**ARRL Administration and Finance Committee**

**January 18, 2018**

**Meeting Minutes**

In attendance were Chairman Jim Pace, K7CEX, Directors Kermit Carlson, W9XA, Tom Frenaye, K1KI, Dick Norton, N6AA, President Rick Roderick, K5UR, Treasurer Rick Niswander, K7GM, CEO Tom Gallagher, NY2RF and CFO Barry Shelley, N1VXY.

Committee Members not present were David Woolweaver, K5RAV and Vice Director Bill Morine, N2COP.

Also in attendance were First Vice President Greg Widin, K0GW, International Affairs Vice President Jay Bellows, Controller Diane Middleton, W2DLM, Directors Jim Boehner, N2ZZ,

Mike Lisenco, N2YBB, Bob Vallio, W6RGG, Vice Directors Riley Hollingsworth, K4ZDH, Edward Stearns, AA7A, and John Robert Stratton N5AUS.

Mr. Mileshosky, N5GZT, joined the meeting at 10:30.

Mr. Pace called the meeting to order at 8:30 am, greeted the Committee and guests. He thanked the members for their valuable service during the past year which has proven to include some difficult issues. Mr. Pace addressed the visitors and requested they hold their questions and comments until the committee members have been able to be heard and asked anyone addressing the Committee to stay on the subject at hand.

1. Mr. Pace distributed copies of the agenda and deleted two items, VE Modernization and Smartphone access to the Web. Mr. Pace also added review of Board Motion 38 from the January 2016 board meeting to the agenda. Mr. Pace asked for any other changes or additions to the agenda. **Upon the MOTION of Mr. Carlson seconded by, Mr. Niswander, it was VOTED UNANIMOUSLY to accept the agenda as amended.**
2. **Upon the MOTION of Mr. Niswander seconded by, Mr. Carlson, it was VOTED UNANIMOUSLY to enter into a Committee of the Whole at 8:36 am to discuss personnel matters.**
3. **The Committee arose from the Committee of the Whole at 9:45 am.**

The Committee reported that Mr. Gallagher’s resignation was accepted and a separation agreement had been agreed to in principle. A& F will continue the negotiation until it is signed. Mr. Shelley has been appointed Temporary CEO and Ms. Middleton has been appointed Temporary CFO until an election can be held at the Board meeting. Compensation packages were approved by the committee.

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

1. **CEO Search Committee**

Mr. Niswander expressed that he was willing to chair a search committee with two stipulations, the committee remains small and we use a search firm. Mr. Niswander requested the committee consist of Mr. Carlson, Mr. Boehner and Mr. Widin.

**Upon the MOTION of Mr. Niswander seconded by Mr. Carlson, it was moved that a CEO Search committee be formed to identify a candidate for CEO for Board election.  The committee shall consist of Rick Niswander, K7GM, Chair, Kermit Carlson, W9XA, Jim Boehner, N2ZZ, and Greg Widin, K0GW.  The committee is authorized to engage a search consultant.  The committee shall report periodically to the Board and will specifically report at the July 2018 Board meeting.**

Mr. Norton inquired as to why a search firm would be necessary since we just went through this process two years ago. He felt an outside consultant was not necessary and noted that the ARRL has, in his opinion, enough avenues to identify qualified candidates and does not need to spend the money on a search firm. Mr. Niswander and Mr. Pace both expressed their opinions as to the reasons we need a search firm to help the process including that they are skilled in the ability to vet qualified candidates and have the resources to cast a much larger net. Mr. Carlson opined that a search firm will provide the opportunity to find new candidates who may not have been available two years ago.

Mr. Frenaye did not feel that this committee should be creating the members of the committee. Mr. Pace explained the committee is making a recommendation to the Board and therefore it is perfectly acceptable to recommend its members.

Mr. Widin reminded the group that the last time around, until the search firm was engaged, the committee didn’t have any truly qualified candidates. The search firm got us more and higher qualified candidates. Mr. Frenaye agreed.

Mr. Niswander reminded the Committee of the stipulations. If the Board feels a search firm is not appropriate or assigns Board members that can’t contribute to the search, he is not interested in chairing the committee.

Mr. Vallio, noting Mr. Niswander’s experience in employment searches, commented that Mr. Niswander should be able to request Board members that he feels would be the greatest assets to him.

Mr. Boehner expressed his displeasure in describing the League as a big club, by some members. “This is a business and must be run as such.” Mr. Lisenco reminded the Committee that what worked 35 years ago is not going to work today and stressed that ARRL is a business and has to be run as such.

Mr. Bellows opined this issue goes far beyond the ARRL. The Board needs to work collectively and that collectively the Board is greater than any one individual.

Mr. Carlson reminded the Committee that the CEO Search Committee will not be selecting the new CEO; they are to make a recommendation for the Board to decide.

**The Motion was passed on a vote of 4 to 1.**

1. Mr. Pace asked if there were any changes to the minutes of the November meeting. **Upon the MOTION of Mr. Carlson seconded by Mr. Frenaye, it was VOTED UNANIMOUSLY to accept the November 11, 2017 minutes.**
2. **CFO Report**

Mr. Shelley, referring to the previously distributed written report, reported on the financial results for the year ended December 31, 2017. Noting that we have not had a year this good financially in over 10 years, he highlighted the following preliminary numbers:

* ARRL had a gain from operations totaling $865,000. Approximately $400,000 was attributable to one-time, non-recurring items. Still, the operating gain this year is the largest in over a decade and begins to make up for the operating losses of almost $1.0 million over the last three years.
* In addition to the gain from operations, we had realized investment gains of $117,000 and unrealized investment gains of over $1.6 million which makes our total increase in net assets almost $2.6 million for the year.
* Total assets at the end of 2017 were $32.8 million, an increase from $28.5 million a year ago.
* Net assets at December 31st were $20.7 million, up from $16.5 million at the end of 2016.
* Total revenues (including contributions) totaled $15.4 million, $384,000 more than planned, most of this variance coming in contributions. Dues were the best performer totaling $6.7 million. $254,000 more than planned. Advertising revenues have held their own but continue to struggle. Program fees were the worst performing category at $907,000, about $200,000 less than planned and $120,000 less than the prior year.
* Expenses were well managed throughout the year. We finished the year over $570,000 less than planned. Total expenses decreased some $650,000 from the 2016 spending levels.
* Cash flow from operations for the year was $455,000, excluding any investment income allocated to the regular portfolio (operations) or Life member dues.

In summary, Mr. Shelley stated that we had excellent financial results this year and we proved we could generate positive earnings at a level that could support investment in new initiatives to grow the organization. We need to be judicious and disciplined in these investments, but we have the resources.

Mr. Norton commented that the net assets have grown to $130 per member.

Mr. Shelley distributed a document that he compiled consisting of a list of Temporary Restricted Funds with descriptions of the Terms of Reference and balances as of December 31, 2017. Mr. Shelley’s document did not include a description of the Steven Rich Fund and he asked the committee if anyone recalls the purpose of the donation. Having no intuitional knowledge on the matter, Mr. Shelley will reach out to Mary Hobart in hopes to get background on the Steven Rich Fund.

Mr. Norton asked Mr. Shelley to confirm his understanding of the amount of the funds we have available to spend. Mr. Shelley explained the difference between Permanently and Temporary Restricted funds and exactly what we do have available for the growth of the organization if the Board sees fit. Mr. Shelley informed the committee that they will hear a proposal later in the evening for moving the organization forward with a price tag around $400,000.

1. **Treasurer’s Report**

Mr. Niswander reported we had a great year but we need to be prepared for the market to turn and to have some losses in the future. He has positioned and will continue to position us in the best possible manner to help minimize those losses when the market turns. While there is no predicting when the market will turn, Mr. Niswander opined that he believes a recession will begin sometime in 2019.

Referring to his previously distributed report, he outlined the portfolio holdings and the market in much greater detail for the Committee’s reference.

1. **Operating Reserves**

Referring to a previously distributed report, Mr. Niswander briefly discussed the different ways to calculate operating reserves contained within the report. Using the methodologies outlined in the report, Mr. Niswander made multiple calculations using the Audited 2016 Financial statements. The results reflect that we are currently below the thresholds outlined in the report and we currently do not have excess operating reserves. Mr. Niswander stated he will do the calculations again with the Audited 2017 Financial statements when available.

Mr. Norton feels that this calculation doesn’t address the Ham Radio industry. Mr. Niswander explained that Mr. Norton’s concerns are already included in the philosophy of the non-profit assumptions utilized in the calculations.

1. **IT – Report**

Mr. Keane informed the committee that plans for 2018 include electronic membership cards, self-print certificates, a move into Logbook 2.0 now that most of the back end technical debt is resolved along with continuing the work on the replacement of the membership/development module.

Mr. Pace inquired about the exposure we have with still being on Siebel. Mr. Keane opined that although it certainly isn’t an ideal situation, the saving grace is the work-around for the Siebel systems the IT department was able to create last year.

Mr. Keane continued, noting that the most significant concern today is the engagement with Surge and their progress with the development of the new DXCC software. The project has continued to deviate from estimates. Surge is taking too long and is costing us too much to continue. The work product is very good but their pace is too slow. At this point we need to consider pulling the project from Surge. Mr. Keane’s recommendation is to bring the project in house and create a tiger team which will cause some of the other projects such as Logbook expansion and self-print certificates to be move aside for approximately 4-5 months but will be able to complete the DXCC project in a shorter timeframe. Mr. Keane informed the committee that work on the Membership module development will not be affected by this strategy.

Mr. Shelley noted we could hire an outside programmer to complete the work but this would require taking on another learning curve. Mr. Shelley opined that we are choosing the better of two poor options.

Mr. Widin asked if there is any risk pushing any of these other projects. Mr. Keane responded that these projects are upgrades in nature. Nothing of critical nature is being moved aside.

The committee supported the recommendation for the completion of the DXCC system.

Mr. Frenaye asked if we have increased our IT security due to the increased outside e-mail onslaught. Mr. Shelley responded that there has not been any increase in security but we believe our systems are secure with the existing best practices standards we employ.

1. **CEO & Operations Report**

Upon reflection over the past year, Mr. Shelley noted there have been a number of achievements despite outside distractions that diverted a good amount of time and resources. The response to the hurricanes, internally and externally was fantastic. We are heading down the path of understanding what new hams want from us and are actively working to provide it.

Mr. Pace commented on how great the new test content, ‘On the Air’ was received within his division and the work of the Production staff has been very positive.

Mr. Frenaye asked if the after-action report from Puerto Rico was completed. He would like the report to be distributed to the board. Mr. Shelley noted that he is aware that Mr. Corey was working on it and will follow up with him.

Mr. Norton brought up the Facebook PIO trail about the e-mail PIO reflector where a number of volunteers have been removed from the reflector without being made aware before the action was taken. Mr. Shelley stated that he was not aware of this issue and he would look into it. Mr. Boehner informed the committee that a decision was made to remove non- appointed PIO parties. In the beginning, anyone could join the reflector and the PR Committee felt that it needed to be a focal group. On retrospect the failing was that there was no communication about why or that it was happening.

Mr. Norton expressed the desired to discuss FMRE President’s (Mexican ARRL) displeasure with ARRL that we pulled part of their press release about their response to the earth quake. Mr. Shelley stated this was the first he has heard of this and will look into it.

In conclusion, Mr. Roderick opined that, as the leaders of this organization, we need to reassure the staff that we will continue to move forward. He noted that the staff will respond to what the volunteers say and he asked the Committee to please be positive.

**Committee meeting broke for lunch from 12 pm to 1 pm**.

1. **LoTW Report**

Mr. Widin informed the group we are about to go live with the new CQ WAZ award and the reliability of the system is in good shape. Mr. Frenaye inquired about the revenue stream of the award. Mr. Widin noted that he did not know the magnitude of the revenues stream but there would be an initial windfall of applications. The award will continue to require a two-payment process for the participants just like the current WPX award. One payment to ARRL for credits and a second payment directly to the CQ award manger.

1. **Update on Future OO Program**

Mr. Mileshosky reported that the work is substantially complete and that he intends to provide a final report to the EC by the end of the weekend. Last steps were to review the recommendations with the OO community through the OO Coordinators. 30% of our sections do not have appointed OOCs. Mr. Frenaye noted that there is a NE section that wants to appoint one but no new OOCs are being appointed. Mr. Mileshosky noted that the decision not to appoint any additional OOCs was not made by this committee. Mr. Mileshosky wants to reach out and find out why these sections don’t have OOCs. Of the existing OOCs, they interviewed 9 of the top OOCs. The committee also reached out to via e-mail for comments. Mr. Mileshosky opined that they have given the OOCs multiple opportunities to weigh in.

1. **Section Manager E-mail**

Mr. Pace has been asked if the Section Managers could use the same e-mail system process as Directors where their e-mails are directly released through the system. Currently, Mr. Ewald reviews the e-mails and releases them. Mr. Frenaye has expressed a concern for it to be automatically sent without review. Mr. Frenaye suggested that if it isn’t released within a period of time it would automatically be released. Mr. Pace noted that this would require IT time to program.

Mr. Norton inquired about how many e-mails Mr. Ewald has rejected over the past year. Mr. Ewald joined the meeting and noted that there are very few that have been rejected. He is also capable of releasing them via smartphone. Mr. Ewald left the meeting. The committee continued with a brief discussion.

**Upon the MOTION of Mr. Carlson seconded by Mr. Norton, it was VOTED UNANIMOUSLY to allow Section Manager’s e-mails to be released without prior review.**

1. **Legislative Affairs**

Mr. Lisenco summarized the status of the bill and what had been accomplished in the past year. He noted that Frank McCarthy will be at the Board meeting to discuss the status as well as a recent request that will put ARRL in front of a Senate Committee. Mr. Pace reminded the Committee that we knew going into the effort, the process was going to be expensive and expressed his appreciation of the efforts of all who participated. Mr. Norton noted that the concept of lobbying Congress for bills has been going on for quite some time. He expressed concern over the overall costs of the process for the current bill and the amount that is likely to be expended this year. He also expressed his concerns over the content of the legislation and opined that there is significant discord in the Amateur community.

Lisenco responded, questioning who are the experts criticizing the bill. Mr. Imlay added that according to CAI’s own literature, 90% of the new construction in this country is located in deed-restricted areas that have restrictions related to antennas. Mr. Imlay continued by noting that in 2012 we submitted to FCC100’s of examples of members who have not been able to participate in communications. This issue is not just about the current Amateur Radio operators but future generations of Amateur Radio operators.

After a long discussion the Chairman stated that further debate would not be productive in this forum and ended the discussion.

1. **General Counsel Report**

Mr. Imlay informed the committee that Mike Corey has been working on a new MOU with the Salvation Army. It is a very standard MOU with a 5 year term. A draft of the MOU will be circulated at the board meeting.

The second concern Mr. Imlay addressed was about the circulation of information via e-mail to Vice Directors. In the face of criticism from certain individuals he has reviewed his procedures and has come to the conclusion that due to the fact the Vice Directors are not members of the Board of Directors and he has a clear ethical responsibility not to disclose client affairs to those individuals he could no longer include Vice Directors as recipients. He noted that ARRL is his client and he has concluded that he is not able to waive his ethical obligations that are imposed by the Bar Associations. So, he chose to only distribute materials, etc. to the Board of Directors. This puts the responsibility for further distribution on the Directors. Mr. Imlay stated he is willing to ask the DC and Maryland Bar Associations for a ruling if the board passed a motion and agreed to hold him harmless if he could ethically send communications to the Vice Directors.

Mr. Pace directed Mr. Imlay to take up the issue with the bar associations. Mr. Carlson agreed.

1. **ARES 501(c)(3) Application and Status**

Mr. Imlay provided some history on ARES groups wanting to use ARRL’s 501(c)(3) status to accept donations. As this would place our 501(c)(3) status in jeopardy, ARRL was not willing to do this, however ARRL agreed to allow ARES groups to file their own incorporation papers but ARRL wanted the incorporation papers to acknowledge that ARES is a trademark of ARRL.

Mr. Imlay has no recommendation to change this policy.

Mr. Imlay departed the meeting.

1. **Budgeting of Legal Funds**

Mr. Norton stated he was concerned about the amount of Legal fees in the 2018 plan. Mr. Pace agreed with Mr. Norton’s concern but noted something had to be put in the plan and “we certainly hope that our expenses are reduced this year”.

1. **Legal Service Contracts/Retainer Agreements**

Mr. Norton expressed his concern over the lack of legal contracts and/or retainer agreements. Mr. Bellows pointed out that our predecessors have named Mr. Imlay as our General Council creating a situation where an engagement letter would be inappropriate. While Mr. Bellows doesn’t dispute that legal contracts can be useful, we could possibly obtain an ongoing engagement letter with Day Pitney for our issues related to CT law and HR law. Mr. Norton doesn’t agree with the characterization of an on-going relationship with Day Pitney.

Mr. Pace suggests we should explore the benefits or cost of obtaining engagement letters.

1. **Travel Expense Review**

Mr. Bellows, on behalf of the Travel Expense Review Subcommittee, expressed that the committee feels that expenses related to travel requires a lot of judgment. We are stewards of other people’s money and should be mindful of that fact. After discussing the idea of reimbursement of alcohol, the committee came to the conclusion that it did not feel it should provide a recommendation related to alcohol. It should be decided at the Board level.

Mr. Norton stated that the report has finally morphed into a policy he felt was appropriate with one exception. He feels that longer overseas trips should not be at Business Class fares.

Mr. Frenaye expressed that he felt we already had a motion that had removed alcohol reimbursement. Mr. Bellows clarified that the Board eliminated reimbursement for the cash bar on the Thursday and Friday nights’ Board dinners.

1. **Division Budget**

Mr. Shelley reported to the Committee that the only division that went over budget was the Delta division and that the overage was by $6,640 or 60% of the originally budgeted amount.

Mr. Pace opined that this kind of overspending is unacceptable reminding the committee that all Directors get monthly reports and should be well aware of their spending. Mr. Shelley noted that he feels it is the Committee’s responsibility to address this issue and get an explanation. Ms. Middleton informed the Committee that she went through all the reimbursements to confirm the accuracy of the charges to the Division. While she found no errors, she also noted that she did not find any excessive spending, just numerous trips.

A discussion among the Committee ensued over how this issue should be addressed. Mr. Frenaye opined it is significant enough that the full Board should be made aware. Mr. Roderick expressed that while some action should be taken, Directors need to be aware of what the consequence of going over will be in the future.

Mr. Carlson would like the full Board to discuss this issue. Mr. Pace will notify Mr. Norris this will be brought up to the full Board.

1. **Review Board Actions**

Mr. Frenaye stated there is no update.

1. **Corporate Document Reviews**

Mr. Carlson suggested the possibility of presenting a motion to the board that would recommend that when records are requested by a Board member, that members of the Board be notified of the requester, the documents requested, and to whom the request was made. After a brief discussion it was decided that such a motion would not be recommended.

1. **Motion 38 from January 2016**

Mr. Pace distributed copies of the original motion which expanded the opportunities for Directors to a) attend the Dayton Hamvention and b) arrive early at HQ for meetings. He discussed the need for the current language to be revised to provide clarification. While the intent was good the wording has caused some confusion.

Mr. Pace, at the recommendation of Mr. Widin, referred the reworking of the language to the Travel Expense Review Subcommittee to provide clarified language for Committee review. Mr. Roderick directed the Committee to address the issue of coming in early for meetings. Mr. Roderick wants the Officers to be removed from the cross hairs of dealing with this issue. At the moment, any deviation currently needs the President’s approval. Mr. Pace suggested the subcommittee should contact Directors to clarify their original intent.

1. **Trademark Committee**

Mr. Niswander noted the report was previous distributed and asked if there were any questions. No questions were asked.

1. **E-mail Addresses in QST**

Mr. Stratton requested that the ARRL e-mail address listed in QST could be, upon request, replaced by a personal e-mail address. Mr. Stratton feels it is more reliable for him. Mr. Widin opined that this would be inappropriate. Mr. Pace suggested it would make it more difficult for the editorial staff. Mr. Shelley noted that any change to the e-mail address may not change in QST for 60 days. Mr. Pace feels that after going through the issues with the changes to page 16, it is not the time to make such a change but it could be revisited in the future.

1. **Succession Planning**

Mr. Frenaye pointed out that the events of today make this needed more than ever. Mr. Pace deferred this matter to the next Committee.

1. **Development**

Mr. Frenaye expressed his desire to combine the giving totals of the League and Foundation to determine eligibility for Maxim Society.He clarified that this proposal is only for recognition purposes.

After a brief discussion, the committee had no objection. Mr. Frenaye will make a motion at the board meeting.

1. **Board Motions**

Board Motions to be presented to the full Board from the A&F committee are related to the Approval of the 2108 Plan and the creation of the CEO Search Committee.

1. Mr. Pace expressed what a pleasure is has been to serve as Chairman. Mr. Pace conveyed his appreciation to Mr. Shelley and Ms. Middleton for all their hard work. He continued to acknowledge the group as a group of professionals with a love of the hobby.

Mr. Roderick expressed his appreciation to Mr. Pace and asked if there are any additional items that need to be addressed here in order to have an effective board meeting.

1. Mr. Norton brought up the observation we pay legal fees in excess of what a full time League salaried on staff attorney, licensed to practice law in Connecticut, would cost. He is not convinced that our current spending on legal fees is appropriate and would like to address this issue. Mr. Mileshosky reminded the Committee that we have to use Day Pitney because the relationship with our General Council had been damaged. Mr. Mileshosky commented that Mr. Imlay, appropriately so, has reengaged Day Pitney.

Mr. Bellows pointed out that the average attorney salary in CT doesn’t include the cost of benefits and this person would not be doing communications law. When you add a new communications attorney at current market rates you will be paying much more than the $100/hour that is charge by Mr. Imlay.

Mr. Carlson expressed that what a communications attorney does is nothing like what an attorney in state or federal courts does. Mr. Imlay is a respected member of the communications community and well known within the industry.

Mr. Norton noted that Mr. Imlay’s hours charged to ARRL is equal to a full time employee, and the League might be better off having a full time attorney on staff and this option should be explored.

Mr. Norton offered that Dale Clift, NA1L, is a Connecticut licensed attorney with FCC experience and would be open to discussions with ARRL. Mr. Pace inquired as to more details of an offer by Clift, and Mr. Norton withdrew his statement.

1. **Having no further business, and upon the Motion of Mr. Niswander, seconded by Mr. Carlson, the Committee VOTED UNANIMOUSLY to adjourn at 4:30 pm.**