ARRL Administration and Finance Committee

Newington, Connecticut

May 4, 2016

Meeting Minutes

In attendance: Directors Rod Blocksome, K0DAS, Tom Frenaye, K1KI, Dick Isely, W9GIG. and Dick Norton, N6AA, Vice Director Bill Morine, N2COP Treasurer Rick Niswander, K7GM, President Rick Roderick, K5UR, First Vice President Greg Widin, K0GW, CEO Tom Gallagher, NY2RF, CFO Barry Shelley, N1VXY, and Controller Diane Middleton, KC1BQF. Chairman Jim Pace, K7CEX, was unable to attend due to illness.

1. At the request of the Chairman, First VP Widin had agreed to chair the meeting. He called the meeting to order at 8:30 am, greeted the Committee and welcomed the new members. There was a short discussion regarding procedures in the absence of the Chairman.

2. Mr. Widin presented the agenda and asked if there were any additions or deletions. He noted the consent agenda. It was the Committee consensus to lift all reports listed from the consent agenda.

3. Mr. Widin asked if there were any changes to the minutes of the January meeting. **Upon the MOTION of, Mr. Isley, seconded by, Mr. Niswander, it was VOTED UNANIMOUSLY to accept the minutes as presented.** Mr. Frenaye noted that it would be good to have a place on the ODV section of the web site to hold Standing Committee minutes. Mr. Shelley agreed to implement this suggestion.

4. **CEO Report**

   Mr. Gallagher began his report by noting that ARRL has a great work environment and asked the Committee to consider that remark throughout his report. He told the group that, because of long tenures, many people are not familiar with the working environment of other companies and that long tenures do not provide many opportunities within the organization. Despite that, he is committed to helping people advance, even if it is outside the organization. He continued, noting that most areas run smoothly. The magazine is excellent and the ARRL is a significant publisher. He identified several areas where performance needs improvement, in certain cases significant improvement. He told the Committee that the thrust of the organization has to be educational as it effects everything we do, including philanthropy.

   Mr. Gallagher continued his report and discussed his experience at NAB. He reported that he was pleasantly surprised by the people he met there and told the Committee that, as a result of one encounter, that he will be meeting with a CBS executive in New York city to plan a meeting of hams which will be hosted by CBS.

Mr. Morine congratulated Mr. Gallagher on his views regarding education and noted that we can be a major player through STEM education programs.

Mr. Frenaye asked about the future of the COO position. Mr. Gallagher responded that there are two options, could be someone from outside the organization or inside the organization. Each option has its risks. He told the Committee that he considers succession planning a key component of his position.

5. Financial Matters

a.   Financials

Mr. Shelley reported on the financial results for the first quarter, referring to the reports that had been distributed previously. He reported that most of the revenue sources met expectations with the exception of advertising. He noted the difficulty across all industries in the sale of print advertising and it continues to be difficult to find new advertising. We have expanded our on-line advertising as much as possible. A discussion ensued about the Web advertising, from expanding it to the pricing.

Mr. Shelley continued noting that revenues from publications sales are up from this time last year with new titles providing help to meet the targets. He also reported that the new dues rate has increased revenue. Mr. Isely asked if dues are following our expectations. Mr. Shelley responded that they were and Mr. Gallagher noted we are very close to the membership forecast through the first quarter. It was also noted that the number of Life members remains steady.

Concluding his report, Mr. Shelley noted that total expenses are less than planned for the first quarter and that cash flow continues to be good. The balance sheet is also in good shape.

Mr. Norton asked about the cost and size of the warehouse. Mr. Shelley responded that he did not have the details for the meeting but would supply them to the Committee. After other questions arose about the specifics of the lease and square footage for the warehouse, it was noted by Mr. Widin that the committee was beginning to act like operations managers. He noted that we have management in Newington to deal with the operational issues and we need to trust them to act appropriately.

Mr. Frenaye asked if the Field Services and Radiosport Department (FSRS) had been asked about why the DXCC revenue matrix adopted last year has not produced the anticipated revenue results. Mr. Shelley replied that is was likely over estimating volumes for 2016.

b.   Treasurer's Report

Mr. Niswander discussed his written report and the performance of the portfolio. He believes that the markets are beginning to recognize issues which they had ignored before. Earnings are down and he projected that the markets will be choppy this year. He told the Committee that he feels good about where the portfolio is at the moment and he plans to continue to move the portfolio to mutual funds and away from individual stocks.

Mr. Frenaye asked about how markets historically perform in a presidential election year. Mr. Niswander responded that they tend to be slightly better but this year is not going to be like that as the normal options open to the administration are not available.

Mr. Niswander concluded his report by noting that no changes to the investment policy were recommended.

c.   Signing Authority for Investment Portfolio

Mr. Gallagher noted that that the ARRL's single signing authority for moving money from the investment portfolio was different than many of the largest companies with which he had been associated. He asked for a discussion on the ability to move money out of the ARRL accounts. Mr. Niswander noted that the only place that Vanguard could transfer funds is to the ARRL operating account and our current instructions do not include check writing ability. Currently we can only send funds to the ARRL Bank of America operating account. Mr. Niswander confirmed that Vanguard is not capable of handling a dual trade authority but will check to see if dual transfer authority can be accommodated. He noted that any changes to the operating instructions would create a notification to the CFO.

6.   LoTW Study Committee Report

Mr. Widin began the discussion referring to his written report that had been distributed prior to the meeting. He discussed the emerging issue of other organizations holding certificates and passwords for third parties so they can be used to access LoTW accounts for the purposes of the other organization. He presented a security policy to be approved for LoTW which will require standards for accessing LoTW accounts. He noted that we don't want to compete with these organizations and we have already established that we don't want to simply be a depository. We need to be responsive to these requests in order to bolster our positon.

Mr. Frenaye asked for an example of such an organization and Mr. Widin responded using QRZ.com as an example. Mr. Frenaye also asked if this was a result of LoTW not having functionality that customers want.

Mr. Norton expressed his concerns that LoTW is hard to use and he knows people who are not on LoTW because of that. He asked if we are doing the right thing by having the high level security procedures. He also noted a potential functional improvement to LoTW which involved contesters uploading logs to the ARRL twice, once to Contest, the second to LoTW. Mr. Norton also offered that ARRL should consider working with partners to provide other functions rather than trying to do it all ourselves. Mr. Niswander noted that we still have technical debt and other organizational goals for our resources so using these 3rd parties to do some of the work for us isn't a bad thing.

The discussion was postponed due to the scheduled conference call with General Counsel Imlay and he joined the meeting at 10:00 am.

7. RFinder

Mr. Gallagher opened the discussion by referring the Committee to the RFinder contract. He noted the termination clause which had an onerous termination provision. Upon his review, he discovered that the comments offered by the General Counsel had not, for undetermined reasons, been included in the final contract. As a result, he felt we needed to implement a new contract policy. Mr. Gallagher reported that going forward, any contract that binds the organization will include the approval of Senior Management, the CFO, the IT Manager (if an IT contract) and the end user. The existing policy is that any contract over $10,000 must be reviewed by Counsel and this will continue. Mr. Imlay noted that we have certain standard agreements that he has developed over the year. An example was the author agreement. He also discussed the problem raised when vendors don't have standard contracts for us to review. Mr. Imlay also described the process that resulted in the RFinder contract.

It was noted that before the General Counsel sees a contract it should already have in-house comments/changes. Mr. Widin asked if 4 signatures are required, will that delay the process. Mr. Gallagher responded that these people should already be in the room discussing the contract together so it would not. He also noted that the CFO office will maintain all contracts going forward. Mr. Niswander agreed with the procedure but noted that it shouldn't minimize legal involvement.

Mr. Isely expressed his support but asked if this should be approved by the board as a standing order. Mr. Shelley opined that he doesn't see that a standing order is necessary. It is the job of the officers to make sure we are exercising due diligence and as such, this is standard operating procedure.

The consensus of Committee was that the proposed process is appropriate. Mr. Gallagher and Mr. Shelley will draft a one-page summary of the process for contract approval. The Committee agreed that this should be the standard operating procedure going forward.

At this point Mr. Imlay left the meeting.

8. LoTW Study Committee (continued)

The Committee returned to the discussion of the LoTW security policy. **Upon the MOTION of Mr. Isely, seconded by Mr. Blocksome, the Committee VOTED UNANIMOUSLY to APPROVE the security policy proposed by the LoTW Study Committee.**

Mr. Frenaye asked about where the Committee goes next, once the technical debt is retired. A discussion ensued about leading the business planning for the future of LoTW. Mr. Gallagher responded that it is his intention going forward for the appropriate business units to be a part of the planning for the future of LoTW and other "systems".

Mr. Keane, K1MK, joined the meeting at 10:30 am.

9. IT Report

Mr. Keane distributed the IT status report and walked the committee through the status of current projects. He highlighted the progress over the last 4 months and noted that the needs still exceed the resources by a wide margin. He noted that we were still looking to fill an open position for a developer. Mr. Shelley discussed the difficulty of hiring good developers since we are not a "sexy" high tech company where many developers want to work. [Update— as of May 23rd, a new developer has been hired.]

Mr. Frenaye offered that the answer is to offer more money. Mr. Niswander asked if we are open to a remote worker for the open position. Mr. Keane responded we are getting to the point that we will have to consider how to make that work.

Mr. Norton asked about our ability to go outside to get programing done. Mr. Keane noted that it was possible and discussed how diligent we must be in developing specifications, managing the contractor and acceptance testing when hiring outside developers.

Mr. Gallagher reported that in the short period of time he had been on board, the VEC system had caused major concerns. Mr. Gallagher also reported that he had requested Craig Goldman, K2LZQ, the former Chief Information Officer of Chase Manhattan Bank, to review our systems and give us some advice. Told the Committee that Mr. Keane had prepared a 50 slide presentation in some detail and that the result of the review was the consensus that our core systems are old and fragile. Mr. Gallagher offered that the cost to remedy this situation will be approximately one million dollars. He also reported that we plan on meeting with Mr. Goldman more to put together a full proposal, including costs, to remedy the situation.

Mr. Shelley noted that we will also consider any existing software we could utilize if at all possible.

Mr. Keane reported that his greatest concern is that the Siebel system will not start up one day. At the rate we are currently working in-house we are not attacking this enough. We are not making progress forward while we are supporting the old systems. He noted that the concerns are all software related. We are solid on the hardware side.

Mr. Roderick asked about frequency of backups, and how we would go about recovering from a disaster. Mr. Keane responded that in a total catastrophe we could likely be back up and running in about 60 days.

Mr. Shelley then discussed the progress of getting off of the Siebel system and onto our new AIS (ARRL Information System). We are basically down to 3 modules left to develop: VEC, Membership and Development. He noted that progress is being made and that the VEC module should be off Siebel by July. Membership and Development programming timetable is unknown at the moment but will be based on how much outside help we are authorized to obtain.

Mr. Frenaye asked what the timing of the spending needs will be. Mr. Shelley responded that we expect to come back to the committee in July with a detailed proposal including amounts and

timeline. Hopefully the committee will approve and recommend to the board. Mr. Roderick asked if approved, how long this will take? Mr. Shelley responded that 18 months is the current expectation.

At the end of this discussion, Mr. Keane left the meeting.

10. Web Policy for Member Opt In/Opt Out

Mr. Morine distributed a position paper discussing the issue of getting members to opt in to receive specific electronic messages from the ARRL's Divisions and Sections. He restated the concern that not enough members are enrolled in electronic web communications from the League. He reported that prior to the new website in 2010 the policy was to have members opt in if they wanted. Post the 2010 implementation, new members were opted in automatically. He noted the statistics prepared by staff that showed how many members have electronic profiles and opined that we need to figure out how to reach out to the members to educate them on what is available.

Mr. Frenaye suggested we send annual e-mail to members listing what they are enrolled in and what is available. Mr. Shelley suggested that we run a regular page in QST listing all the items members can be enrolled. Mr. Gallagher noted that we need to be very sensitive to respecting members' wishes.

The Committee directs staff to prepare a report for recommendation of how to get more members aware of which newsletters and other information they can receive.

The Committee recessed for lunch at noon, reconvening with everyone in attendance.

11. Operating Report

Mr. Gallagher began his report by presenting a two operational issues which had been handled well. He described a situation involving the loss of QST magazines due to a train derailment and how well it was handled by the vendor and the ARRL staff. He then proceeded to tell the Committee about a new philosophy about setting goals and targets. He also described the new process for approving new book projects. There is a committee of 4 (CEO, CFO, Manager of Editorial Department and the Sales and Marketing Manager). Mr. Frenaye asked about Kindle sales and Mr. Gallagher responded that they were up over the prior year.

Mr. Gallagher continued, describing a draft social media plan approved by the Executive Committee that is evolving and, to date, has been successful. He noted the introduction of a series of podcasts for the "Doctor is In" which have been very successful with over 7,000 downloads of the first one and 5,000 and growing for the second. Mr. Morine asked about advertising on the podcasts. Mr. Gallagher responded that the lead sponsor is DX Engineering and explained the pricing strategy which, he noted, will be increased in the future due to its popularity and other advertiser interest. Mr. Morine then asked about transcriptions or a place on the web site to find past episodes. Mr. Gallagher responded that it's in the early stages but there is a place on our web site to download the podcasts.

He reported that the new VEC software project is suspended for the moment while we review the structure of the proposed contract. He presented a concept of using a national testing company to possibly administer exams. A discussion of potentially different testing methodologies ensued. Mr. Niswander noted that use of a national company was potentially costly but could be a more efficient and timely way to provide testing.

Mr. Gallagher continued his report, discussing several issues in the FSR Department. He reported on the immediate problem in the department of the completing the printing and mailing of Centennial event QSL cards. He reported that he and Mr. Shelley worked with a local printer to have the cards printed for a cost of $24,000. As soon as the cards begin to be sent through the Bureau, we will promote that fact. He continued his report by telling the Committee about a problem encountered with the Alabama Section ballots. A solution was implemented whereby Ms. Middleton was able to get new ballots printed overnight and mailed out first class.

Mr. Norton asked about the NTS issue and Mr. Gallagher responded by describing the issue regarding communications between NTS and FEMA. He described the issue with a rogue group that needs to be resolved and proposed a way of taking on the issue. He noted that we have trademarked the NTS name and logo. Mr. Norton opined that this kind of issue is too small for the CEO to be dealing with. Mr. Niswander pointed out that we should also reserve some website names with NTS.

Concluding his report, Mr. Gallagher reported that Dan Henderson had been appointed Asst. Secretary of the Corporation to organize the function. He also noted a shrinking content problem with publications and QST articles. There was a short discussion of the strategic plan and implementation going forward.

Mr. Frenaye asked Mr. Gallagher if he felt the League's compensation structure was reasonable. He responded that the system is excellent, however he doesn't feel that the performance appraising process is truly accurate. The appraisers need to improve.

12. Development Report

Mr. Gallagher distributed the Development report. He noted that there are an increasing number of ways to contribute to the ARRL and offered that we are potentially reaching the saturation point on that number. He reported that the Legislative Action fund was very well received but noted that we should be encouraging unrestricted gifts. Mr. Gallagher opined that we don't cultivate our senior leadership gifts. Mr. Morine noted the permanent IRA provisions for tax free donations from IRAs for people who are over 70 ½ years old and recommended promoting this option with our membership in that demographic. Mr. Norton observed that we need to have someone in authority to make the ask, not a staffer. Also we need a compelling message.

Mr. Gallagher concluded his report, commenting that he's not sure about the needs of the Development office yet but is staying open to all options.

13. Idaho/Hawaii/Pacific Section Reporting System

Mr. Widin, reporting for Mr. Pace, told the Committee that the Idaho/Hawaii/Pacific Sections activity reporting system should be revisited and presented at the July meeting to as an alternative to the current Field Activity Report. Mr. Shelley provided background on the current project noting that, after specs were done and programming commenced, the user changed his mind and the specifications. Idaho has a system that they use to report the information to the ARRL which is already on-line and HQ is looking at their system to evaluate if we could use it on a national basis. This is a work in process.

14. Virtual Museum Proposal

Mr. Pace had distributed a proposal for an ARRL Virtual Museum from former COO Harold Kramer, WJ1B, prior to the meeting. The Committee had a long discussion of the concept and the specific proposal. During the discussion, Mr. Gallagher noted that two staff members involved with the Historical preservation had written e-mails, both recommending that we not accept the proposal.

The Committee agreed with Mr. Blocksome that there was no business case made for this. Mr. Norton opined that, if it was going to be done, it should be done with volunteers, not a paid consultant. After further discussion, the Committee decided not to pursue the specific proposal from Harold Kramer. It was left to Chairman Pace to inform Mr. Kramer his proposal is declined.

Mr. Blocksome offered that the Historical Committee will look at possibly implementing this project with volunteers and will make a proposal to the Committee if appropriate.

15. Standing Order Review

Mr. Widin referred to the document distributed by Mr. Pace prior to the meeting whereby the Executive Committee referred three Standing Orders to the Committee.

a. Life Member reserve

34) The Executive Vice President is directed to keep a reserve for Life Membership in an amount, at minimum, to provide equivalent dues income for the life expectancy of such members, plus an amount for contingencies as directed from time to time by the Administration and Finance Committee.

Mr. Shelley addressed the group reminding them that approximately every 5 years we have hired an actuarial firm to evaluate our Life Member reserve. This was done, in part, to address this standing order and it also gave our audit firm some level of comfort regarding this balance sheet liability. He also noted that last year, with the dues increase, that we also decided to de-emphasize Life membership. He opined that the question appears to be whether or not to

continue to use an actuarial firm in the future. Mr. Shelley also noted that since the FCC doesn't collect birthdates anymore the information we have on our Life members is decreasing.

Mr. Niswander opined that meeting the auditor's needs to meet our annual audit requirements already forces us to do the right thing. Mr. Norton thought it is more work to take out the standing order out than leaving it in.

After a short discussion the Committee decided to recommend to the Executive Committee that the Standing Order be removed.

b.   Number of staff at events

96-3.66) No convention or hamfest may have more than one member of the ARRL staff in attendance at ARRL expense unless approved in advance by the President. Such staff members shall only attend with the prior consent of the Division Director.

Mr. Frenaye provided some background on the issue noting that there has been concern over the years about too many people at the same small hamfests. Mr. Shelley opined that management should be able to decide if additional (non-member contact) travel is needed.

Mr. Frenaye suggested that, if we recommend deleting the Standing Order, the Committee should be ready with a replacement proposal.

On the MOTION of Mr. Isley, seconded by Mr. Blocksome, it was VOTED 4 to 1 to recommend retaining the Standing Order.

c.   Financial information with Directors' motions

30) Each Director offering a motion requiring the expenditure of funds for implementation shall include with the motion his estimate of the costs involved and the suggested method of funding those costs.

After a short discussion, and on the MOTION of Mr. Frenaye, seconded by Mr. Morine, it was VOTED UNANIMOUSLY to recommend retaining the Standing Order.

16. Section Manager Budgets

Again speaking for Mr. Pace, Mr. Widin proposed that the Committee should take up the subject of the adequacy of Section budgets. Mr. Norton opined that the formula is not appropriate. He offered that there were no performance measures for the budgeted dollars. There followed a long discussion of the philosophy on Section spending, the expected outcomes and the value of the spending. The Committee requested staff to provide additional data regarding Section spending and current budgets. Mr. Shelley will send 2015 actual and budget spending, 2016 budgets, area in sq. miles and membership population for all the Sections.

It was decided to form a sub-committee of Messrs. Frenaye, Blocksome and Norton to study the issue and report back to the Committee.

17. New Member Initiatives

The Committee was referred to the work being done by Sean Kutzko and Ward Silver and discussed the need for further funding for new member initiatives. Mr. Widin reminded the committee there was some small amount of funding in the Plan and if successful there will be more funding in the 2017 Plan.

The Committee decided that there were no additional issues to address but expressed their thanks for the efforts to-date.

18. New business

Mr. Frenaye opened the discussion about the idea of converting back issues of QEX and NCJ into digital form so people can access old articles. He noted there is an index of old articles but that is all. He asked the Committee if it was appropriate to look at how we want to deal with going forward. If we want to proceed, we must develop a business plan to move forward.

Mr. Gallagher will take this idea back to staff and will report back to the Committee.

Mr. Widin noted that the next two Committee meetings are scheduled for:
a. July 14, 2016
b. November 12, 2016

Having no further business, and upon the MOTION of Mr. Blocksome, seconded by Mr. Morine, the Committee VOTED to adjourn at 4:20 pm.

Attachments:

1. Treasurer's Report (Mr. Niswander)
2. IT Project Status Report (Mr. Keane)
3. Web Penetration Policy Report (Mr. Morine)
4. Development Report (Mr. Gallagher)
5. Virtual Museum Proposal (Mr. Pace)