

Minutes for the regular National Finance Committee meeting June 21, 2016.

Meeting convened at 8:31 PM (ET) a quorum being present, the Chair and Secretary being present.

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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, also attending was WPFW Director Nancy Sorden.  
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Agenda:

Agenda Approval (5 minutes)

Minutes Approval (5 minutes)

CFO Report (30 minutes)

    Report (10 minutes)

    Questions (10 minutes)

    Motions /Actions (10 minutes)

Review of seven-month financial results (60 minutes)

Special Meeting Schedule (5 minutes)

Motion referred from PNB for NFC review (10 minutes)

Policy motion re: allocating ambiguous donations [Edwards-Tiekert] (10 minutes)

Motion re: Broadcast Equipment Replacement Funds [Joseph Davis] (10 minutes)

Motion re: staffing review (Novick) (10 minutes)

Motion re: Prioritization of Central Service Payments (Roberts) (10 minutes)

Adjourn 10:00 PM (ET)

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

Minutes Approval 8:33 PM (ET)

**Motion:** (Adriana Casenave) “To approve the minutes of the May 17, 2016, meeting.” (Passed without objection)

**Motion:** (R. Paul Martin) “To approve the minutes of the May 17, 2016, meeting.” (Passed 6 for, 0 against, 4 abstentions)

CFO Report 8:35 PM (ET)

Report 8:35 PM (ET)

The CFO delivered a written report to the committee, which is appended at the end of these minutes. In addition the CFO said that

The auditors have sent out Management letters to all General Managers stating the deficiencies they have observed during the FY14 audit. The auditors have asked for updates on legal issues. The CFO said that if the National Office could come up with about 50% of the auditors’ fees he would try to negotiate with them, but the National Office does not have that amount of money available. The CFO said that WPFW only got about 67% of their latest on-air fund raiser goal. He said that KPFA is short by about \$200,000.

Questions 8:45 PM (ET)

In answer to a question the CFO said that he is in the process of getting access to and becoming a signatory on all of the bank accounts in Pacifica. He can see what’s in most accounts now. In answer to a question the CFO said that he didn’t know if KPFA had surplus money to pay off the station’s Central Services fees from FY15; he said there was no surplus at any station.

Motions /Actions 8:56 PM (ET)

There was a discussion of the priorities for paying bills. In answer to a question the CFO said that he wanted to hear what plans stations had if they were unable to make payroll. When asked what percentage of the funds from the stations’ on-air fund raisers had come in so far the CFO said that he couldn’t give an absolute answer. When asked what non-underwriting options there were for realizing more revenue the CFO referred to the recommendations bullet points in his written report, and he suggested that the NFC hold three meetings devoted to looking for other sources of revenue.

**Motion:** (Adriana Casenave) “The NFC recommends that the PNB directs the CFO to implement immediately a system to: **Automatically debit (transfers to the PACIFICA NATIONAL OFFICE bank account) every month from the stations’ bank accounts the following:**

- 1) The amount of their Central Service and the PRA payments before anything else.
- 2) The amount of the salaries and health care of the unit employees.
- 3) Ten (10%) percent of their cumulative debt for those three (3) concepts from the previous year (in this case FY2015), until it is paid off.

After that (and in that order), the units could use the rest of their **earned revenues** to pay for their other budgeted obligations.” (Fails 2 for, 6 against, 4 abstentions)

The committee discussed the motion.

**Motion:** (Barbara Whipperman) “To extend the time for this item by five minutes.” (Passed without objection) 9:07 PM (ET)

The committee continued discussing the motion.

**Motion:** (Brian Edwards-Tiekert) “To extend the time for this item by five minutes.” (Passed without objection) 9:13 PM (ET)

The committee continued discussing the motion.

**Amendment:** (Michael Novick) “That the NFC recommend that the PNB direct all local station boards and board members to immediately undertake fundraising efforts as follows: 1) seeking sustaining memberships without premiums; 2) seeking no-interest loans to finance a fund-raising mailing by the National Office.” (Ruled out of order)

**Point of Order:** (Adriana Casenave) - This amendment is not germane to her motion and is out of order.

The Chair ruled that the point of order was well taken, and that the amendment was out of order at this time.

**Motion:** (Brian) “To suspend rules to take up Michael Novick’s motion for five minutes.” (Passed without objection) 9:22 PM (ET)

**Motion:** (Michael Novick) “That the NFC recommend that the PNB direct all local station boards and board members to immediately undertake fundraising efforts as follows: 1) seeking sustaining memberships without premiums; 2) seeking people who might provide no-interest loans to the foundation to finance a fund-raising mailing by the National Office.”

The committee discussed the motion.

**Motion:** (R. Paul Martin) “To divide parts 1 and 2.” (Passed without objection)

**Motion:** (Michael Novick) “That the NFC recommend that the PNB direct all local station boards and board members to immediately undertake fundraising efforts as follows: 1) seeking sustaining memberships without premiums.” (Passed 9 for, 0 against, 2 abstentions)

The committee discussed the motion.

**Motion:** (Michael Novick) “That the NFC recommend that the PNB direct all local station boards and board members to immediately undertake fundraising efforts as follows: 2) seeking people who might provide no-interest loans to the foundation to finance a fund-raising mailing by the National Office.” (Passed 7 for, 3 against, 1 abstention)

The committee discussed the motion.

**Motion:** (Adriana Casenave) “To extend the time for this item by five minutes.” (Fails 5 for, 6 against)

**Motion:** (Brian Edwards-Tiekert) “To amend the agenda by taking up the item ‘5. Special Meeting Schedule’ now.” (Passed without objection)

Special Meeting Schedule 9:50 PM (ET)

**Motion:** (Brian Edwards-Tiekert) “To schedule a special meeting of the NFC devoted exclusively to fund raising on July 6, 2016, at 8:30 PM (ET).” (Passed without objection)

The committee discussed the motion.

**Point of Order:** (Brian Edwards-Tiekert) Call for the orders of the day. 10:00 PM (ET)

**Motion:** (Cerene Roberts) “To extend the time for the meeting by 30 minutes.” (passed 4 for, 2 against, 4 abstentions) 10:03 PM (ET)

Review of seven-month financial results 10:03 PM (ET)

The Chair noted that according to the income statement for the eight months ending May 31, 2016, the consolidated deficit for Pacifica is about \$294,000; KPFA is showing a deficit of about \$64,000, and is about \$53,000 worse than budgeted; KPFK is showing a surplus of about \$106,000, KPFT is showing a deficit of about \$22,000; WBAI is showing a deficit of about \$374,000; WPFW is showing a deficit of about \$244,000; Pacifica Radio Archives (PRA) is showing a deficit of about \$13,000, which figure assumes that all stations are paid up on their Central Services fees, which they are not, and the National Office is showing a surplus of about \$316,000 which the Chair called “fictional” because most of the surplus is owed to the National Office.

There was a discussion of what the current fulfillment rate was and its relation to the current deficits. The CFO said that the key numbers have worsened in comparison of the first eight months of FY15 to the first eight months of FY16. There was a discussion of who in the National Office knows the Great Plains software. There was a discussion of the WPFW Business Manager. There was a discussion of there being different numbers from PRA and the National Office with regard to premiums payments to PRA. A Director asked the CFO for a report of the full details and a list of names of people hired and removed from the National Office and their salaries and offices by July 6. The CFO said that the

National Office was short on Staff and at the same time is trying to do a double workload. He said that in FY13 and FY14 the National Office didn't prepare balance sheets, and this is the biggest roadblock in getting books.

There was a discussion of the need to get the formula for Central Services payments for the FY17 budget done. In answer to a question the CFO said that as of June 1, the books from WBAI and WPFW were at the National Office. He said that the situation with those books is very bad with processes and procedures missing; he declined to elucidate in open session. There was another discussion regarding the WPFW Business Manager.

**Motion:** (Adriana Casenave) "To put a copy of the CFO's written report in the minutes of this meeting." (Passed without objection)

The Chair noted that the time for the meeting had elapsed.

**Motion:** (Cerene Roberts) "To extend the time for the meeting by five minutes." (Passed without objection) 10:37 PM (ET)

There was a discussion of a WPFW personnel issue.

Adjourned 10:45 PM (ET)

Submitted by R. Paul Martin, Secretary.

## **APPENDIX**

### **CFO Report to the National Finance Committee Meeting – June 21, 2016**

#### **FY 14 Audit Fees Outstanding**

1. As per e-mail received from the auditors, there is an outstanding balance of \$ 67,566.93 for FY 14 audit fees. This needs to be paid urgently for release of audited statements. Auditors are working with the Station Managers to update their Management letter and are in the last stages of finishing their audit.
  - a. Absence of audited statements are holding up negotiations with Empire State Building for WBAI tower rent
  - b. Statements are also critical for insurance renewal. Several demands have been made by Underwriters.
  - c. FY 15 audit can-not commence until old dues are cleared

#### **Cash Flow Concerns:**

1. WPFW
  - a. Station has been seriously behind in payment of Central Services. See Statement attached.
  - b. It has exhausted Restricted Grants (against the applicable laws) in payment of operating expenses and do not have any significant money left in this account
  - c. Station has adopted a deliberate strategy not to pay Central services to balance its cash flow. This is proving to be detrimental to the National Office finances
  - d. As per current cash flow situation, it is expected that they may run out of payroll money in July, unless they have some windfall gains
  - e. YTD May, 2016 statements show a loss of \$ 244,135 which effectively represents the cash shortfall as the station did not have the money to pay its bills
2. WBAI
  - a. Cash flow is expected to be very tight from July onwards. It is doubtful if the station will be able to make its payroll or other essential services
  - b. Station has been lurching from one fund drive to another fund drive, catching up with bills as the money comes in and again becomes delinquent when the money runs out
  - c. No credible strategy has been formulated for last several years to stem this crisis
3. PRA
  - a. Operating model for PRA is broken. It is heavily dependent upon receiving Central Services from Stations which are themselves struggling to pay their bills.
  - b. Given right strategies, PRA operations can become self-sufficient and save considerable amount for other stations
4. KPFA
  - a. Station has given notice to Union that it is experiencing financial difficulties and layoffs are imminent
  - b. It is planning mini-drive which is not a good option
5. National Office
  - a. National Office finances have been affected very badly as several stations have failed to pay Central Services and health care dues. It is currently able to pay only those expenses which are "urgent and critical".
  - b. It is not finding any surplus money to pay for FY 14 audit fees
  - c. Payment for Election expenses has been put on hold
6. Management Readiness
  - a. Management is not ready to handle potential lay-offs at WBAI, WPFW and PRA, should they occur in July or later. As per bargaining agreements, advance notice needs to be sent to the Union. A plan has to be in place

### Recommendations:

1. **Focus must shift from cost cuts to revenue growth. We can-not cut our way into prosperity. In the absence of any tangible plan on the table how to grow the business, Foundation is forced into the default option of cost cuts.**
2. In line with Point 1 above, Finance Committee should consider, calling 3 special sessions to explore additional sources of Revenue and provide specific recommendations to PNB, which if approved, can be adopted network wide

3. WPFW should be put on a critical watch. The operations can be turned around but will require massive efforts. Management must make plans, and give advance notice to Union, as applicable, to handle potential lay-offs. Finance Committee can inform PNB of its concerns.
4. Finance Committee can approach PRA task force if they want to be actively engaged in turning around PRA operations. If so, they need to provide specific suggestions to the Finance Committee or PNB for consideration.

