# Pacifica Financial Recovery Plan

## Executive Summary

The Pacifica Financial Recovery Plan is a response to the significant financial deficits of recent years (2007-2010). The deficits were a product of many factors, among them declining listener support, failure to make programming changes to retain and grow listenership, and poor management of our budgets and financial reserves, both on the national and local station levels.

These deficits have required us to make cuts in expenses that were unpleasant but which were necessary. No organization can continue to spend more than it is bringing in and expect to survive to continue serving the public. While cuts allowed us to greatly reduce our deficit spending, alone they were not adequate to restore financial health to the Foundation.

The Recovery Plan (hereafter The Plan) starts from a premise that strict improvements in management of foundation finances must be put in place. This has already begun. It starts with demanding more accountability from local stations and the National Office in producing and executing budgets that are balanced and designed to build cash reserves. The 2011 Budget process followed this formula producing on time and balanced station and national budgets.

This document outlines actions underway and planned for the next five years to put Pacifica in a stable financial position and serve the public as we provide a much-needed alternative to commercial media.

The major goals described are to:

- Resolve debts
- Restore modest financial reserves

To reach these goals, we must increase revenue and control expenses. The specific goals and actions listed below will help us do that while enabling us to continue to serve our educational mission.

The initiatives below cover several methods we will use to increase membership and revenue, and the figures shown represent what we believe are minimum realistic values. We hope, of course, that at least some of the methods listed will be even more effective than indicated here. Periodically (at least once per year), our stations will evaluate each technique to see what is working best, compare results between stations, and modify specifics as needed so that we can learn from each other and incorporate the most effective techniques. The Financial Recovery Task Force will continue to monitor and adjust plans as necessary to reach our goals.

## The Problem

The Pacifica Foundation has had expenditures greater than revenue every year since 2007. Foundation reserves are exhausted. We do not have enough working capital to pay our major payables.

| Year | Net Income |
|---|---|
| FY 2007 | $(217,848) |
| FY 2008 | (433,161) |
| FY 2009 | (2,701,432) |
| FY 2010 | (1,974,849) |
| FY 2011 | (405,967) |
| **Total** | $(5,733,257 |

While significant progress toward improving financial practices was made in FY 2011, many of the same issues that caused previous deficits prevented ending the year in the positive. Significant legal expenses, the inability of the NY and DC stations to consistently cover their expenses and contribute their full allocation to shared network expenses, significant past due obligations, and the loss of promised funding to the Pacifica Archives from the National Endowment for the Humanities made a major impact on our bottom line. FY2011 was a better year than FY2010 by a significant margin but not the result we were reaching for. We have to make significant changes in FY2012 and beyond.

FY 2012 presents the Foundation with extreme challenges including the relocation of at least one station, and with a second station possibly looking at a move in order to lower ongoing occupancy expenses. The continuing problem of non-payment of full shared expense levies (Central Services) puts pressure on the Foundation's ability to cover network and station expenses. This also prohibits building and maintaining reserves to meet unexpected contingencies. The responsibility of all five station units, the Archives, and the National Office to cut expenses and increase revenues will be of major importance to The Plan. Both locally and nationally, the Foundation will exploit a variety of revenue streams to go beyond simply struggling to meet operational expenses.

The Plan addresses concrete steps that will be taken to ensure that the current trend of fiscal year losses will become a trend of modest growth, responsible debt management, and the rebuilding of financial reserves to provide a sound foundation going forward.

## Increasing Revenue

### Promotion/Marketing

It is crucial to the survival of the 5 stations and the nearly 200-station affiliate network that Pacifica restore its reputation for timely coverage and analysis of pressing issues from an alternative point of view. This can be done by consistent and well-thought out issue-based initiatives that draw from a variety of sources in-house, affiliates, and pro-bono contributors who see the benefit of working with Pacifica and our media family. It is important that these initiatives be clearly Pacifica-branded, and that is why we are proposing a national office position dedicated to consistently producing this material using network resources and promoting it to the network's donors to get them to maintain and increase their fiscal support. Pacifica must be more than the network that airs (or used to exclusively air) Democracy Now.

By running series-based national programming, Pacifica can nationally highlight an abundance of local talent. We strengthen the network by exposing our talent to national audiences. We demonstrate our ability to bring to our listeners, across the country, a range of broadcasting competitive with other media. The Pacifica Network will be known for its self-produced content in addition to carrying Free Speech Radio News, Al-Jazeera English for Radio, Democracy Now, and other Audio-port material. The opportunity to participate in these national programs will assist in the retention and attraction of affiliate stations within the Pacifica network.

This contention regarding national programming is based on verifiable facts. Pacifica has had several well-received national program specials including coverage in 2011 of the Japanese nuclear power plant disaster at Fukushima, the 10th anniversary of 9-11, labor stories, and most successfully, Occupy Wall Street coverage which increased online listening to the extent that host station WBAI had to triple bandwidth in order to accommodate the crush of online listeners. This demonstrated in clear terms a desire for Pacifica coverage and the ability to increase our number of listeners by doing targeted special programming.

The promotion program will have the following components:

A national staff person whose responsibilities will include producing at least six and as many as ten Pacifica-branded special programs on timely issues using in-network and donated broadcast resources.

This person will be responsible for ongoing promotion including regular press releases and announcements, on-air blurbs for the affiliate network, and coordinated newsletter outreach at all five stations to support programming. Responsibilities will include outreach to potential major donors and to coordinate the annual national mail debt-reduction campaign.

The goal of this position is to increase listenership and revenues through improved programming, to develop a public relations campaign, to enhance the "Pacifica brand", and to cultivate major donors. This position will have measurable goals for financial success and continuation of the position will be contingent on reaching these goals.

**Forecast:**
FY 2012 National Marketing $0
FY 2013 National Marketing $25,000 – Net Income after salary/benefits
FY 2014 National Marketing $45,000 – Net Income after salary/benefits
FY 2015 National Marketing $65,000 – Net Income after salary/benefits
FY 2016 National Marketing $85,000 – Net Income after salary/benefits

# **Maintaining Subscribers**

Public media wisdom is that 1 of 10 listeners is a subscriber. It is beyond the scope of this recovery plan to try to increase that percentage of giving. However, it is not beyond the scope of this recovery plan to address whether or not Pacifica is, in fact, capturing that 1 of 10, and in addition, what can be done to reduce the turnover. Stations will be mandated to follow up by mail and phone with listeners that do not renew their memberships. Edge Creative Strategies marketing group suggested to KPFT that they approach listeners from a perspective of *"how we make listeners feel about themselves"* as opposed to *"how they feel about the station."*
Each station will conduct a survey of current members to determine their listening habits and interest in programming and other services. In addition, they will distribute a survey to lapsed members to determine what would bring them back.

Pacifica will engage in ongoing member appreciation activities that may include brief carts featuring long-time subscribers, tag lines and ads about how special Pacifica listeners are, and defining Pacifica Listeners. What makes a Pacifica person? Listening and donating to Pacifica are two ways our listeners demonstrate who they are.

Membership appreciation activities will be carried out in 4 ways:

- Station Newsletters
- On-Air Carts about Pacifica people
- Direct Mail Coordination
- Station Events

Member appreciation activities will be paired with mechanical fund drive enhancement procedures that will be implemented at each station to get the best possible results. These include:

- Running credit card pledges immediately to prevent loss due to illegible handwriting on pledge cards.
- Including "wait messages" with an invitation to pledge online on pledge room phones so donors are not lost when phone lines are busy.

- Mail, email, and calls to lapsed donors annually.

- Offering "charity premiums" (plant trees, carbon offsets, $10 to an organization) as thank you gifts. These enable the donor to "feel good" about contributing to two worthwhile organizations.

- Asking programmers to sign thank you letters to listeners who contribute during their show.

In addition, stations must maintain and invest in the necessary equipment/technology to ensure that their signal is not diminished or lost.

Progress to date on this component:

i. Pacifica has contracted for back up servers to cover when servers go down. This will ensure no loss of service or data.

ii. A new transmitter has been installed at KPFK and the backup power generator has the necessary permits and has been modified to begin operation.

iii. Pacifica is also purchasing a back up transmitter for WPFW to ensure maintenance of sufficient signal strength if there is failure with the main transmitter.

The gradual implementation of consistent membership appreciation techniques with fund drive improvements and improved technical maintenance will cut down the current membership turnover of 20% by 3% to 17% over 5 years.

**Forecast:**
Current Subscriber Base = 70,000
Current Turnover = 20% or 14,000 subscribers
Desired Turnover in 5 years – 17%, increase retention by 1% each year in years 2-4 and maintain at 17% from year 5 forward.
Average Donation per Subscriber - $100
Goal – Reduce Turnover by 3% within 5 years using Maintaining Subscribers techniques

FY 2012 Begin work on retention. Since year is half over, little gain seen in 2012.
FY 2013 Maintaining Subscribers - 1% of 70,000 = 700 at $100/subscriber = $70,000 - $10,000 expense = $60,000 net
FY 2014 Maintaining Subscribers - 1400 retained = $130,000 net
FY 2015 Maintaining Subscribers - 2100 retained = $200,000 net
FY 2016 Maintaining Subscribers - $200,000 – net income

## Increasing Audience

Increasing the number of listeners will also increase revenue. With improved programming and marketing/public relations efforts, stations will increase listenership by 1% per year. At this rate, there will be 700 additional subscribers each year at an average contribution of $100 per listener.

**Forecast:**
FY 2012 Begin work on building new audience.
FY 2013 700 x $100 = $70,000 - $10,000 (expense) = $60,000
FY 2014 $70,000 (continue from FY 2013) + 700 x $100 = $140,000 - $10,000 = $130,000
FY 2015 $140,000 + 700 x $100 = $210,000 - $10,000 = $200,000.
FY 2016 $210,000 + 700 x $100 = $280,000 - $10,000 = $270,000.

Rather than parse the details of each specific radio market, this Plan embraces general steps that are applicable to each market and assumes some latitude on the part of local managers together with Local Station Boards to attempt their own approach, as long as steps are taken to increase audience size. Over the life of the Recovery Plan, the following will be implemented wholly or in part by each station:

■ Every station will engage in social networking training for all programmers (in most cases this is available via volunteer trainers as NY has already found). This should be required to maintain an on-air Pacifica presence. Programming played on the full-power stations will be required to maintain either a Facebook page or web-blog, announce programs via Twitter, and post audio archives with Google tag words. As station websites are redone to work better, programmer content will be integrated directly onto station websites.

Current # of Discreet Programs for all stations (approx): 300
Facebook "Like"/Twitter "Follower" goals per program: 200 people/year (total of 60,000 people)
Conversion Rate = 2% per year (0.02 times 60,000) = 1200
Donation = $50 /conversion times 1200 conversions/year = $60,000 annually
This will build up gradually with $30,000 in Year 2, $45,000 in Year 3, $60,000 in year 4 and 75,000 in year 5.

■ Stations will explore and implement additional services such as film clubs, concerts, lectures, and discussion groups.

■ In order to increase audience, as well as fulfill the Foundation mission, stations shall pay attention to the demographic as well as geographic communities within its listening area. This may pertain to the need for providing more special programming for one or more underserved groups, especially if other media does not provide critical information, news, or authentic cultural programming; this should be done in a way that increases rather than decreases listenership and membership. Stations will determine the demographics of their listening area in order to develop programming to serve underserved groups such as various Hispanic cultures, Asian Americans, African Americans, as well as youth and senior audiences, women, gay and transgender people, and listeners with disabilities. Program scheduling decisions should always be based on what is best for the station and the listeners.

■ Stations will develop email lists with data in order to target listeners by interest.

■ Improved websites for Pacifica and for all stations, with links to each other.

**Forecast:**
Current existing station e-mail addresses ~ 18,000
5 year Goal 3 x 18,000 = 54,000 e-mail addresses (10,800/yr)
Growth Rate = 3% per year times 10,800 new emails/year ~ 300 new members
Revenue increased = @$100/avg pledge (~$30,000 annually)

- Encourage programmers and the Local Station Board to connect with community organizations for both outreach and joint fund raising for both the partner organization and the station. Ensure that all programmers and staff are familiar with FCC and IRS requirements to maintain our license and non-profit status.

## Digital Distribution/Mobile Device Access

We believe radio will continue to be a viable medium. Every year more people listen to programs via the Internet, using their computers at home and work, and with portable devices (smart phones, tablets, etc.). Pacifica already streams all programs and has digital archives. The next step is to increase online listening and contributing. Pacifica plans to expand the distribution of programs through mobile device applications with donation buttons, some of which are already in service. Mobile apps must be accompanied by aggressive Google tagging of online audio segments and mobile app downloads that are ubiquitous on station websites. In order to be realistic about what it will take to attract significant traffic to download and use the mobile applications, roll out is anticipated for the 2013 calendar year.

**Forecast:**
Goal – Distribute and standardize iPhone and Android mobile apps for all 5 stations with maintenance and micro-donation features. (See existing quote for basic parameters)

FY 2012 Digital Distribution - $0 net income
FY 2013 Digital Distribution - $15,000 net income
FY 2014 Increasing Audience - $20,000 net income
FY 2015 Increasing Audience - $25,000 net income
FY 2016 Increasing Audience - $30,000 net income

## E-Commerce

Ursula Ruedenberg, Affiliate Director, Andrew Philips, KPFA iGM, and station WBAI staff, are working on e-commerce possibilities for both Pacifica and the stations. There is a long-term and a short-term scenario. Only the short-term scenario is projected as a reliable source of recovery funds at this time, although it is believed there are potential upsides far in excess of the modest forecasts presented here. These are achievable with solid implementation of the Recovery Plan.

- Short-term: NY station WBAI has been working with professionals to tag-word all online premium products aggressively to maximize the possibility of any Google inquiry. This investment in time and effort should consistently amplify website income.
- Long-term: The Affiliates Program plans to develop a portal website featuring a store which would be Pacifica-branded and return a revenue stream to Pacifica. We will seek specific

grant funding from major donors to finance the creation of the portal website. This venture into e-commerce is likely to generate some income towards debt repayment and the re-establishment of financial reserves. An additional goal is to seek grant funding to enable the Pacifica Archives to set up an iTunes-style online store for sale of selected recordings.

**Forecast:**

Goal – Premium gifts tagged as Google search-able items (at least a selection) and featured at web-only prices for not only between fund drive pledgers, but also web browsers looking for information/products relating to the person or issue featured on the premium. Every station to have at least a dozen products so-featured within the next 12-months.

FY 2012 E-commerce - $0 net income
FY 2013 E-commerce - $10,000 net income
FY 2014 E-commerce - $15,000 net income
FY 2015 E-commerce - $25,000 net income
FY 2016 E-commerce - $35,000 net income

## Controlling Expenses

**Payroll Processing**

Pacifica is interviewing payroll companies to institute a payroll system that will increase payroll efficiency, enable more and better reports, and reduce payroll errors. In addition, it will enable Pacifica to improve monitoring employee compliance with approved hours, vacation, and sick time. Budget-to-actual reports, for some time, have confirmed overruns in these expense categories at many of the stations, and it is expected that increased accuracy of payroll will manifest dividends by preventing these overruns in the future. Pacifica expects to institute the new system in the quarter beginning April 1, 2012.

**Legal Expenses**

It is crucial that the foundation lower its legal expenses while maintaining the ability to act decisively when it is necessary to do so to protect the best interests of the foundation and the 5 station's whose licenses it holds and protects. These points represent a strategy to reduce gradually, over the next five years, the financial burden of litigation from the current situation existing in early 2012.

- Pacifica has entered into a contract, effective December 1, 2011, with Der Manouel to provide Employee Benefits Consulting Services, including HR services provided by Holman HR, LLC. This service will ensure compliance with ERISA and other state and federal statutes, and will provide better service to employees and managers, including HR training and some legal consultation. This will decrease legal liability over time.

- In January 2011, Pacifica approved the use of employment attorneys to handle situations that require specialized legal advice. Although we had expenditures greater than anticipated for these services, we prevailed on a number of legal issues. As we continue to show this kind of success, we reasonably expect to see a decrease in "frivolous" actions. Pacifica signed a retainer agreement with an employment law firm to provide four hours of legal service per month at a greatly reduced rate.

■ In January 2012, Pacifica retained Andrew Gold as General Counsel. His location in the Bay Area and his oversight of legal issues should contribute to decreased litigation costs.

**Election Expenses**

Pacifica is working to prepare for the 2012 Pacifica elections. The Elections Committee is exploring various options including hiring an outside firm to handle the election and making electronic voting an option.

Goal – Reduce election expenses to less than 100K per election by gradually implementing online voting, and using economies of scale with election personnel and printing costs.

**Reality-Based Budgeting**

The CFO and ED have worked closely with the National Finance Committee, unit management, and LSBs to develop realistic and balanced budgets for 2012. All station budgets were approved in September, and the overall FY 2012 budget was approved in October – a first for Pacifica in some time. Over the last two years, the CFO has produced Consolidated Network Budgets with a foundation of individual unit budgets. For FY 2012, the National Finance Committee and the PNB insisted that income and expenses reflect realistic expectations, and that, utilizing these realistic expectations, final budgets could not show deficits. The national staff will work with station management to monitor individual unit budgets monthly and quarterly to ensure compliance. Unit managers will be required to work with the ED and CFO to correct any deficits.

The Foundation will use its full authority and powers over purse and personnel to achieve compliance with key points of the Recovery Plan, including adherence to budgets.

**Rent, Utilities, and Technical Maintenance**

■ All current lease agreements will be examined with a directive to renegotiate wherever possible or to look for other ways to reduce rent (such as giving up space, or relocation.)

■ Each station will prepare a utilities/phone plan to show how costs are being kept to a minimum or are being reduced. All costs must be defended.

■ Maintenance/Repair records will be strictly kept at each station with reports made monthly to the LSB, and quarterly to the PNB; immediate reports will be made to the ED, CFO, and Technical Director, NFC.

■ Purchase of new equipment must be defended in advance (unless budgeted for) to the ED, CFO, and NFC; plan to purchase must be reported to the LSB (through the Treasurer/

Finance Committee Chair will be deemed adequate). [Off budget, impulse purchases are not allowed. Off budget, necessary purchases will need approval from the ED with immediate notification to the CFO and NFC.]

**Management Stability**

- Pacifica has increased stability in our operations by hiring permanent General Managers in 3 of the 4 open positions. Pacifica is working with the KPFA LSB to hire the 4th permanent GM, but KPFA currently has an interim GM who understands the importance of fiscal accountability. KPFT has had stable management for a number of years. The next goal is to get permanent Program Directors hired – with similar stabilization results. The current national management team of Executive Director and CFO have completed two years at Pacifica.

- Internal Auditor: This new position was recommended last year, but lack of funds delayed creating the position. This is in the FY2012 budget and Pacifica is hiring an Internal Auditor. This position will take some of the burden off the finance staff and will provide additional training and evaluation of the station Business Managers in the use of Great Plains and proper accounting.

## Conclusion

With the above strategies in place to increase revenue and control expenses Pacifica expects to pay off debts and become financially stable within 5 years, 2012 – 2016. The above action items, along with attention to the bulleted items in the attached appendix, will be prioritized.

Major goals are to reduce debt from the current dangerously high figure to a reasonably managed amount for a network of our size, restore station and national office financial reserves to no less than a level matching operating costs for two months, and establish practices designed to grow our network to a size appropriate for our niche in the world of broadcasting.

To reach these goals, we must demand strict conformity to good financial practices from all levels of network governance and management. Spending beyond our means will not be tolerated. Emphasis on rejuvenating all revenue streams will be a priority for the network. Off budget expenses and budgeted expenses when revenue projections are not met, will not be allowed.

Financial Recovery and Audit Taskforce
28-Feb-2012