

WBAI Treasurer's Report
September 11, 2019

The National Finance Committee (NFC) met on July 23, August 27, and September 10, 2019. The local Finance Committee met on July 11, 2019.

At the July 11, 2019, local Finance Committee meeting the need to pay off the loan was discussed. The General Manager said that he's put forth the idea of a one day on-air fund raiser for all five Pacifica stations to raise the money to pay off the interest on the loan. He said he thought that such an on-air fund raiser could raise about \$300,000.

During the course of this meeting Cerene Roberts, who is not a committee member, tried to vote on a question of when the committee would meet next. When told that only members may vote and that since she was not a local Finance Committee member she could not vote and that her attempt to do so was disruptive of the meeting she persisted in holding her hand up to vote anyway and refused to come to order. The General Manager, after having told the local Finance Committee for years that he could only meet on Thursday nights, voted to meet on Wednesday July 31, which was also sooner after the July 11, meeting than the committee usually meets.

The General Manager told the committee that the *Quickbooks* software that he prefers to use for accounting purposes is acceptable to the National Educational Telecommunications Association (NETA) which is handling most of the financial accounting for the National Office now. He said that he is complying with the protocols of scanning all financial documents, including checks, and sending them directly to NETA and that this system is working well.

The General Manager told the committee that WBAI had about \$5,000 cash in bank at that time. He said that WBAI's Accounts Payable was being carried as \$3,082,559 because the accountants were still carrying a debt to the Empire State Building (ESB) of \$2,377,945 even though that debt is no longer owed to the ESB. The General Manager said that WBAI had received a bequest of \$208,000 and that about \$192,000 of that had been used to pay down the Accounts Payable that are not inflated by the ESB debt. The committee discussed the fact that even after removing the ESB debt and counting in the \$192,000 payment WBAI still owes over \$500,000. The General Manager said that at that time NETA was mainly focusing on KPFA and KPFK for their arrears in the pension funds. The General Manager said that he had recently sent the Pacifica Radio Archives (PRA) a \$4,222 Central Services payment. There was a discussion about the fact that WBAI is still in arrears in paying all Central Services fees and that current Central Services payments from WBAI are being applied to previous years' arrears.

The General Manager told the committee that WBAI owes about \$5,000 on premiums, the largest amount being \$3,170 for the Clean Water Revisal water filter premium.

The General Manager said that the call center used for taking pledges during the on-air fund raisers is now costing about 81¢ a minute.

The General Manager said that \$1,750 had been sent to settle the copyright issue that had been detailed in the May 8, 2019, Treasurer's Report. The General Manager said that WBAI's rent for 388 Atlantic Ave. will go up to \$6,500 a month starting on October 1, 2019. He told the committee that the Summer on-air fund raiser was to start on July 22, 2019, which had been its original start date. He said that he had submitted the station's quarterly report to the Federal

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Communications Commission (FCC) and the Corporation for Public Broadcasting (CPB) and that the WBAI archives posted by producers had been helpful in reducing his work on those reports to the FCC and CPB from two or three days to several hours. The General Manager said that he was very pleased with NETA even though they were being slowed down by having to deal with cleaning up Pacifica's financial reporting legacy.

The General Manager told the committee that the build out of the new master Control Studio would cost about \$50,000 to \$60,000 of which about \$35,000 to \$40,000 was for new equipment. The General Manager said that the \$10,000 pitch for the funds needed to finish the build out of the new studio had been successful.

The committee discussed the budgets. The General Manager was reminded that he'd promised to send the local Finance Committee and the NFC a revised FY19 budget, he said he'd send it. The General Manager said that he'd produce a FY20 budget for the committee to look at. He said that the phones at WBAI had all been fixed. He noted that all of WBAI's Central Services arrears would be paid if Pacifica would credit WBAI with the revenue from the Jim Krivo bequest and the bequest of the building in New Jersey.

I reminded the General Manager that I had requested that he contact the Greater Public Organization about granting me access to their servers. Former Executive Director Maxie Jackson III had set up memberships for all of the stations with the Greater Public Organization and he said that the Directors and Treasurers should be given access to that group's services. The former Executive Director had said that we should ask the station General Managers to tell the Great Public Organization to grant us access. To date I do not have access to this resource.

The local Finance Committee attempted to meet on July 31, but the committee could not achieve quorum. Two of the people voting for this date did not show up for the meeting. I have polled the committee and we now have a meeting date set for September 25, 2019.

At the July 23, 2019, NFC meeting the committee discussed the interest payments due on the loan, based on what members knew at the time of the meeting. The Chair said that a third of the large bequest that Pacifica has recently received is earmarked for paying the interest. He said he'd send the committee a spreadsheet with details about it. He said that the quarterly interest payments would come to about \$70,000, and that the money is in an escrow account.

There was a discussion about what could and could not be revealed about the loan details and why there were such restrictions. The NFC Chair said that the loan details may frighten some people because of the default language, he said that lot of the details have to do with recording, etc. and that Pacifica is not close to being in compliance yet but we're closer than when the loan started. He said that the lender wanted to see progress on this, but that they don't seem like the type of lender who would yank the loan, and they've been friendly so far. He said he didn't see why the loan details can't be given to the NFC.

Interim Executive Director John Vernile told the NFC that he'd gone over the loan details with the interim CFO and that a significant portion of the \$585,600 bequest Pacifica had gotten was used to pay outstanding payables. She said that the rest went to about \$200,000 for a reserve fund for interest and about \$100,000 for the principal of the loan. She said that expenses included about \$50,000 to NETA, about \$53,000 to a law firm that's helping to get Pacifica's CPB status

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rectified and about \$11,000 to help pay off the the pension arrears. Also the auditors had to be paid, and other expenses were paid that would have negatively impacted Pacifica's credit ratings, and election expenses were also paid.

At this meeting the NFC also briefly discussed how to allocate the interest payments among the stations. Ideas were discussed but no resolution was reached at that meeting.

The idea was broached at this meeting of inviting all of the Pacifica General Managers to a NFC meeting to discuss the organization's finances. I am of the opinion that the NFC needs to get itself more together before such a meeting with the General Managers would be productive, and I also think that a meeting with all of the General Managers at once would not be fruitful. This idea is still being considered for the future on the NFC.

At this meeting it was established that no station was really ready to present a FY20 budget, although all stations had plans to begin discussions about the budgets.

The NFC passed the following **Motion**: "The NFC strongly requests that the interim Executive Director ask the lender if the NFC could be sent the loan documents." (Passed without objection). It is necessary for the budgeting process that the NFC and the stations not be working in the dark about the huge debt and its details.

The regular NFC meeting scheduled for August 13, 2019, had to be cancelled because there was a problem with the teleconference provider and no one could get on the call.

At the August 27, 2019, NFC meeting there was a discussion of the possible strategies for the allocation of payments on the loan and its interest among the Pacifica stations. The NFC Chair presented the committee with three ways of allocating the interest payments on the loan:

1. Full payments starting in September, the first of which is covered by the endowment. After that the interest payments would be about \$70,000 per quarter.
2. Reduced payments using the \$200,000 remaining from the endowment, and spreading that out for the remainder of the loan. The NFC Chair said that would cut the quarterly payment amount by about a third leaving the quarterly payments in the \$40,000 to \$50,000 range.
3. Wait till the interest funds run out and start making the full payments in June of 2020.

The NFC discussed these options and it was established that there is a bequest of about \$574,000 of which about \$200,000 is earmarked for interest payments, and there is about \$50,000 left in the escrow fund. The approximately \$200,000 and the approximately \$50,000 are in the escrow account. No one on the call knew what the interest rates were on the accounts. The possibility of investing some of the funds in a certificate of deposit in order to gain more interest on it was suggested. The possibility of a real estate loan amortized over a much longer time was brought up. The possibility of refinancing the loan now instead of in the future was discussed; in that case it might be best to wait until the FY18 audit was done in order to secure lower rates.

The PNB Chair was on the call and said that she had searched for loans before the current loan was secured and that Pacifica's credit rating is terrible, so it might be best to wait until

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Pacifica has an FY19 audit in hand to try to refinance the loan because that might improve our credit rating.

The possibility of a recession coming soon was brought up. The interim Executive Director said that the general trend in public media is that recession causes a major hit to fund raising; he said that some stations have gotten hit by shortfalls of about 30% during recessions.

The NFC passed the following **Motion:** (Chris Cory) “The NFC recommends the following strategy for paying the interest: full payments starting in December with it in mind to not use the escrow account for the remainder of the term of the loan.” (Passed 7 for, 3 against, 1 abstention)

There was still the problem of not everyone on the NFC knowing the details of the loan. At least some of the Directors knew the details, and so the NFC passed the following **Motion:** “To create a ‘loan review subcommittee’ of the NFC which shall ascertain whether or not certain proposals entertained by the NFC are in conflict with the loan or not. The loan review subcommittee shall consist of the interim Executive Director, Bill Crosier, Chris Cory and Nancy Sorden.” (Passed 10 for, 1 against)

This sub-committee should at least prevent the NFC from wasting a lot of time bringing forth proposals to the PNB that would cause problems due to the details of the loan.

Before this meeting the interim CFO sent the NFC a “Monthly Income Statement For the Six Months Ending Sunday, March 31, 2019.” It shows Pacifica with a Net Income without depreciation of \$939,035 and **WBAI with a Net Loss without depreciation of \$121,277.**

In the course of this NFC meeting the KPFA Treasurer and the KPFA Director were attacking WBAI and WPFW over finances. They were even demanding an apology from the WPFW Treasurer when he opposed the things they were saying. One of them was clearly interested in making WBAI and/or WPFW into a repeater station for KPFA and/or KPFA, which is not likely to be allowed by the FCC, or doing something else, which is probably a signal swap or sale of one of the stations. I shut that part of the meeting down with a call for the orders of the day.

Before this NFC meeting the KPFA Treasurer sent an E-mail regarding the video she’d seen of the first WBAI election debate held in August where she saw people putting forth the MNN PSOA scheme. She was saying that this was what “New York” was talking about doing. I spent some E-mails telling her, and the rest of the NFC, that this was election rhetoric from a faction on the LSB, and that the rest of us opposed it and knew that it was not even a real proposal. In the meeting her attack did not mention the MNN scheme.

At the September 10, 2019, NFC meeting the issue of what each station would pay towards the interest payments was addressed. The NFC passed this **Motion:** (Chris Cory) “The NFC recommends that the quarterly interest payments starting with December 2019, be apportioned by station membership as of December 1, 2019, and revised annually according to changes in membership.” (Passed 7 for, 2 against, 1 abstention)

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The NFC Chair's Calculation of the Percentage Each Station Would Pay					
Station	KPFA	KPFK	KPFT	WBAI	WPFW
Membership	31%	29%	8%	18%	14%

So, by my calculation from the above information, WBAI will be responsible for paying about \$12,600 a quarter once the stations take on the full burden of the interest payments, which is about \$4,200 a month. This doesn't sound like an awful lot, but from the General Manager's FY20 budget proposal WBAI is running a deficit of around \$179,000 for FY19 so far, with a projection of the end of year deficit being over \$300,000. It would be good if WBAI could keep up with our share of the interest payments, but with the station's record of Central Services payments I'm not optimistic. On the other hand, as the General Manager has pointed out, if Pacifica would credit WBAI with the bequests that have been donated to Pacifica from WBAI's listening area there would be no problem with either the Central Services payment or the interest payments.

The NFC discussed a Central Services formula, and members suggested that we had to see what the National Office needed for FY20 before we could start trying to figure it out. This will have to be done pretty soon.

The General Manager has sent out an Accounts Payable report which shows WBAI with a total amount owed of \$587,722 as of August 14, 2019. He also shows the BAI Buddy project as realizing \$14,385 a month for the station. The General Manager sent several financial documents to the LSB in August, and I will not duplicate those here.

The WBAI Summer 'thon ran for 21 days, from July 22, through August 11, 2019. The General Manager says that the final tally was \$151,461 which he says is about 4% short of goal.

I sent the FY20 Budget timeline with the July 10, 2019, Treasurer's Report. It will be noted that we are up against some deadlines with that timeline. One of those deadlines, for September 15, involves the LSB in ranking budget priorities in order of importance on a scale of 1-5 where 5 is high. One member of the NFC at last night's meeting said that this was not a useful way to do things. For WBAI I think that's about right. The thing that WBAI needs to concentrate on is increasing the station's revenue. There is not much in the way of expenses that we can cut, so generating more revenue is the only way to get close to breaking even. The NFC is also facing a deadline of September 15, to determine the Central Services formula. As noted above, this deadline is not going to be met.

The General Manager has sent out a draft FY20 budget. It is not quite formatted as the interim CFO had asked that it be, but the General Manager is showing a year end deficit of about \$316,000 for FY20, which would be similar to the projected approximately \$318,000 deficit on the draft FY19 budget that the General Manager had sent.

In a conversation with the General Manager yesterday he said that WBAI is probably not

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going to be able to make the September 15, payroll on time. Of all debts payroll is the top debt that is legally required to be paid. If other stations have to chip in again to get this debt paid it will cause more resentment. The General Manager told me that the rest of Pacifica doesn't seem to have enough money to help WBAI out at this time. In discussions with the General Manager about the draft FY20 budget he'd sent me I noted that his Assumptions regarding the on-air fund raiser tallies for FY19 seem larger than they really were to me. I think that in the long run the interim CFO and NETA will iron this out and we'll get an assessment from them. In the course of this conversation the General Manager told me that the General Managers of the stations are no longer meeting together weekly, as they had done under the previous Executive Director. This may not be a good development.

WBAI's bottom line is that our bottom line is not adequate, which is not new but which is especially dire with the loan payments looming. We are seeing other stations expressing resentment toward WBAI for not paying Central Services fees and asking for money from them for other items. On the other hand WBAI is not being credited for the substantial bequest money that's being realized from the WBAI listening area.

The real interest payments on the loan will not start until the end of December, and there's the possibility that they could be met. There is also the possibility that WBAI might fall short in paying either or both of the Central Services fees or the station's share of the interest payments. We live in interesting times, and if there is no refinancing of the loan principal there may really be a huge payment looming in about 18 months.

The next NFC meeting will be on September 24, 2019, and the next local Finance Committee meeting will be on September 25, 2019.

R. Paul Martin
WBAI LSB Treasurer