

WBAI Treasurer's Report

April 13, 2016

The National Finance Committee (NFC) met on March 15, and March 29, 2016. The WBAI local Finance Committee meeting set for April 7, 2016 was cancelled.

At the March 15, 2016, NFC meeting the CFO told the NFC that WPFW and WBAI are going through troubling times. He said that the National Office has to pay the health insurance premiums for both stations or there would be no health insurance for anyone in the Pacifica network, except KPFA, and this is draining the National Office's funds.

The CFO said that WBAI has cash flow problems, and that the big issue is the tower rent at the Empire State Building (ESB). He told the NFC that ESB Management had called for a meeting with Pacifica, but they hadn't specified an agenda. He said that the tower rent was about \$43,000 and WBAI has been paying only \$12,000 a month. It sounds to me like the CFO is underestimating the nominal monthly ESB rent. With WBAI paying \$12,000 a month my estimate is that the difference, the monthly debt accrual on the ESB rent, is \$43,000. When I asked the CFO during the "questions only" part of the meeting if he knew that the nominal monthly ESB rent is more than \$43,000 he said that he'd arrived at the \$43,000 figure by adding up the terms of the agreement, but that maybe there were separate riders or addenda that he's not aware of. There are indeed other fees involved, but they are in addition to the \$43,000 a month difference between what WBAI pays and the nominal monthly rental.

The CFO and Pacifica Director Tony Norman came to New York City on March 21, and 22, for meetings with ESB Management and the WBAI General Manager. I have seen no reports on the details of what they did here.

The CFO noted that WBAI has not been paying its full rent to ESB for years and that Pacifica can't pay the accumulated difference. He said that WBAI was behind in Central Services payments by two months, and behind in paying the station's health insurance premiums one month, as of the middle of March. He said that he has looked at WBAI's cash flow projection for the next two months and there was no possibility that WBAI could meet its operational expenses or pay Central Services fees over that time. He said that the tower rent is exorbitant and can't be met by the station's income, and that the station was already in a big hole in terms of meeting its operational needs. The CFO suggested that the time has come that Pacifica needs to look into all possible options, including sale, liquidation, Local Marketing Agreements, "or whatever." He said that time for even those options has possibly passed. He said that the Pacifica Foundation is responsible for all of WBAI's debts, including payroll, so the entire network is held liable to pay. He said that the sooner Pacifica acts the

better it can be for everybody. The CFO said that the NFC should recommend to the PNB that action is needed on WBAI in the next month or so.

The CFO said that he would provide an update regarding WBAI and the ESB negotiations at the next NFC meeting, which I gather to mean at the regular NFC meeting on April 19, 2016. The CFO said it would be more efficient if the NFC met every 10 or 15 days because the financial issues are so critical. He proposed discussing the finances of other stations as well as the ones that are struggling financially, devoting one NFC meeting per station, so that the NFC can make positive recommendations or changes to the operations of those stations. He said that even the stations that are doing well are not cash rich and that if anything goes wrong they are in trouble.

The CFO said that he is strongly opposed to borrowing from one station for another, that it is unethical, and problematic. He acknowledged that it is happening by default, and he said that he wants to stop that practice. From time to time all of the Pacifica stations have had to borrow money in order to meet debts. One of the major reasons for such borrowing has been to meet payrolls. Forbidding "interunit transfers" could possibly cause financial crises in Pacifica within a short time.

During the "questions only" agenda item following the CFO's report I asked if the CFO was

familiar with the Pacifica bylaws regarding sale of stations, and if the CFO was aware of the status of WBAI's license. He said that, while valid, these questions were premature at this time, and that when the time comes Pacifica will have to act responsibly and these issues will need to be looked at more deeply then. In fact the Pacifica bylaws require that the entire membership of the Pacifica Foundation vote on the selling, or "liquidation," of stations. The options regarding a Public Service Operating Agreement (PSOA) have been explored in the past and they are not so attractive, and they would also arguably require approval of the entire membership of the Pacifica Foundation. If that argument had to occur in a court of law it would represent another expense. As for my question about the status of WBAI's license, WBAI's license renewal application has been stalled for years, I am under the impression that the license could not be sold or be the subject of a PSOA until such time as WBAI's license has been renewed by the Federal Communications Commission.

The CFO told the NFC that he had been in contact with the WBAI General Manager and that he had raised these concerns with him. The CFO told the NFC that he was surprised to find that the numbers are not being taken into account by WBAI Management and that no action or suggestions are coming forward. He said that this cannot continue.

The CFO is struggling with getting access to all of the bank accounts held by the various parts of the Pacifica Foundation. In this case WBAI is doing well, having given the CFO access.

At this NFC meeting the CFO said that the audits were going smoothly, but on the FY14 audit a sticking point is a cash plan for the “going concern” issue, the cash flow plan depends on all of the stations being afloat, if they’re not then we can’t submit a cash flow plan to the auditors. The CFO said that this is another reason why cash flow is an urgent issue.

At this meeting the NFC passed the following motion: “The National Finance Committee recommends the PNB pass the following resolution:

The PNB directs National Management (the interim Executive Director and CFO) to produce a list of options within 60 days for re-structuring WBAI in a manner that would stabilize the station's finances and help stabilize the network's finances. The list shall include an assessment of each option's costs, benefits, risks, implementation time, and impact on the network's overall finances.” (Passed 9 for, 2 against)

I reluctantly voted for the above motion. I voted for it because, as anyone who has read these Treasurer’s Reports over the past three years can see, Pacifica and WBAI are in deep financial straits. Something needs to be done soon to reverse the downtrend in Pacifica’s and WBAI’s finances. If that downtrend continues for much longer disaster, possibly in the form of bankruptcy, would seem to be inevitable. The reason why I voted for the motion reluctantly is that while something must be done, I do not have much hope that the currently constituted Pacifica Management and PNB have the competence or good faith required to reverse that downtrend.

The March 29, 2016, special NFC meeting was devoted to reviewing the finances of KPFA. The NFC got some financial information about KPFA minutes before the meeting began. As a result the NFC passed the following motion: “That the NFC requests the financial data in spreadsheet form and at least two business days in advance of the for station review meetings from reporting stations. That we continue this discussion on KPFA at the next NFC meeting.” (Passed without objection)

After the meeting the NFC Chair forwarded the requested spreadsheets.

KPFA Management reported that their expenses were better than budgeted by about \$98,000 and that their revenue was worse than budgeted by about \$242,000.

On April 6, 2016, the NFC Chair forwarded to the NFC an "Income Statement For the Five Months Ending February 29, 2016 (With Comparative Figures Since FY2011)."

This Income Statement shows WBAI running a net deficit of \$175,184. All of Pacifica shows a net surplus of \$149,267.

It must be borne in mind that these Income Statements are a mixture of cash and accrual accounting. All alone the Income Statement does not give a good picture of the finances of WBAI or of Pacifica. LSB Treasurers and some Directors have been asking for cash flow statements and Balance Sheets to go along with these Income Statements for years. So far we're still asking.

Comparing the Q1 FY16 Profit and Loss Statement with the Income Statement For the Five Months Ending February 29, 2016, it looks like WBAI's deficit increased by about \$127,000 over the course of two months. This raises questions the answers to which need to be supplied by the CFO and the WBAI General Manager.

The WBAI local Finance Committee set for April 7, 2016 was cancelled when it became clear that it would not be able to achieve a quorum. Also, despite a number of E-mails and phone calls, leaving voice mail where possible, from me to the General Manager I could not get the General Manager to agree to meet with the local Finance Committee. This is a problem.

I will continue trying to get a commitment from the General Manager to meet with the local Finance Committee, and I will try to get him to answer some questions which have been outstanding for some time.

WBAI's finances continue to be troubling. Pacifica's finances overall may not be all that much better. More stations are joining WBAI in pitching for more than 100 days in FY16, which we know results in listener sponsor fatigue. The CFO wants to stop inter-unit transfers. There will again be no CPB grants for Pacifica. Precise financial data is difficult to obtain. And of course there are people within Pacifica who have designs on solving all of the financial problems by selling WBAI. Things do not look good for the future of WBAI and Pacifica at this time.

The next NFC meeting is set for April 19, 2016, the next local Finance Committee meeting needs to be set up and the committee membership and General Manager polled for a meeting date.

—*R. Paul Martin*

WBAI LSB Treasurer