

Pacifica National Board

Finance Committee Meeting – July 9, 2004

MINUTES

Meeting called to order by Chair Mark Roberts at 12:45 Pacific Time.

Present: Henry Cooper, Lonnie Hicks, Mark Roberts, Alice Shields, Carol Spooner, Paul Surovell, Donna Warren, LaVarn Williams

Mark read the proposed agenda which was accepted without objection.

Minutes of prior meeting of May 21, 2004 were accepted without objection.

(1) TREASURERS REPORTS

During the "Treasurers Report," the status of the review of salary information by finance committees was reported by Treasurers from KPFA and WBAI (Paul and LaVarn). Henry reported for KPFT (Dalia Stokes, who resigned as treasurer, has not yet been replaced), Mark reported for WPFW (Warren Turner was absent) and Donna reported for KPFK (Simone Wyatt was absent).

(2) CFO REPORT

In his report, Lonnie put emphasis on the need to contain costs of the upcoming Elections. He pointed out that the last actual Elections cost of about \$187,000 had the greatest variance of any line item.

Lonnie said he hopes to limit the cost of the next elections to between \$170,000 and \$200,000.

He expects about \$80,000 of these costs to accrue in FYR04 and the remainder in FYR05. About \$7,000 to \$8,000 has already been paid toward hiring 5 Election Supervisors and National Supervisor Mostern.

Carol said KQED was able to mail 100,000 ballots for \$90,000 and that we should inquire how they were able to do that.

Lonnie concluded his report by stating that he's worried about whether the network is going to be able to meet his goal of putting aside 1-month's working capital, but he continues to believe that this is an important goal.

(3) APRIL FINANCIALS

Lonnie said he expects the June 04 actuals to be available by about July 20th.

Lonnie briefly explained how the category "Future Amount Computed" is calculated.

Insurance Proceeds

Carol asked why Insurance Proceeds was dropped from the April YTD Income Statement.

Lonnie replied that it's been reclassified as an offset to Insurance Liability.

**After a brief discussion Lonnie agreed to create a new Income line-item "Other, Insurance" for insurance income.

Pension Expenses

Carol and LaVarn noted that Pension Plan expenses are not being accrued monthly but are being entered once at the end of the year.

**Lonnie agreed to accrue Pension Plan expense monthly in the FYR05 budget and Income Statements.

Governance Expenses

Mark asked whether we could get a separate category for all Governance costs, including PNB meetings, phone calls and Elections costs.

**Lonnie said this is already being done as a breakout category and he will make this a regular feature of the Income Statement.

He said this will be helpful because Governance is the largest variant and we need to talk about it.

Income Statement Format

In response to a suggestion by Donna that the Income Statement has become too complicated. Lonnie replied the format responds to requests that have been made for more details.

Carol expressed appreciation for Lonnie's efforts to provide details, especially projections.

(4) MAY FINANCIALS

Future Amounts

Mark began with a detailed examination of the Income Statement Future Amount categories using the example of the Telephone line-item. The Future Budget Amount is derived from taking the difference between YTD Budget and Total Budget for FYR04.

In May, the Future Actual is derived by taking one-half (50%) of the YTD Actual and adding or subtracting if there is reason to believe the remaining four months of the FYR will be at a higher or lower rate than what has occurred thus far.

The reason for this is that May YTD represents 8 of 12 months, or two-thirds of the year, so the remaining one-third of the year is initially estimated at one-half of the YTD through May.

**There was general agreement that the term "Actual" in the Future Amount section was confusing, since it was a projected value. It will likely be changed from "Actual" to "Forecast."

National Board Expenses

**In response to a request by Carol, Lonnie agreed to provide a breakout of National Board expenses.

LSB Elections

**Lonnie also agreed to send out a projection for the LSB elections as well as a breakout of the expenses for the LSB elections.

Questions on Variances

Donna posed questions on how variances can occur on fixed costs, such as rent, programming (Democracy Now!), Equipment Reserve and Community Events.

Lonnie explained that variances result from the fact these expenses are aggregated from the 5 stations and that the DN! variance largely results from the timing of the payments.

He further went on to discuss his approach to large variances between actuals and budget numbers.

He noted that the iPNB established a policy in September 2003 that any station expense of \$2,500 or more for an unbudgeted item needs approval from the CFO.

He said that generally, he looks at the "bottom line" rather than every line-item. If he sees a major variance in a given month (in the YTD category) he will call the GM or go to the station (particularly in the case of WBAI).

In response to a question from LaVarn, Lonnie said that the Business Manager of each station reviews the expense variances each month. He said that noting variances at the station level "is a good way to go."

Lonnie said that the line-item in the WBAI Income Statement which shows \$9,488 for May computer equipment in the Cash and Capital section, but only \$698 for YTD is a typo and will be corrected.

Mark raised questions about Central Services variances and Insurance expenses not paid out of DC office --- ???

(5) LEGAL EXPENSE ANALYSIS

Mark described the document "Legal & Settlement Fee Summary as of May 31, 2004," noting a total amount due of \$539,517. Lonnie noted the additional amounts listed on the document that may be written off, because the firms have stopped invoicing us.

**Lonnie agreed to provide the names of legal firms identified only by a letter on the document.

Mark noted that Carol has asked for the formula that is being used to determine how each station is being asked to pay off this legal debt.

Lonnie replied that the allocation is 25% for each of the 3 large stations and 12.5% for the 2 smaller stations.

He noted that settlements reached in February 2004 generated a huge bill, which has to be treated like a Central Services expense.

Lonnie said he can provide accurate information on how legal debt payments were allocated among the stations from 2003 forward, but there is very bad documentation for 2002 and he cannot provide reliable information for that year. He noted that there was \$504,000 in legal debt at the end of 2002.

A discussion ensued over a distinction between "special assessments" and "legal invoices."

Carol said there are two separate questions:

- 1- What have the total external legal bills been?
- 2- How much in special assessments and or special loans have the stations paid so far?

She said the stations paid more than a million in "special assessments" in 2003 and 2004 and that we need to know how much the stations paid in "special assessments" in 2002 plus an accounting of what the total legal and settlement fees have been since January 2002 in order to know how much the stations still owe to the national office in "special assessments," if anything.

Lonnie replied that he can answer those questions as of 2003 but not as of 2002.

A suggestion was made that we go to each law firm and ask how much is owed to them and how much has been paid, and thereby determine the total bill from that firm.

Lonnie said the books were restructured in 2003. We can verify year end 2003, 2004 and project to 2005.

**Lonnie agrees to go from 2003 to 2005 and provide a breakdown by station of special legal assessments. How much have been paid and how much they will pay. Also, what firms were owed, what they were paid, and how much is left to pay in 2005.

**Lonnie agrees to produce by July 23rd:

- 1-Names of firms on Legal & Settlement Fee document
- 2- For 2003 forward, total special legal assessments and legal bills by firm
- 3- For 2003 forward, show what each station has paid.

Donna says we need to contact attorneys to find out what they think we owe them.

The next meeting of the Committee was scheduled for Friday July 23, 2004.

A motion by Alice to request job descriptions for all managerial positions in Pacifica was not seconded.

Mark said we can discuss this at the next meeting.

Mark said by the end of August 2004, each LSB should have provided a letter affirming that they have approved a budget.

Meeting was adjourned.

Respectfully submitted,

Paul Surovell
Secretary

These minutes were approved on 7/23/04.