**ARRL Administration and Finance Committee**

**January 19, 2017**

**Meeting Minutes**

**BOARD CONFIDENTIAL**

In attendance were Chairman Jim Pace, K7CEX, Directors Rod Blocksome, K0DAS, Kermit Carlson, W9XA, Tom Frenaye, K1KI, Dick Norton, N6AA, Vice Director Bill Morine, N2COP, Treasurer Rick Niswander, K7GM, CEO Tom Gallagher, NY2RF and CFO Barry Shelley, N1VXY.

Also in attendance were First Vice President Greg Widin, K0GW, International Affairs Vice President Jay Bellows, K0QB, Controller Diane Middleton, KC1BQF, Directors Mike Lisenco, N2YBB, and Bob Vallio, W6RGG.

Mr. Pace called the meeting to order at 8:30 am, greeted the Committee and guests, noting that there was a full agenda for the meeting and thanked the members for their service.

1. Mr. Pace distributed copies of the agenda and asked if anyone had any changes or additions to offer. None were noted. **Upon the MOTION of Mr. Niswander seconded by, Mr. Carlson, it was VOTED UNANIMOUSLY to accept the agenda as presented.**
2. Mr. Pace asked if there were any changes to the minutes of the November meeting. None were noted. **Upon the MOTION of Mr. Frenaye, seconded by Mr. Blocksome, it was VOTED UNANIMOUSLY to accept the November 12, 2016 minutes.**
3. **CFO Report**

Mr. Shelley, referring to the written reports that had been previously distributed, reported on the financial results for the year ended December 31, 2016. He noted that the reports were preliminary and unaudited. The audit will take place as usual in late March/early April. He reported that the organization had finished the year with an operating loss of $235,000. This was more than the loss re-forecasted in July. He noted that this was not an expense issue despite some unplanned expenses. Rather, it was a revenue issue. Mr. Shelley reported that shortfalls from planned revenues occurred from the loss of advertisers, in the dues category (primarily due to the early renewals at the end of 2015) and less DXCC activity than planned. He also noted some of the unplanned expenses including the write off inventory, significantly increased division spending and a bonus for the former CEO approved by the Board.

Mr. Shelley continued his report, discussing the balance sheet. He noted that the investment portfolio had increased for the year and that unrealized gains were around $900,000 for the year. He reported that the organization had about $28 million in total assets at the end of the year, of which $23 million was in the investment portfolio. He also noted that cash flow is healthy and the accounts receivable aging hasn’t been this good in years.

Mr. Shelley also reported that there were four divisions where spending in 2016 had exceeded their budgets. There were Delta ($2,090), Hudson ($789), Roanoke ($455), and West Gulf ($95).

**Upon the MOTION of, Mr. Frenaye, seconded by, Mr. Niswander, it was VOTED to accept the 2016 division spending overages. Mr. Norton abstained.**

During this discussion, Messrs. Norris and Mileshosky joined the meeting.

At Mr. Niswander’s request, Mr. Shelley reviewed the accounting for term membership dues and how it impacted revenue recognition between 2015 and 2016. Mr. Niswander asked if we were comfortable with the dues forecast for 2017. Mr. Shelley confirmed, with what we know now, we are comfortable. By mid-year we will have a much better idea of actual renewal rates and will have a reforecast.

Mr. Frenaye inquired if we have looked at the amount recognized annually for life member dues. Mr. Shelley responded that we have not reviewed it recently and provided a brief description of the process.

Mr. Morine inquired about another actuarial review. Mr. Shelley informed the committee that another review was contemplated in the 2017 Plan and that the auditors will be looking for a new one soon. Mr. Niswander commented that based roughly on the current numbers and investments, there isn’t going to be much room to take more money from the liability.

Mr. Widin was wondering if the amount recognized annually for Life members should be tied to term dues amounts. Mr. Niswander noted that not all Life members paid at $49 and that we shouldn’t look to tie the Life member earnings to current dues rates.

Mr. Shelley reminded the group that there have been discussions of curtailing Life membership. Mr. Gallagher pointed out when we offer a life membership we are betting on two things: The treasurer’s ability to plan the market and we are betting on the life of the member.

Mr. Widin asked Mr. Shelley how much data we have. Mr. Shelley responded that there may be only 50-60% of the Life members’ birth dates available but he would review the last study done to get a better estimate. Mr. Shelley told the Committee that there was money included in the 2017 Plan for the periodic actuarial review.

1. **2017-2018 Financial Plan Update**

Referring to the previously distributed 2017-18 Plan document, Mr. Shelley noted the only changes from the November meeting were: 1) Adding back the expense for VD to attend both board meetings and 2) reducing the health insurance expense to reflect the actual renewal costs. These changes were included in the plan distributed to the full board.

1. **Treasurer’s Report**

Mr. Niswander summarized his December 31st report on the portfolio, noting that overall the League’s portfolio is in good shape. The portfolio return was 0.17% short of the benchmark for the year. He also reported that the portfolio has approximately $3.2 million of deferred gains (net of only a couple hundred thousand of deferred losses) which means almost any activity in the portfolio will result in realized gains.

Mr. Niswander continued, discussing the components of the portfolio, noting that it is important to watch the bond portfolio for credit quality which is good in the League’s portfolio. The stronger the credit the lower the interest payments. He then told the Committee that no one really knows how the change in the administration is going to impact the markets and therefore has made the future forecast difficult to predict. Thus, it is important to continue to invest in a diversified portfolio.

Mr. Norton thanked Mr. Niswander for his service. Mr. Morine agreed with the remarks and added his congratulations.

Mr. Roderick joined the meeting during this discussion.

1. **CEO & Operations Report**

Referring to his distributed CEO report Mr. Gallagher noted he wanted to highlight four items:

1. He noted that, during the meeting, the Board will be seeing a presentation on Official Observer program, however we have not yet allocated any resources for the potential program.
2. He reported that Diane Petrilli, ARRL Membership Manager, would be presenting a report on membership trends which will discuss the difficulty of obtaining and retaining new hams as members. Mr. Gallagher noted that a lot of market research already exists in great detail over the last 15 years with consistent results. He asked the committee to listen to the report.
3. After the business plan was completed, he and Mr. Shelley discovered that most of the software used for adjudicating contests is not in our control which makes the ARRL vulnerable. He believes that, because contesting is a hallmark of ARRL, we need to have better control over this activity. A very preliminary estimate is that it might cost upwards of $200,000 to recreate the software.
4. At a time when awards activity and contesting is decreasing, we are increasing our investment in software to support these functions. We likely won’t see payback until the solar activity shifts.

Mr. Widin asked if the work of the contest adjudicators could be considered “work for hire”? Mr. Gallagher responded that the General Counsel believes we could but we need their cooperation however we choose to proceed. Mr. Norton commented that the contest community has provided this function for many years. In addition, this activity is led by CQ and their volunteers basically run the community. He offered that we should leave well enough alone and that he doesn’t believe there is an issue about ownership.

Mr. Morine inquired about the long term health of CQ. Mr. Gallagher responded that it is unclear but that he believes contesting will survive CQ. Mr. Norton commented that the survival of CQ has no bearing on this issue as their contests are all run by a volunteer, non-profit organization, WWROF. Mr. Niswander agreed with Mr. Norton regarding the severity of the issue but also believes we should look into a licensing arrangement to protect the ARRL. Mr. Lisenco noted that licensing could be donated to a nonprofit.

Mr. Norton raised the issue of the excess inventory of ARRL Handbooks, noting several options for their disposal. Mr. Gallagher noted that because there are so many we can recycle them for a small paper credit. Mr. Norton offered that the ARRL should give them away as a premium for multi-year memberships. Mr. Gallagher expressed concerns over the impact on sales of the current edition. There was a long discussion amongst the Committee on possible options during which Mr. Gallagher again stressed his concern about hurting future sales. Mr. Pace acknowledged the books have value but must be mindful of the impact on sales. Mr. Shelley reminded the Committee that the $49,000 is written off and stays written off and that the current discussion is about investing more resources.

Mr. Blocksome inquired about how much new material is in each addition of the ARRL Handbook and should we be looking at publishing numbered editions rather than yearly editions? There was some discussion about the content and frequency. Mr. Shelley noted that the Handbook contributes net revenues of $100,000 or more to the bottom line each year. Mr. Niswander also reminded the group that the write off of Handbooks in 2016 was a sunk cost and we should be careful not to spend a lot more money looking for ways to dispose of them.

Mr. Frenaye inquired about Diane Petrilli’s presentation and Executive Committee’s role in the request for the information. Mr. Gallagher noted that it came out of a slide he showed the Executive Committee on the numbers of non-retained members and the lack of new licensees who don’t join the League. The Executive Committee agreed research was needed.

1. **IT Department Report**

Mr. Keane joined the meeting, reporting that we are currently in the process of replacing 3 legacy systems over the next 24 months:

 1) DXCC

 2) Membership and Development

 3) Website

Mr. Keane reported that Surge, LLC has been retained to review specifications and create use cases and the framework of design for the DXCC system at which time they will provide a more accurate bid for the coding of the system. All the initial work will be owned by the ARRL and could be reusable even if we choose to contract with a different firm to write the software. We are looking to have the first phase completed by mid-February. We estimate that a full quote to complete the software will cost approximately $170,000. Mr. Keane also reported that, based on the work processes and product to date, Surge is very responsive and professional in their dealings. The work has entailed a 1-2 hour call each day and we are progressing ahead of schedule. Expected delivery would be 6 months after completion of the design phase. Mr. Shelley noted that he has already committed $20,000 for the design phase but once we get the final proposal he will present the committee with a proposal to approve the funding for the development of the software.

Mr. Keane continued, reporting that IT is actively involved with the users to create specifications and use cases for the membership and development module. We are expecting to have an RFQ package go out at the end of the first quarter of 2017.

Mr. Keane also reported that there have only been some very high level discussions on what we want from a web presence going forward. Mr. Frenaye asked if the discussion of the web site includes a “one size fits all” concern. Mr. Keane responded that we are considering the current model of distributed sites like we used for the Centennial and NPOTA operating events.

Mr. Frenaye also inquired about the VE software updates. Mr. Keane responded that there are two legacy concerns in this area. We are in testing on one of the modules for AIS and that module will be moved off the Siebel system as soon as testing is completed.

At this point, Mr. Keane departed the meeting.

1. **Development Report**

Mr. Gallagher began his verbal remarks by reporting that we had a very successful development year, and that the only fund to miss its target was the Spectrum Defense Fund. He highlighted the successful campaign for the Legislative Activities Fund. Mr. Gallagher reminded the Committee that he still feels that the ARRL needs more institutional donors but that current events most likely would harm these efforts and therefore has backed off these efforts slightly. He does feel that more work needs to be done to cultivate individual large donors as well and reported that these donors like to back specific projects with their donations. He used the example of the Snyder College Amateur Radio Initiative and discussed the donation to establish it.

Mr. Norton inquired about how successful collecting on the Second Century Campaign donations has been going and the percentage of uncollectable pledges. Ms. Middleton reported that the percentage was much less than 10% not meeting their commitments, we have had very few write offs of pledges and there were several that completed their pledges early. Mr. Niswander commented that this was an excellent percentage.

Mr. Lisenco noted he believed that the short-fall in the Spectrum Defense Fund was due to no perceived threat.

Mr. Norton noted his displeasure of the cost of fundraising. Mr. Shelley noted the total cash inflow from the development office in 2016 was approximately $2 million with direct expenses only being about $400,000. Other members appeared to be pleased with those results.

1. **Upon the MOTION of, Mr. Frenaye, seconded by, Mr. Carlson, it was VOTED UNANIMOUSLY to go into a committee of the whole at 10:55am.**

**At 11:55 am, upon the MOTION of, Mr. Carlson, seconded by, Mr. Niswander, it was VOTED UNANIMOUSLY to arise from the Committee of the Whole.**

**Upon the MOTION of, Mr. Niswander, seconded by, Mr. Blocksome, it was VOTED UNANIMOUSLY to accept the report of the Committee of the Whole.**

The Committee broke for lunch from 11:55 am to 12:30 pm.

**Old Business**

1. **LoTW Report**

Mr. Widin referred to his previously distributed report asking if there were any questions. Being none, Mr. Widin discussed security levels to be a trusted partner. He reported that Clublog had agreed to our position regarding the proper security for user passwords to be used in our Trusted Partner program. Mr. Keane is currently reviewing the details.

Mr. Bellows inquired about the scope of new awards being added to LoTW. Mr. Widin responded that discussions have been held with JARL and we are going to ask them to provide beta testers for supporting JARL awards. Mr. Norton asked about other CQ awards which we did not want to pursue. Mr. Widin responded that the WAZ award was an example of one, but there was still room for discussion.

1. **IRA Qualified Contribution Campaign**

Mr. Morine had no report but had wanted the item on the agenda to see if it has resulted in any donations. Ms. Middleton noted that we have had several IRA donations however, she could not comment if they generated any new donations and specific amounts would have to come from the Development office. She also identified certain procedural difficulties with receiving some of this type of donation.

Mr. Norton asked about IRS reporting for unidentified donors. Ms. Middleton responded with how it was handled for reporting in the ARRL’s Form 990 on an annual basis.

**Mr. Morine asked that the report on these amounts be distributed to the Committee.**

1. **ARRL Activities – which should be membership benefits?**

Mr. Norton discussed what he believed the membership dues should cover. Mr. Shelley noted as a general statement we have to make money at certain things to afford to provide other non-revenue producing services. He used products sales as an example which provides a gross margin to the organization.

Mr. Gallagher noted the principal reason we went into business with Rfinder was the move toward an online Repeater Directory and to improve the gross margin on the product line. He noted that our readers want more information instantly. We are trying to make our products fit the need. There followed a long discussion of the longer term direction for the Repeater Directory. The Committee discussed various approaches, market driven vs. coordinators. Mr. Morine noted the list of uncoordinated repeaters and how it should serve as a prospect list for the coordinators. It was discussed that the Repeater Directory is not the coordinators’ publication. Mr. Blocksome commented that the coordinators believe the book “validates” their activities.

Mr. Pace reminded the committee that this was about offering more information that is being requested by customers and that users are interested in the uncoordinated repeaters as well. Mr. Mileshosky noted that the coordinators should be thrilled they will now have a list of uncoordinated repeaters to target to encourage coordination.

Mr. Widin brought the issue back to what is covered by dues is a reasonable concept and we should work at providing such a list. Mr. Norton stressed a “cost per member” approach to looking at the overall services of the ARRL.

Mr. Bellows commented that the real issue is trying to provide the services and products the membership desires. He posed the question … “What do the members of the future want?” He also pointed out that, in many cases, the loudest participants drive the conversation and we need to look at the whole issue, not just the issues being criticized.

Mr. Morine noted that it also involves the list of benefits and how those benefits are communicated.

Mr. Pace suggested that there should be a small subcommittee to study this issue and report back to the full Committee. He also noted that it would be better to do this once the new Committee is appointed during the Board meeting.

1. **QSL Bureau**

Mr. Gallagher reviewed QSL Bureau statistics since the price increase. He reported that people are paying the new fees and told the Committee that the Bureau is still a good deal. He believes that the increases are working. Mr. Norton disagreed and opined that we do not have enough data to say it is working. Mr. Morine asked if we know how long it takes to get to their destination? Mr. Gallagher responded that we can track that information but we still only ship quarterly. Mr. Norton commented that for cards through the Bureau, time is not of the essence. Mr. Frenaye, having done an analysis, said that the little guys got hurt with the changes. Mr. Gallagher agreed to provide an analysis of the small submissions. Mr. Norton suggested that the expanded bureau process of weighing each incoming packet, checking membership status, billing for underpayments, and keeping detailed records before releasing cards, was not economically advantageous to the League.

Mr. Widin feels that better communication would have helped the pill go down better.

Mr. Carlson asked the amount of the total loss each year and Mr. Gallagher responded that it was approximately $50,000, about $17,000 of which is attributable the Outgoing Bureau and $33,000 attributable to subsidies for the Incoming Bureaus. Mr. Norton then asked about possible changes for the Incoming Bureaus. Mr. Gallagher responded that this is the next step. There followed a discussion about changing methodologies and processes. Mr. Norton offered that he would like to hear the plans and have a chance to discuss them before implementation. Mr. Gallagher will have a report for the next meeting.

1. **Future Education Programs & TI Curriculum update**

Mr. Gallagher began the discussion by noting that Teachers’ Institute (TI) is a very popular program however, we need to do a better job of screening and accepting TI candidates. He reported that participants are fairly homogenous and we need to find more and different kinds of participants. He reported that he has asked to delay the application process to give us a better chance to broaden the candidate pool, possibly to include more curriculum managers.

Mr. Bellows wonders if the TI meets the needs of curriculum designers. Mr. Gallagher reported he is going to try to get participants to report back on what they are doing with the information.

1. **Current Status of IARU Region 2 Dues Structure**

Mr. Bellows reported that he discussed the Committee’s concerns with the Region 2 Executive Committee at their recent meeting and that Region 2 is working on the issue of the excess cash reserves.

1. **Legislative Costs and Future Effort**

Mr. Lisenco opened the discussion with a report of the unexpected communication from the sponsor that the bill was dropped in the House of Representatives. He reported that it was being sponsored by same individuals as in the prior Congress, plus Representative Walden. He also noted that Rep. Walden was interested in pushing the bill. Mr. Frenaye asked about any support on the Senate side and Mr. Lisenco indicated that there is support for sponsorship in that chamber.

Mr. Norton asked about the process for reviewing the language of the bill. Mr. Lisenco responded that the legislative policy had initially been approved at a Board meeting and the Executive Committee approved the final language of the bill. Mr. Norton expressed concern that the rest of the board had not approved the language. Mr. Norton continued expressing his disagreement and his understanding of the premise of the bill. Mr. Lisenco disagreed with Mr. Norton’s characterization.

1. **Grant Management**

Mr. Morine opened the discussion, noting the need to look for increasing sources of revenue. He noted that this could include a formal grant writing program or using the ARRL Foundation to acquire grants. Mr. Gallagher responded that he believes the ARRL Foundation is the proper place for this and that the Foundation Board is changing to help the process. He noted that grants need programs to be supported to be successful. Mr. Morine offered that he would like to see a more systematic approach to grants. Mr. Norton asked about member inquiries regarding grants for educational purposes. Mr. Pace responded that there have been some limited number of similar inquiries.

**New Business**

1. **Membership Renewals Through Clubs**

Mr. Pace began the discussion with a brief description of the club “commission” program for acquiring members and asked whether or not the payments to the clubs could be revised. Mr. Shelley suggested we need more information in order to discuss the issue. Mr. Pace agreed and Mr. Shelley committed to gathering information for distribution.

1. **Motions to be presented at Board Meeting**

**Upon the Motion of Mr. Frenaye, seconded by Mr. Carlson, the committee VOTED UNANIMOUSLY to recommend the 2017-2018 Plan, as distributed to the board, for ratification by the Board at the January Board of Directors meeting.**

**Upon the Motion of Mr. Carlson, seconded by Mr. Blocksome the Committee VOTED UNANIMOUSLY to recommend to the Board that the positions of Chief Operating Officer, Chief Development Officer and Chief Technology Officer be removed from the By-Laws at the January Board of Directors meeting.**

1. **Having no further business, and upon the Motion of Mr. Pace, seconded by Mr. Frenaye, the Committee VOTED UNANIMOUSLY to adjourn at 2:30 pm.**