**Administration and Finance Committee Meeting**

**Newington, CT**

**January 15, 2015**

In attendance, Chairman Greg Widin, K0GW, Directors Dennis Bodson, W4PWF, Tom Frenaye, K1KI and Jim Pace, K7CEX, and President Kay Craigie. N3KN, Also in attendance were CEO David Sumner, K1ZZ, CFO Barry Shelley, N1VXY, COO Harold Kramer, WJ1B, and Controller Diane Middleton, KC1BQF.

Vice Director Mike Lee, AA6ML, and Treasurer Rick Niswander, K7GM, were unable to attend due to other business commitments.

1. In attendance as an observer was Director Tom Abernethy, W3TOM.

2. Chairman Widin opened the meeting at 9:05 and welcomed the Committee members.

3. Mr. Widin asked for any changes to the agenda distributed prior to the meeting. **Upon the MOTION of Mr. Frenaye, seconded by Mr. Pace, it was VOTED to accept the agenda as presented.**

4. **Mr. Bodson MOVED, seconded by Mr. Frenaye, to accept the minutes of the November 15, 2014 meeting. The Committee VOTED UNANIMOUSLY to APPROVE the motion.**

**5. 2014 Financial Reports**

Mr. Shelley summarized his financial report to the Board, characterizing the December financial results as disappointing. He noted that annual revenues, in total, were on target and expenses exceeded the original plan target. As a result, the organization reported a preliminary loss from normal operations of $234,000 in comparison to a projected gain from operations of approximately $50,000. He noted that a concern was that margins were decreasing which was indicated by the decrease in Net Available Income. Mr. Shelley continued, highlighting that, including the items of the Centennial year, the organization lost a total of $656,000 from operations before investment gains. He noted that the losses had been planned and the organization had the reserves to absorb these losses. Cash Flow was negative for the year due to the operating loss and large capital expenditures.

Turning his remarks to the Balance Sheet, Mr. Shelley reported that the organization’s Unrestricted Net Assets are still strong and total approximately $5.3 million. Overall, total cash and investments were in excess of $22 million.

Mr. Shelley noted that, while there is no fiscal crisis, the organization cannot continue absorbing losses over the next several years. He also offered that operational losses do not give the ARRL the ability to expand its activities.

Mr. Frenaye asked about the revenues in the publications area and pointed out there weren’t any new titles except the Handbook in the second half of the year. He also asked if doing business with Amazon impacted this. Mr. Shelley opined that the issue with publication revenues is the net margins of the business and where they will be in the future. He reported that, while successful, sales of the Centennial keys produced margins that were less than other product lines. Mr. Kramer noted that the business will shift in the future as digital distribution of publications becomes more prevalent. Mr. Shelley added that we’re not sure how this will impact the organization.

Mr. Frenaye asked Mr. Shelley if there were any other areas about which he was concerned. Mr. Shelley responded by identifying advertising revenues which is high margin sale, noting that the Yaesu loss is significant and results in a direct impact to the bottom line.

Mr. Sumner was asked about any further contact with Yaesu. He responded that after followup to the initial contact there had been no further contact from Yaesu. He also noted to the Committee that the amount of advertising Yaesu had been sending to ARRL might have been more than made good business sense but the amount pulled back overcompensated for this.

Director Liscenco and IVP Bellows joined the meeting during the discussion.

**6. Consent Agenda**

Mr. Widin asked if there were any reports that someone would like to be lifted from the consent agenda.

**Development Report**

Mr. Bodson asked if there was a final number for amount garnered under the Second Century Campaign. Mr. Sumner responded that it was slightly in excess of $7.5 million. Mrs. Craigie noted that there will be a motion made at the Board meeting to thank the Second Century Campaign Committee and dissolve the Committee. Mr. Frenaye clarified that ARRL would still accept donations to the campaign. Mrs. Craigie agreed but noted that we would not be actively soliciting donations going forward. She also reported that we will be asking the SCC Committee for their impressions of the campaign. Mr. Frenaye asked if we will be reporting the final results to the members and Mr. Sumner responded that we would be.

**ARRL Foundation Report**

Mr. Frenaye described a potential estate donation for the Foundation that was challenged and in dispute with the University of Arkansas. He reported that an agreement had been reached to share the bequest equally with the University. He noted that the gift was approximately $200,000 to the Foundation. He mentioned that another new scholarship had been created. Ms. Middleton reported that the ARRL Foundation investment assets had been moved from Wells Fargo to Fidelity Investments.

Director Isely joined the meeting during this discussion.

**7. Proposed 2015-2016 Plan**

Mr. Shelley distributed a report showing the impact on dues revenues under several different scenarios over the next 5 years. He described the scenarios, highlighting the assumptions and noting that they were, generally, based on the last dues increase which was 14 years ago.

Mr. Frenaye asked about the underlying reasons for two of the scenarios and Mr. Shelley responded. Mr. Sumner noted that the scenarios which involve two-step increases are not recommended for a variety of reasons. Mr. Pace asked if we had looked at any other organizations for data. Mrs. Craigie reported that the dues subcommittee did not. Mr. Sumner noted that we are not conceding the membership loss assumptions, and will do what we can to beat these projections, but had to put a stake in the ground for the purposes of the presentation. He then reminded the Committee of the ARRL’s dues history and elimination of the senior dues rate.

Mr. Sumner provided the opinion that, based on the analysis, it was difficult to argue against postponing a dues increase from 7/1/15 until 1/1/16. He highlighted the impact in 2015 and 2016 of delaying a dues increase until 1/1/16. Mr. Bodson opined that we must find an effective way to notify the membership of any increase and also that the dues will be reviewed at periodic intervals in the future. Mr. Sumner did note that there is a problem with committing a future Board to a specific action. Mr. Bellows expressed the concern about the use of old data in deciding the current issue. Mr. Widin opined that there could be sensitivity analysis performed on the model but he feels that it would not move the numbers significantly.

Mr. Frenaye opined that when Digital QST was introduced for no additional fee, it inhibited our ability to raise the dues. He offered that he liked the presentation by Mr. Niswander which showed what the rate would be if it had kept up with inflation. Mr. Frenaye then asked Mr. Sumner to clarify his remarks about not having a compelling argument against delaying the increase. Mr. Sumner responded that an increase at July 1st would result in slightly less dues revenue in 2015 than if we were to not increase the dues at that point. Postponement until January 1, 2016 would produce less revenue in 2016 but, based on current financial projections for 2016, we could absorb that. Mr. Frenaye offered that he was not convinced a dues increase effective on Janaury 1st, 2016 is the best option.

Mr. Sumner also offered that, in his opinion, a tiered membership pricing is not appropriate. He believes we need to sell the value of ARRL not just the form in which QST is received.

Mr. Pace noted that the proposal represents a 25% increase in dues but thinks we can get better results with the 6 month delay. He believes we have to “sell” the increase to the membership. Mr. Bodson asked if the proposal includes a 5 year membership option and Mr. Shelley responded that it did not.

The Committee had a discussion of other dues categories and rates which included a discussion of the blind membership category. Mr. Pace asked if the scenarios included assumptions for the family and blind rates and was assured that they did. Mr. Sumner pointed out that these rates are set in the By-Laws. He reminded the group that he had distributed a document after the November meeting which proposed eliminating the blind rate however there was no positive response. Mr. Frenaye asked how common the blind category was with other organizations however no data exists. Mr. Bellows offered that he saw no reason we can’t ask for documentation of impairment.

Committee discussed the procedure to bring the motion to the Board to have a 2015 Plan accepted by the Board at this meeting. There was a long discussion about the tactics for bringing a dues increase to the membership.

**It was MOVED by Mr. Pace, seconded by Mr. Bodson, that the A&F Committee recommends the Board accept the 2015-2016 Plan including the revenue revisions for both years arising from postponement of a dues increase until 1/1/16. The Committee VOTED to UNANIMOUSLY APPROVE the motion.**

Director Lisenco departed the meeting and Director Vallio joined the meeting during this discussion.

Committee took a break from 11:10 am and resumed at 11:30 am.

Vice Director Woll joined the meeting during the break.

**8. Old Business**

Mr. Widin turned the Committee’s attention to the report attached to the A&F report to the Board meeting regarding a recommendation for a Strategic Planning process. He asked for comments from the Committee. Mr. Frenaye offered the opinion that the size of the group proposed to lead the process was too small and should include 8-10 people.

The Committee had a discussion of overall process and the issues of communicating to and within the Board. It was agreed that the process needs to be different than the current committee structure offers. Mr. Bodson noted that the communications to and from the Board throughout the process need to be frequent. Mr. Frenaye asked about input from the Executive Committee. Mrs. Craigie reported that she had provided the EC with an extensive memo on the discussions from the last A&F meeting and had not received any strong negative reactions.

Mr. Sumner offered his opinion on the issue of the Committee and its composition. He noted that while the CEO is included, and that his recommendation for the additional senior manager would likely be Mr. Kramer based on his experience, neither he nor Mr. Kramer are likely going to be around to implement the plan. Based on that, he would not recommend his inclusion in the Working Group. Mrs. Craigie disagreed with Mr. Sumner’s assessment and suggested that he should be a member.

The Committee then had a discussion regarding the motion and its wording.

**It was MOVED by Mr. Frenaye, seconded by Mr. Bodson, that the A&F Committee recommends the Board form a Strategic Planning Working Group to create during 2015 a high-level strategic plan to be presented to the Board for approval at its meeting in January, 2016. The membership of the Working Group should be up to seven (7) people appointed by the President from among Directors, Vice Directors, Officers and staff. The MOTION was UNANIMOUSLY APPROVED.**

The Committee Broke for lunch at 12:05 pm and resumed at 12:45 pm.

**9. New Business**

**a. Outreach Through Discovery Proposal**

Chairman Widin noted that an updated proposal had been sent, however, it had not been distributed to the entire Committee. It was determined that the updated proposal had not been received in time to be reviewed by staff officers and would need more time before it could be formally presented to the Committee for action. Mr. Pace offered to work with the proposers to get it on the correct path.

Mr. Pace spoke on his analysis of ARRL operations regarding the percentage of spending on various license classes. In the course of his discussion he noted that the ARRL penetration into the number of Technician class licensees in the country was only about 4% penetration. He offered that this should be part of our thinking process in the upcoming Strategic Planning exercise. Mr. Sumner commented that, while the ARRL obviously wants more members, the total market is not the entire FCC database as there are many of those individuals who are no longer active in Amateur Radio.

Mr. Woll asked if the ARRL has a formal program to have an ARRL advocate at every ARRL VEC exam session. Mr. Pace responded that certain Divisions do this.

Mr. Frenaye asked if the current penetration figures are similar to the historical trends and Mr. Sumner responded that they basically were the same. Mrs. Craigie noted that there are a lot of unknowns about the potential market and that, hopefully, the survey will help provide more information on Technician class Amateurs and others. Mr. Frenaye discussed the possibility that there is a significant percentage of Technicians who are not connecting with what the ARRL has to offer. He believes that we need to be more aggressive about finding content on topics that are of interest to Technicians.

Mr. Bodson expressed some concern over some of the wording in the recent survey. Mr. Woll asked about a DVD produced earlier by Amateurs specifically targeted at the DIY movement. This was later clarified as being *DIY Magic of Amateur Radio* which was produced in 2011 and is still available.

Returning to an earlier point, Mr. Sumner noted that, at the end of October, the ARRL had 26,144 Technician class members of the ARRL which constituted 7% of all Technician class licensees.

**b. West Gulf Division Reimbursement**

Director Woolweaver and Vice Director Stratton presented a proposal to justify reimbursement of an expense for renting a portable generator at the Regional Centennial Event held in Plano, TX in June. Dr. Woolweaver offered that, in his opinion, because it was a Regional Centennial event, the event needed to be expanded and that the footprint for W1AW should be expanded as well. The cost to rent the portable generator was $610. Mr. Stratton added some statistics regarding the operation and the support which had been provided.

Mr. Bellows asked if they had investigated power available at the site. Dr. Woolweaver said that the facility would not provide it. Mr. Bellows asked why wasn’t the question of reimbursement asked before the expenditure was committed. Mr. Stratton offered that the operation reflected well on the ARRL. Mr. Widin asked Mr. Shelley his objection to the original request for reimbursement. Mr. Shelley responded that it had been requested as a travel reimbursement and was not within the organization’s policy to do so. After a short discussion it was the consensus of the Committee to provide reimbursement for the expense and charge it to the Centennial Activities account.

c. Division Budget Overages

Mr. Shelley reported that there were two Divisions that had spent monies in excess of their allotted budgets in 2014:

Delta Division $1,860

West Gulf Division $ 547

9. Mr. Widin asked if there was any additional business to come before the Committee. There was none proposed.

**Upon the MOTION of Mr. Pace, seconded by Mr. Bodson, the Committee VOTED to ADJOURN at 1:40 pm.**