

WBAI Treasurer's Report
September 14, 2016

The National Finance Committee (NFC) met on August 16, and 31, 2016. The local Finance Committee met on September 8, 2016.

At the August 16, 2016, NFC meeting the CFO presented the National Office draft FY17 budget proposal. The CFO said that he wanted to submit it as a tentative budget in order to get a perspective on the formula for Central Services payments that will be needed from the stations for FY17. He said that for FY15 and FY16 the Central Services payments to the National Office have been short by about \$300,000 each year. **This is important to WBAI because when WBAI falls short in its ability to pay critical bills, like payroll and health insurance premiums, the National Office is needed to help out.** When the National Office is cash starved WBAI can be late in paying its critical bills, such as happened with the July 15, 2016, payroll. The CFO said that the National Office may end up with a deficit of around \$200,000 for FY17.

The CFO said that Pacifica has reached a critical point, and must explore some options that can reasonably be taken at this time. His comment relates to subsequent events.

The NFC passed the following **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."

This motion is similar to ones in previous years in that it assesses WBAI at a lower rate than other Pacifica stations, however WBAI's Listener Support line is inflated by having other sources of revenue lumped into it. Also, WBAI's recent Listener Support revenues are less than they had been in 2011, and 2012. Without that lower, 8%, rate WBAI's Central Services fees would be significantly higher. It is to be noted that WBAI is in arrears in its FY16 Central Services payments the National Office by about \$84,450 as of August.

Besides the tentative draft FY17 National Office budget the NFC also considered the KPFA draft FY17 budget. No other stations have submitted budgets yet.

As reported in a previous Treasurer's Report WBAI's draft FY17 budget is being prepared by the National Office, with some information provided by the General Manager.

A couple of days before the August 31, NFC meeting the PNB Treasurer, and NFC Chair, Brian Edwards-Tiekert sent out an E-mail of resignation, effective September 10, 2016. In the E-mail Mr. Edwards-Tiekert advocates for putting WBAI into an "LMA." The depth of thought put into this proposal is reflected in the fact that a non-profit like Pacifica can't enter into an LMA. This topic was thoroughly debated and researched in the past, Pacifica would have to enter into a Public Service Operating Agreement (PSOA) if it were to hand control of WBAI over to another entity. Mr. Edwards-Tiekert also suggested that if Pacifica can't arrange for another entity to take over WBAI that Pacifica, "... strip WBAI down to the FCC-mandated minimum number of staff on-site, simulcast one of the West Coast stations during most of the day, carry their pitches during fund drive, and have all the phone room, data entry, billing and premium fulfillment operations associated with fundraising happen out of that West Coast station." Shortly after Mr. Edwards-Tiekert's E-mail appeared the CFO wrote that he fully endorsed all of the views expressed by Mr. Edwards-Tiekert. Neither of those ideas are good ones for WBAI or, in the long run, Pacifica.

With the then PNB Treasurer and the then Pacifica CFO taking such positions WBAI is in bad shape. A copy of Mr. Edwards-Tiekert's E-mail is appended to this report.

At the August 31, 2016, NFC meeting the Chair was absent, he'd said he would not be able to attend this meeting when the meeting date had been set. At this meeting the NFC adjusted its budget time line and

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determined to review budgets at meetings on September 20, and 27. The topic of short term, no interest loans was discussed. A motion to recommend that the PNB Chair consult with the CFO, the interim Executive Director and the Pacifica general counsel in order to prepare a promissory note to get short term, no interest loans to finance a mailing by the National Office, and to make copies of that note available for LSB meetings, was proposed. The idea was for the LSB members to provide these loans or get others to provide them. The motion was withdrawn.

During the discussion of this motion I asked who the Pacifica general counsel was. The PNB Chair, who is a member of the NFC, said it was “the Yee firm.” He was corrected and told it was the Siegel & Yee law firm. That first name is that of Dan Siegel, who has been advocating the selling of WBAI for years. When I asked when the PNB had voted to have that general counsel the PNB Chair said it was about a year or so ago. I have seen allegations that the PNB never actually voted to hire that firm as Pacifica general counsel, and I have seen no rebuttal of that allegation and no proof that any such vote was taken by the PNB. Having someone who has been advocating the selling of WBAI for years be deeply involved in any determination regarding the fate of WBAI is clearly not good for WBAI, nor for the health of Pacifica.

On September 8, 2016, the CFO sent out his resignation letter. He resigns as CFO effective September 16, 2016. Part of his resignation letter, full text appended to this report, says, “I have concluded that, under prevailing conditions, I can-not be effective in my job. There is monumental amount of work to be done to pull the organization out of financial crisis, but have not seen sincere efforts to do ‘whatever is necessary’ to move forward. Although voluntary bankruptcy and re-organization may be the least desirable and most expensive option, yet, with every passing day, it may be the only option left because of dysfunction in the Board, mismanagement and failure of leadership.” Mr. Agarwal is certainly right about the dysfunction of the PNB, and of the overall governance of Pacifica. He had also become that target of one Director who had begun an “annual evaluation” of his performance after he’d only been on the job for about seven months. With the Pacifica Foundation in terrible financial shape, and with people in positions of power paying more attention to shoring up their political positions than to the health of the foundation it is no wonder Mr. Agarwal has given upon Pacifica.

The WBAI local Finance Committee met on September 8, 2016. That afternoon the committee had been informed that the WBAI General Manager would not be able to attend the meeting due to a family emergency. The committee met and there were lively discussions about the station’s finances and about the “Income Statement For the Ten Months Ending July 31, 2016” which the CFO had sent out the previous evening. In the absence of the General Manager the committee was unable to get any new information regarding the details of the station’s finances.

Regarding the Income Statement For the Ten Months Ending July 31, 2016, it shows Pacifica in the red by \$1,329,560 after ten months of FY16. This Income Statement shows WBAI in the red by \$491,155 before depreciation, which includes the Empire State Building (ESB) rental accruals. If we remove the \$360,000 which the CFO considers to have accrued for the ESB rent in FY16 for that period we have WBAI in the red for \$131,155. While that’s not a tiny deficit it is also not a half million dollar deficit. If we subtract the accrued ESB rent that also reduces Pacifica’s overall deficit for the first 10 months of FY16 to \$969,560.

Other parts of Pacifica have the following bottom lines after 10 months of FY16:

- KPFA is \$152,492 in the red.
- KPFA is \$270,415 in the black, but this is not realistic because they have a number of grievances filed

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against them and they have been losing in arbitration.

- KPFT is \$73,637 in the red.
- WPFW is \$281,594 in the red.
- The National Office is \$386,480 in the black, but that counts the accrued Central Services payments which have not been getting made, so this is also not reality based.
- Pacifica Radio Archives is \$16,702 in the red and may be worse off than that.

The WBAI 2016, Summer on-air fund raiser had been extended and so ran for 28 days, ending on August 14, 2016. The tally, from the information Management has given out, came to \$233,657, which is a daily average of \$8,345 a day. The goal for this on-air fund raiser was \$260,000 with a daily average of \$12,381, based on 21 days of pitching. With the additional week, this on-air fund raiser came in at about 89.9% of goal. This final on-air fund raiser of FY16 brings WBAI up to just under 150 days of on-air pitching for the fiscal year. This does not count the various pitching programs that air throughout the week in the absence of a formal on-air fund raiser. This much pitching is probably causing fatigue among the listeners.

The PNB has scheduled a special meeting September 22, the purpose of which is listed as, "Special meeting on WBAI." There's no telling what mischief they'll get up to in that meeting. Ironically there will be no legally elected Directors from WBAI at that meeting because the PNB is excluding them, only one person held over from 2015, who is in line with the current, illegally constituted, PNB will be "representing" WBAI. What are the odds that anything good for WBAI will come out of that meeting?

In the years that I have been doing these written Treasurer's Reports I have been showing the eroding finances of WBAI and Pacifica. When the soon to be former CFO says that Pacifica has reached a critical point, he's right. At some stations the September payroll may be late. This can bring about serious legal problems, as well as being a hardship to the Paid Staff who rely on their paychecks to live. The next WBAI on-air fund raiser is scheduled to run from October 3, through November 6. Recent on-air fund raisers have proven inadequate to meet WBAI's current expenses, even discounting the accrued ESB rent and considering that the station's Paid Staff is tiny. It looks like there will be more of the same at the start of FY17. There are people in Pacifica maneuvering to sell WBAI, and thus avoid the need to change their stations' programming in order to be able to attract listeners, and some may be looking to line their own pockets from the sale or lease of WBAI. Any number of people in recent years, observing the steady down trend of all of Pacifica's finances, have wondered aloud how long this could go on. Unfortunately, we may see the answer to that in the near term, and it does not look like it will be a good answer.

The next NFC meeting is scheduled for August 20, 2016. The next local Finance Committee meeting is scheduled for October 6, 2016, at 388 Atlantic Ave.

R. Paul Martin
WBAI LSB Treasurer

----- Forwarded Message -----

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Subject: [natfinancecom] My resignation from the KPFA LSB and PNB, and some suggestions

Date: Mon, 29 Aug 2016 00:23:01 -0700

From: Brian Edwards-Tiekert lsb.brian@gmail.com [natfinancecom] <natfinancecom@yahoogleroups.com>

Reply-To: natfinancecom@yahoogleroups.com

To: Pacifica National Board <pnb@pacifica.org>, kpfalsb <kpfalsb@googlegroups.com>, natfinancecom@yahoogleroups.com <natfinancecom@yahoogleroups.com>

Dear colleagues,

I'm writing to submit my resignation as a KPFA Delegate, effective at 11:00 am Pacific on September 10, 2016 (the date and time of the next KPFA LSB meeting). At that time, my resignation as a KPFA delegate will automatically remove me from the PNB, and the National Finance Committee.

I'm leaving KPFA to begin a year-long journalism fellowship at Stanford, and don't feel I can be an effective representative of KPFA's staff while I'm not spending any time at the worksite--so I'm stepping down.

Since I'm going off the air, off the payroll, and off the board, I wanted to leave you with some suggestions about addressing our crisis that are franker than I might have before.

To start, five limiting principles:

1. Assigning blame for our crisis is usually a distraction from fixing it. I've spent almost 10 years in Pacifica governance, and I've never heard a blame-fest produce any solutions. The only conversation the board should be having is "given our circumstances, what do we do now?"
2. Fundraising tactic wish-lists are not going to solve our problems. Good ideas need personnel to implement them. The personnel we have left are already stretched thin, working like mad with the skills they have to raise whatever money they can -- it's not sufficient.
3. Incremental cost cuts are not going to solve our problems. While it's possible to make trims here and there--and they will help--we can't make cuts deep enough to close our deficits without compromising our ability to keep fundraising at current levels.
4. Extending fund drives further is a swift path to an early grave. Many of our stations have already hit a wall of diminishing returns on extended fund drives -- the incessant pitching drives their audience away, so there are fewer and fewer people left to request money from with every passing fund drive.
5. Whatever you think the limitations of our current staff and management are, finding someone brilliant to replace them is unlikely. We pay well below market rate for just about every position in the network; we carry the stigma of being a conflict-ridden, financially-distressed organization; and we subject our managers to acrimonious, often borderline-abusive interactions with members of our local

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and national boards. Great job applicants are not beating a path to our door--which means leadership purges are unlikely to produce a messiah to deliver us from our problems.

What we need are structure-level changes. That's what our auditors and our insurers are talking about when they ask for a recovery plan. A lot of the things I'll outline below are controversial, not all of them are things I endorse, but I think you need to pick among them, discuss under what conditions some might work, what compromises you're willing to make, and chart some kind of course change--because our present trajectory has us pointed at a cliff, and moving toward it at high speed.

1. Stop the bleeding: Put WBAI into an LMA. This would entail handing control of WBAI (and responsibility for paying its bills) to another nonprofit, while Pacifica maintains ultimate control of the broadcast license. In the past, we've had offers from multiple nonprofits that are compatible with Pacifica's mission.

Something has to give: WBAI has almost nothing left in the way of money, audience, personnel, nor facilities to re-build itself from. The cost of renting WBAI's tower (\$660,000/yr and rising 10% every year) and maintaining a legally-compliant station in New York is simply more than Pacifica can afford. The LMA option could eliminate roughly \$500,000/year in deficit, and hopefully leave WBAI with a much larger audience than it has today.

If we can't negotiate an LMA arrangement that would cover the bills, then the final option would be to approximate the same result internally: strip WBAI down to the FCC-mandated minimum number of staff on-site, simulcast one of the West Coast stations during most of the day, carry their pitches during fund drive, and have all the phone room, data entry, billing and premium fulfillment operations associated with fundraising happen out of that West Coast station. That arrangement would cost less. There's a decent chance it would raise more. If it doesn't raise enough to fix the problem, at least you'll have exhausted every option short of a license sale.

2. Save our History: re-locate the Pacifica Radio Archive to a University. Our collection of reel-to-reel tapes currently takes up an entire floor of KPFK's building, plus two rented storage units, plus the work of five paid employees to maintain and slowly digitize. We've had two universities offer to house those tapes at their expense, while Pacifica retains ownership. This could provide a lot of upsides: Pacifica's stations would be relieved of the dues they pay to the Archive; the National Office wouldn't have to keep floating PRA's payroll when those dues come up short, KPFK would get an entire floor of its building back, which it could rent out to shore up revenues. And, in all honesty, a well-resourced University might take better care of the collection than we've been able to, be better-positioned to pursue preservation grants, and digitize that collection faster than the crawl we've been moving at.

This option could eliminate up to \$300,000/year in net costs, and potentially produce tens of thousands of dollars in rental income for KPFK.

3. Fix what we can: focus turn-around efforts on WPFW. Like WBAI, WPFW's deficits approach \$500,000/year. Unlike WBAI, WPFW doesn't have insurmountably high overhead.

If we could put out the fires in a couple other parts of the network, then focus our personnel and resources on WPFW, we could probably turn it around. That would entail getting assistance and advice from the National Office and sister stations on best practices on every front, from how the books are being kept, to how fund drives are being run, to how bills and solicitations are being managed.

Again: I don't think this type of detailed troubleshooting is possible unless and until we fix some of the

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other problems in the network first, and give the stations enough breathing room to put time into helping each other out.

If we can't turn around WPFW under our own power, you should consider requesting LMA/PSOA proposals like we have for WBAI.

4. New revenue channels: the Affiliates Program. The Affiliates Director made a proposal last year to set up an underwriting cooperative for affiliates, which she said would both encourage more stations to join our affiliates program, and result in small direct revenues to Pacifica. The board basically shot it down over the income-splitting formula she proposed (which was problematic, but fixable), and opposition to having anything to do with underwriting (which is a question of political principles that we never fully debated nor resolved). Last year's board left the door open to considering a revised version of the proposal, but management never followed up -- if this is something the PNB doesn't have principled opposition to, it's something you could direct staff to start working on again. This is an actionable proposal for bringing more money in the door -- all it's waiting for is the PNB to decide where it stands.

5. Fast money. We need an infusion of one-time cash to to keep from going under while the long-term solutions listed above go into effect--without it, we will be in court with our creditors (and possibly our unions) within a matter of months, if not weeks.

There is only one real option I can think of: the real estate we own next to KPFA's studios. It comprises one parcel and two buildings in Downtown Berkeley that are rotting away for lack of maintenance. One of them currently houses the National Office's accounting staff (about four people).

This is the only real estate we own that isn't crucial to broadcast operations. If we can't get a mortgage against that property, we should sell it before our inability to make payments on other obligations gets a lien slapped on the buildings.

The National Office Staff could squeeze into KPFA's studios for the time being; KPFA could re-locate the stored items it can't throw out.

It pains me to propose this, because that real estate is something that the people at my station -- KPFA -- worked hard, and gave hard, to purchase and pay off. But it's a valuable, mostly-idle asset that we're neglecting -- and we desperately need a cash infusion to have a chance of getting out of our downward spiral.

I would strongly oppose a sale of the parcel if that sale were the only measure on the table--the infusion of cash would only help us delay facing our structural problems. But if the proposal to sell is attached to a plan for addressing our structural problems--something like what I've outlined above--it makes sense.

Most of the moves above will require considerable time from staff and management to develop into actionable proposals that the board can vote on -- so it's important for the board to signal, now, which directions it wants to move in, so that staff know the time they do put into developing plans won't be wasted.

The ideas above also leave unresolved the bigger questions facing us as a media organization: How do we bring younger generations to our work? How do we move beyond terrestrial FM broadcasting, and spread Pacifica's work on digital platforms, social media, podcasts, etc.? And how do we pay for that?

I don't have easy answers -- it's part of what I'll be exploring during my year at Stanford -- but I do know we can't make progress on those fronts until we've put out the fires. Until we've stopped the bleeding and put some money in the bank, we have nothing we can spend pursuing promising but risky new ideas. And until we've moved our staff and boards beyond perpetual crisis-response mode, we won't be coming up with a lot of

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brilliant ideas to pursue.

Above all, we have to do something: every day that we don't make major changes, is a day that we go deeper into debt, a day that we lose more room to maneuver, and a day that our audience grows a little bit smaller. Deciding not to do anything is the worst decision we can make.

Of course, deciding not to do anything is mostly what we've been doing. We are an organization that is ruled by inertia. Our boards fight over everything, and decide almost nothing of importance. Our managers have dozens of bosses and no direction. They've learned that initiating change themselves is a great way to get attacked -- so they keep their heads down and try not to get noticed.

Our governance structure contributes heavily to this organizational paralysis, and you have the power to change it. Pursue bylaws amendments that shrink the size of our boards, so they are less prone to factionalization, and so the meetings are less chaotic. Consider longer terms for PNB members, so there's not constant churn, and board members have time to build mutual trust. If those still leave the boards divided and dysfunctional, then revisit whether STV is working. It almost always produces narrowly-divided boards--maybe a winner-take-all election system that gave the organization a clear direction would be preferable to our power-sharing system that produces little more than acrimony and stasis.

Good luck,

Brian

--

Brian Edwards-Tiekert
KPFA 94.1 FM
1929 Martin Luther King Jr. Way
Berkeley CA 94704

Sep 8th, 2016

Dear PNB Members,

Sub: Resignation

I regret to inform you that I have decided to resign from my position as CFO of Pacifica Foundation. I have accepted another job and my last day of work at Pacifica will be Friday, Sep. 16th.

I have concluded that, under prevailing conditions, I can-not be effective in my job. There is monumental amount of work to be done to pull the organization out of financial crisis, but have not seen sincere efforts to do "whatever is necessary" to move forward. Although voluntary bankruptcy and

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re-organization may be the least desirable and most expensive option, yet, with every passing day, it may be the only option left because of dysfunction in the Board, mismanagement and failure of leadership.

It has been a privilege to serve this storied and historical organization for a short period of over eight months. I would like to mention a few of my and my team's notable accomplishments as follows:

1. I have successfully replaced almost 75% of the National Office team with more competent and skilled employees. We are now achieving capacity utilization of almost 100% as compared to only about 3040% in the past, because of skills mismatch.
2. FY 2014 audit is almost complete which had been pending for almost two years. We have also completed and filed Form 990 for FY 15 (Calendar year 2014).
3. We have done substantial work in completing FY 2015 books. Since Balance Sheets had not been prepared for last two years, this work was particularly challenging. While preparing the books, we have also laid down the process for monthly reconciliations and adjustments which should help in doing complete accounting.
4. We have transitioned WPFW and WBAI accounting from Houston to the National office and are in the process of streamlining process and procedures. We have not hired additional staff to undertake these responsibilities and have accomplished this with better utilization of the existing personnel.
5. While removing the backlog, we have continuously kept the books current for FY 16 and provided real time information to all interested parties.
6. We have provided extraordinary amount of information to PNB and various committees and created clear and factual awareness of the burning issues.

Pacifica has a long history and I believe, this period will also pass because of strong will and courage of its people and staunch listener support. If I could be of any help in the future, please do not hesitate to contact me.

Sincerely,

Shailendra S. Agarwal (Sam Agarwal)

Cell: 612-xxx-xxxx