop ‘Business’ from ‘National Business Development Consultant.’” (Passed without objection)

Motion: (Michael Novick) “To approve the minutes of the May 4, 2016, meeting.” (Passed as amended 5 for, 0 against, 4 abstentions)

Point of Order: (Adriana Casenave) The meeting is going too fast. The member wanted to abstain on the previous motion because she wasn’t at that meeting.

The Chair ruled that voting was closed on that motion and the committee had moved on to the next motion.

Amendment: (Michael Novick) “To replace, ‘A member said that it was vital that KPFT come up with a plan to build audience.’ with, ‘A member said that when the loan to KPFT was approved for the new transmitter there was a proviso to develop a plan to build membership to repay the loan, not simply rely on the improved signal.’” (Passed without objection)

CFO Report 9:01 PM (ET)

Report 9:01 PM (ET)

The CFO said that the National Office has completed all requests and provided all information requested by the auditors for the FY14 audit. He said that he’d gotten an E-mail from the auditors saying that the FY14 audit should be wrapped up in the next week to 10 days, although there may be some last minute questions and procedures. He said that the auditors will conduct an exit interview with the Audit Committee and will meet with Pacifica Management to discuss the audit findings and the internal control assessment. He said that the Pacifica has not paid the \$75,000 that’s outstanding for the FY14 audit and that the National Office has not received the latest bill from the auditors. The CFO said that the auditors have made it clear that they can’t go on to the FY15 audit until their bills are paid.

The CFO said that cash flow is a major concern, which he’s been pointing out for the past

couple of months. He said that WBAI and WPFW are having serious shortages in their cash flow. He said that on May 13, three stations failed to meet the deadline for payroll, and he had to pull them out of the regular payroll cycle because otherwise the National Office couldn't pay the payroll for whole network. PRA came up with its payroll cash at the last minute and their checks were cut manually in time. WPFW took money from a restricted grant to make the payroll payment and pay their health care insurance premiums, this was against the CFO's objection and an LSB motion that specifically prevented them from taking that money. He said that he will elevate this issue to the PNB because it's a serious breach of the grant's governance. He said that for some months the National Office had been paying WPFW's health care premiums because the station didn't have the money to do so. He said that in May the National Office also did not have the money and so the WPFW health care premiums couldn't be paid for that month. That's when WPFW Management took the money from the restricted account to bring their health care premium payments up to date. As a result of the delays, WPFW's payroll was one day late.

The CFO said that at WBAI they couldn't raise their payroll cash and could only send a wire transfer on May 16, so the WBAI payroll was late by two business days, or four days if you count the weekend. He said that this is a serious issue which he will elevate to the level of the PNB. He said that this circumstance was in the making for some time and we all knew that this was coming for the last month or so. He said that he'd had conference calls with WBAI Management and it had become very clear that they wouldn't be able to make Central Services payments due to the serious cash shortfall. He said that his biggest concern now is that stations are in their on-air fund raisers and they may get short term relief from that revenue, but this problem will come back in a much bigger way in late June or early July when the funds run out. The CFO noted that these stations have fallen behind frequently. WPFW has not made Central Services payments for several months nor have they paid health care premiums, and the same is true of WBAI. He said that if these payments are not being made then what about other critical services? He wants to focus on addressing this situation. He said that decisive and bold Management action needs to be taken and things can be turned around. He said that there has to be an acknowledgment that this is something very critical and that fundamental changes have to be made. The CFO told the NFC that on May 16, he had forwarded a proposal that had been approved by the PNB of short term initiatives that have to be taken. He said that LSB members can be involved in fund raising activities or in soliciting donations for the stations and that can go a long way. He said his second proposal was that if stations fail to make payments for payroll or Central Services they have to look into programming changes. He said that it's very clear that the operating model is not working and that it needs to be fixed. He said that staffing cuts is generally an option but that alone doesn't go a long way at WBAI and WPFW. In the case of WBAI staffing cuts are at their limit and the station has lost productive capacity; at WPFW they can't go a long way because the dollars are not there. He said that we have to be more creative and innovative to figure out real solutions. He said he would try to strike a balance given proper strategy and proper Management actions he thinks we can recover or improve the financial situation at both stations.

The CFO noted that he had sent the NFC a statement last night regarding deficiencies in the FY15 books which he had presented to the PNB on May 5. While the FY14 audit is winding down, he's paying close attention to FY15 because that audit is necessary for us to get CPB funding. He said that he's finding major deficiencies, primarily for two reasons; he said that we didn't have the practice to prepare balance sheets, so for the past two years we don't know what the balances owed by stations

for Central Services are, or what we owe to other entities, and that's a major gap which speaks to the skills that we need. He said that the other big element he's finding is staffing shortages at the National Office and the lack of Business Managers at the stations.

Questions 9:13 PM (ET)

The CFO was asked if the statement made on a mailing list by a Director that the CFO had said that Pacifica was facing bankruptcy was accurate. The CFO said that he would not address that on an open meeting and that people can draw their own conclusions. The CFO was asked to give written reports to the NFC. He was also asked if the auditor's bill was now under \$70,000 and if he would send a copy of the auditor's bill to the committee, he was asked if he had checked all of the bank accounts in Pacifica before taking some employees out of the payroll system, and if he would send the NFC the statements for all of the bank accounts for all of the stations. The CFO said that he would send a written CFO Report next time. He said that all of the stations were struggling to meet payroll and that he doesn't subscribe to the practice of stations borrowing money from other stations for expenses, and that we have to figure out what the best practice is. He said that they had no choice but to take employees out of the payroll system, and it was a burden to the National Office to do the manual checks. The CFO said that the auditor's bill was for \$75,000 and that he would forward a copy of the bill to the NFC. In response to questions the CFO said that he's in the process of moving the accounting for WBAI and WPFW to the National Office, and that there is a lot of work to be done with respect to those stations' accounting. He said that the MEMSYS reconciliation hasn't been done but will be. He said that WBAI and WPFW are so far behind in terms of cash flow a very serious effort will be required to put them on a recovery track. In response to a question the CFO said that he is in contact with all of the station Managements, especially WBAI and WPFW, and he watches their finances very closely. He said that he can't discuss any options for turn around plans or finances because they get distorted and interpreted in many different ways. He said he would discuss this in a closed session, but that we have to take action.

Motions / Actions 9:27 PM (ET)

The committee discussed the CFO report.

Motion: (Michael Novick) "That the NFC recommend to the PNB to direct all local station boards and local station board members to immediately begin active fund-raising for their stations and the Foundation, to include each local station board member acting to seek sustaining donors, and work with their General Manager and with the National Office to identify prospective no-interest creditors, who will lend money to Pacifica to pay for fund-raising mailings to members, former members and supporters" (fails 5 for, 5 against, 1 abstention)

The committee discussed the motion.

Amendment: (Joseph Davis) "To change 'LSB members' to 'General Managers.'" (fails 4 for, 6 against, 1 abstention)

The committee discussed the amendment.

Motion: (Cerene Roberts) “To extend the time for this item by seven minutes.” (Passed without objection) 9:40 PM (ET)

Amendment: (Cerene Roberts) “That the NFC recommends the PNB direct the formation of LSB Membership & Fund-raising Committees to immediately begin work with local management to actively fund-raise for their stations and to seek sustaining donors, and work with their General Manager to identify prospective no-interest creditors, who will lend money to Pacifica to pay for fund-raising mailings to members, former members and supporters, etc.

Where such committees already exist, they should immediately undertake this assignment.” (Fails 2 for, 6 against, 3 abstentions)

The committee discussed the amendment.

Motion: (R. Paul Martin) “To extend the time for this item by 10 minutes.” (fails 2 for, 7 against, 2 abstentions)

Motion: (Barbara Whipperman) “To take up items 5 and 6 ahead of item 4.” (Passed without objection)

FY2017 Budgeting Timeline 9:58 PM (ET)

Motion: (Michael Novick) “To adopt the prior year’s budget timeline with the following modifications: change ‘2015,’ to ‘2016,’ to move A to May 31, B to June15, C to June 30, and D to July 15.” (Passed without objection as amended)

Amendment: (Adriana) “To change the title to FY17.” (Passed without objection)

The committee discussed the motion and amendment.

Amendment: (Adriana Casenave) “On B to make it read, ‘Local Finance Committees/LSBs, in consultation with General Managers/Business Managers.’” (passed 6 for, 1 against, 3 abstentions)

Special Meeting Schedule 10:13 PM (ET)

Motion: (Brian Edwards-Tiekert) “To schedule a special meeting of the National Finance Committee devoted exclusively to reviewing the financial performance of KPFK on Tuesday, May 31st, beginning at 8:30 PM Eastern.” (Passed without objection)

The committee discussed the motion.

Review of second-quarter financial results 10:18 PM (ET)

The Chair noted that the consolidated financial statement shows a deficit of about \$21,000 on about \$5½ million in revenue. The Chair noted that the network is a cyclical business and that the stations have to rely on their on-air fund raisers for raising revenue. Also, Listener Support shows about \$500,000 less revenue than last year at this time.

The Chair proposed that the committee look at the specific stations that failed to make payroll.

WBAI 10:18 PM (ET)

A comparison of the first six months of FY15 to FY16 shows WBAI's revenue down from about \$900,000 to about \$820,000. For all of FY15 WBAI showed a deficit of about \$560,000. On expenses, in the first six months of FY15 WBAI had about \$960,000 in operating expenses, and for FY16 that decreased to about \$943,000. Overall WBAI looks like it's about \$43,000 worse than in FY15. The CFO noted that these expenses include the full accrued \$48,000 a month Empire State Building (ESB) rent, and that WBAI is only paying \$12,000 a month, which he said was probably the rate that will be negotiated. The CFO said that removing the accrued ESB rent brings WBAI's deficit down to about \$34,000 YTD instead of about \$250,000.

A question was raised regarding the difference between the WBAI General Manager's figure of the ESB monthly rent being \$55,000 and the CFO's figure of \$48,000. The CFO said the ESB rent is composed of several parts, but he would look into that. The CFO said that WBAI has plans for off-air fund raisers which have been shared with the PNB. He said that the combination of Listener Support revenue and the off-air fund raisers would still not be able to meet WBAI's gap.

In response to a question the CFO said that he's not getting meaningful information from WBAI, WPFW and the Pacifica Radio Archive (PRA) because they don't have Business Managers, and he had to put together a six month projection.

In response to a question regarding the books and the financial information the CFO said that there are gaps and missing things and that it was not an efficient process. He said that they are bringing the books for WBAI and WPFW to the National Office and that then they will have proper control.

It was noted that in FY15 WBAI had about \$900,000 in Listener Support for the first six months of the year and about \$400,000 for the rest of FY15. This year WBAI has about \$627,000 in Listener Support. There was a short discussion of how to attract listeners with the station's limited financial resources.

Motion: (Brian Edwards-Tiekert) "To extend the time of the meeting by 15 minutes." (Passed without objection) 10:32 PM (ET)

WPFW 10:32 PM (ET)

A comparison of the first six months of FY15 to FY16 shows WPFW's revenue down from about

\$800,000 to just over \$500,000. On expenses, in the first six months of FY15 WPFW had about \$630,000 in operating expenses, and for FY16 that decreased to about \$530,000. For all of FY15 WPFW's deficit was about \$190,000 and is the station is on track to produce a very large deficit.

The CFO said that he is not getting financial information from WPFW and that it's a bad situation.

The WPFW Treasurer said that there are a lot of plans for raising funds and efforts involving the LSB where people have committed to raising money. She said that WPFW's current on-air fund raiser was going very well. She said that the Business Manager is only there for 10 hours a week, which is not enough. The CFO agreed with the WPFW Treasurer and said that the current numbers show that the station will not be able to make critical payments.

In response to a question regarding the books and the financial information the CFO said that WPFW's books have also not been moved to the National Office yet. He said that WPFW was lacking in business management experience and is having a hard time managing its operations. He said he has some plans that he is bringing to the PNB about this and that he hopes that things can be turned around in three to six months.

It was noted that WPFW's financial inability to make critical payments could present a systemic threat to Pacifica; if WPFW can't make its health insurance fee and the rest of Pacifica can't make up the difference, that endangers the rest of the network. The CFO noted that a motion was passed that WPFW is required to submit a plan within a 60 day period. The CFO said that WPFW had borrowed money from a restricted grant to make a recent payroll and pay the health insurance premiums. He said there was not much hope of getting out of this without changes, and that staffing cuts won't do it.

Motion: (Adriana Casenave) "To have a special executive session meeting on May 31, 2016, at 9:30 PM (ET) to discuss recommendations regarding WPFW and WBAI that would impact individual employees or would involve proprietary information." (Passed without objection)

Point of Order: (Brian Edwards-Tiekert) "Call for the orders of the day." 10:44 PM (ET)

The Chair noted that PRA is not getting Central Services fees from the stations and so can't pay its bills. He asked if the committee wanted to extend the time for the meeting.

There were some short discussions, including questions about WPFW's overall revenue drop.

Point of Order: (Cerene Roberts) "Has the meeting been extended?"

Adjourned 10:51 PM (ET)

Submitted by R. Paul Martin, Secretary.