

Minutes for the regular National Finance Committee meeting April 19, 2016.

Meeting convened at 8:33 PM (ET) a quorum being present, the Chair and Secretary being present.

Attending: Sam Agarwal (CFO), Fred Blair, 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)

CFO Report (30 minutes)

 Report (10 minutes)

 Questions (10 minutes)

 Motions / Actions (10 minutes)

Continuation of discussion re: KPFA (10 minutes)

Special Meeting Schedule (5 minutes)

Motion re: Staffing Level Review (10 minutes)

Motion re: Advertising (10 minutes)

Motion re: Broadcast Equipment Replacement Funds (10 minutes)

Motion referred from PNB for NFC review (10 minutes)

Policy motion re: allocating ambiguous donations (10 minutes)

Motion re: staffing review (10 minutes)

Adjourn 10:30 PM (ET)

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

Minutes Approval 8:36 PM (ET)

Motion: (Barbara Whipperman) "To approve the minutes of the March 15, 2016, meeting." (Passed 5

for, 0 against, 5 abstentions)

Motion: (Barbara Whipperman) “To approve the minutes of the March 29, 2016, meeting.” (Passed 7 for, 0 against, 3 abstentions)

CFO Report 8:39 PM (ET)

Report 8:39 PM (ET)

The CFO reported that the National Office was almost getting to the end of the FY14 audit; they have provided the majority of the information that the auditors have asked for, but there are some outstanding issues. These issues are mostly procedures done by the auditors, they include interviews with the General Managers which are not yet completed. The CFO said that a big outstanding issue is that the auditors have requested an assessment by Management of the cash flow, which is related to the going concern issue. The CFO said that he is working closely with the stations to get documentation for the cash flow. He has made a template which consists of on-air fund raiser details, major initiatives the stations plan to take soon, and cash flow predictions; in the case of WPFW and WBAI he said he’s asking for a recovery plan, and it’s moving along fairly well. He said he has had several conference calls and the local station teams are aware what needs to be done. They are putting forward proposals that may help them meet their cash requirements. The CFO said that he has gotten E-mails asking why he’s picking on WPFW and WBAI when the other stations are in similar circumstances, he said that the other stations are not doing well, but they are just managing to pay their bills. He said that WPFW and WBAI are in a more challenging situation. He said that if he can complete the cash flow assessment by end of this month then he can put together a financial narrative of the initiatives from the National Office and the stations and paint a reasonably good picture. He said that if he can convince the auditors that Pacifica will be around for next 12 months they are willing to work with the National Office and then he hopes that the going concern issue can be dropped. In terms of time line, he said that the National Office is having difficulty in pulling together the documentation that pertains to FY13 and FY14. He hopes to complete that by the first week of May.

The CFO said that he wants to get to the FY15 audit, but he’s finding that the books are deficient in many respects. He said he was surprised that in the past the National Office only gave income statements but no balance sheets or cash flows to the NFC. He said that those are important because along with income statements they form a whole packet. The CFO said that it’s difficult to put together meaningful reports or information when the numbers have not been prepared. He said that the accounting is not really complete without all of those components. He said that there are human resources challenges because two stations do not have Business Managers and their accounting is done at KPFT, which causes a serious bottleneck. Also, KPFK does not have a full time Business Manager, and one is critically needed there. He said that as a result the stations have no financial guidance. The CFO said that he has found that the National Office doesn’t have adequate skilled staff, and that this is the most critical bottleneck to completing the books. He said that he’s training the National Office Staff now and he’s confident that they can handle the complexity of the work

required. The National Office has prepared detailed checklists and sent them out to the stations and is giving guidance on how to complete their books for FY15. He said that as soon as the FY14 audit is done they can start on the FY15 audit.

The CFO said that cash flow is becoming a major concern because now almost all stations looking forward to may on-air fund raiser. The CFO said that all of the stations are having some cash shortfall and are looking for their May on-air fund raisers for cash. He said that some stations are not able to pay their Central Services fees and health insurance premiums and that's impacting the National Office badly; they can't make payroll and he has had to ask other stations to come up with help for them. The cash flow problem is also impacting the National Office because they rely on Central Services payments for making payments. The CFO said that this can't continue for long. He said that's why he mentioned that two stations need recovery plans. Not only are they behind in terms of Central Services payments, but they also can't meet their day to day obligations. He said it's important to look at all aspects and cost control initiatives. He said we have to look at revenue. He said that he has heard that we are coming to a saturation point with on-air fund raisers and Listener Support. He said that at some stations the cost control initiative has had very little impact because the cash is not there to support the business model we have, he said we need to look at other aspects to balance the budgets. The CFO encouraged the NFC to take a leadership roll and make proposals to the PNB so they can have meaningful discussions at that level. He has started a process of making the stations do presentations so that it can be seen what's working and what's not and how to adopt the best practices and make the on-air fund raisers more effective. At the weekly leadership calls, in the last 15 days or so, they have discussed finding more sources of revenue, and they have had unanimous agreement on some recommendations, which the CFO said he would share with the NFC when NFC goes to a discussion of the report.

Questions 8:53 PM (ET)

The committee discussed the CFO's report. Some staffing issues at KPFT were broadly discussed. In relation to the consolidated financial statements through February 29, 2016, it was noted that for FY11 through FY14 the consolidated Listener Support for Pacifica averaged about \$10.5 million, but for FY15 it was about \$8.75 million. There was a discussion of Pacifica's reliance on Listener Support, the declining trend in Listener Support revenue and the need to find other sources of revenue. The lack of complete financial statements at some stations was discussed. There was a brief discussion of the magnitude of the rent at the Empire State Building.

Motions / Actions 9:09 PM (ET)

The CFO said that Pacifica should hire a National Development Consultant who can head a coordinated effort by the National Office to approach foundations that are not dependent on audits, and which can provide Major Donor revenue support. The CFO said that there is an urgent need to pay the audit fee it will be \$100,000 to \$125,000 and Pacifica doesn't have the money to pay this bill. The CFO said that he didn't see any way to get that money. He suggested that Pacifica start with \$15,000 over three months shared by the stations that can deal with the cost, and the National Office,

and that this should realize enough money after some months to pay the audit bill. He said that if that program became a liability then it could be stopped after three months. The CFO also said that the Pacifica leadership team had reached unanimous agreement on underwriting.

The committee discussed the CFO's proposals, which were not in the form of a motion. There was a discussion of the audit fees. The CFO said that the engagement letter which was signed with the auditors was for \$70,000, but that for the FY12 audit the fee was \$135,000 and for the FY13 audit the fee was \$150,000. He said that the outstanding fee is \$75,000 plus there are fees for other audit procedures and that the fee for preparing Pacifica's 990 form would be \$20,000 to \$25,000. The CFO said he had told the Audit Committee that the total fee would probably be about \$150,000 and he was still of that opinion.

Motion: (Brian Edwards-Tiekert) "The NFC requests the CFO and ED present a proposal to engage a National Development Consultant. The proposal should include:

1. The proposed consultant's qualifications and experience
2. The proposed scope of work, deliverables, and timeline
3. The estimated cost and recommended source of funds." (Passed without objection)

The committee discussed the motion.

Continuation of discussion re: KPFA 9:21 PM (ET)

The Chair told the committee that the KPFA Business Manager couldn't be on the call because she was recovering from surgery. In the course of the discussion the KPFA Director told the committee that KPFA did not need to add any personnel to the payroll and that the station was doing better now that it had hired a General Manager, and that having gotten a large bequest at the start of 2015, had helped. The reassessment of Central Services fees based on the lower Listener Support revenues was discussed. It was suggested that the income statements' mix of cash and accrual made it more difficult to accurately assess the financial status of Pacifica and its various parts.

Special Meeting Schedule 9:35 PM (ET)

Motion: (Brian Edwards-Tiekert) "To schedule a special meeting of the National Finance Committee devoted exclusively to reviewing the financial performance of KPFT on Wednesday, May 4, beginning at 8:30 PM Eastern." (Passed without objection)

The committee discussed the motion.

Motion re: Staffing Level Review 9:42 PM (ET)

Motion: (Michael Novick) "The NFC proposes that the PNB instruct the interim Executive Director to direct each of the station General Managers, and the Manager of the Pacifica Radio Archives, to

produce by May 15, a job description for all paid staff and Managers and a chart incorporating average hours worked weekly on each assignment, in order to help ascertain best practices in regards to economical staffing, effective oversight and increased productivity and effectiveness. The chart should also include the hours, cost and responsibilities of any consultants at the station. If significant production, promotion or other work is being done by unpaid staff, that should also be included. The PNB should further instruct the interim Executive Director and CFO to produce a similar chart for the Pacifica National Office.”

The committee discussed the motion.

Amendment: (Brian Edwards-Tiekert) “The NFC recommends that the PNB direct the interim Executive Director to compile organizational charts from all units that list titles and principal responsibilities of all consultants and employees.”

Amendment: (Cerene Roberts) “To add at the end, ‘and that a report of any overtime being generated be prepared and submitted by May 16, 2016.’” (Passed without objection)

The committee discussed the amendments.

Amendment as amended: “The NFC recommends that the PNB direct the interim Executive Director to compile organizational charts from all units that list titles, principal responsibilities and FTEs of all consultants and employees. and that a report of any overtime being generated be prepared and submitted by May 16, 2016.” (Passed without objection, becomes main motion)

Substitute Motion: “The NFC recommends that the PNB direct the interim Executive Director to compile organizational charts from all units that list titles, principal responsibilities and FTEs of all consultants and employees. and that a report of any overtime being generated be prepared and submitted by May 16, 2016.” (Passed without objection)

Motion re: Advertising 10:07 PM (ET)

Motion: (Joseph Davis) “I propose we examine our historical expenditures on traditional advertising as far back as we can, specifically looking for what methods of advertising were used and how listener-ship levels were effected in the periods that advertising would have likely effected them.

I further propose we immediately research the cost of a billboard for the Houston area, and with a unique contact listing that will allow us to recognize specific traffic generated by that advertisement,

I also propose we can engage with local like minded non-profits to share the cost of such a billboard, by dividing the visible area into two or three sections,

Whereas, I can understand a GENERAL MANAGER looking for an easy budget cut will be tempted to cut advertising first as I was,

Whereas KPFT currently has about 60% of it's budget going to staffing costs that has failed to increase our listener-ship levels,

I propose the amount of 5% of each stations budget be reserved for traditional advertising, possibly requiring that funding to be routed through the national office to ensure it isn't diverted otherwise."

The committee discussed the motion.

Amendment: (Cerene Roberts) "The NFC recommends that the PNB direct all General Managers to provide a report, by May 16, 2016, on all attempts at advertising over the past 5 years including types, costs, and any known results."

The committee discussed the amendment.

Amendment: (R. Paul Martin) "To make the deadline July 5, 2016." (Passed 7 for, 1 against, 2 abstentions)

The committee discussed the amendment.

Amendment as amended: "The NFC recommends that the PNB direct all General Managers to provide a report, by July 5, 2016, on all attempts at advertising over the past 5 years including types, costs, and any known results." (Passed without objection, becomes main motion)

Substitute Motion: "The NFC recommends that the PNB direct all General Managers to provide a report, by July 5, 2016, on all attempts at advertising over the past 5 years including types, costs, and any known results." (Passed without objection)

Adjourned 10:32 PM (ET)

Submitted by R. Paul Martin, Secretary.