

October 15, 2019

Pacifica National Board Executive Session Report

On Oct. 12, 2019, in a second continuation meeting, the Pacifica National Board approved a motion affirming interim Executive Director John Vernile's actions at WBAI.

Respectfully submitted,
Bill Crosier
Pacifica National Board Secretary

Motion to Affirm Actions Needed to Save Pacifica, by Crosier

Whereas, **WBAI has been having very serious financial problems**, including:

- * a serious decline in fund drive pledges, dropping from over \$25,000/day to only \$7400/day in FY2019, with a fulfillment rate of only 75% in FY2019 (all per figures provided by WBAI's GM), and this listener support would have to increase by a factor of 2-3 times its current intake to cover all of WBAI's financial obligations
- * even with 140 days of fund drive/year, the station has not been generating enough revenue to pay for its own payroll and benefits in recent months, and has had to call on Pacifica's National Office, that is the four other stations and the Affiliates program, to cover WBAI's payroll and employee health insurance - over and over again, and

Whereas, **WBAI's lack of adequate funds to pay employees have created severe problems for Pacifica:**

- * the monthly payroll and benefits for WBAI are in excess of \$60K/month
- * neither WBAI nor the Pacifica Foundation has the funds to continue paying WBAI staff
- * employers are legally prohibited from keeping employees when there are not adequate funds to pay them
- * the Pacifica employee handbook requires that when there are insufficient funds for payroll, personnel must be laid off
- * neither board resolutions nor lawsuits will generate more money to pay employees or for other services WBAI has violated a number of very important financial policies approved by the PNB, including (1) violating the hiring freeze by hiring additional staff without approval of the ED and CFO, and (2) failing to prioritize payroll, employee health insurance premiums, and Central Service payments above all other expenses, and

Whereas, all five Pacifica stations are supposed to pay, each month, a percentage of their listener support revenue to the National Office to **pay for national accounting services, audits, HR, salaries of the ED, CFO, technical and other support staff -- the totality of which is called "Central Services"**, but:

* WBAI paid into the National Office/Central Services only one month in Fiscal Year 2019, that just ended, leaving a shortfall of \$185K in CS payments for FY2019 (per figures supplied by our iCFO to the Finance Committee)

* The overall intercompany payables due to all Pacifica units by WBAI had accumulated to \$4.87 million by the end of FY2018 (per figures supplied by our iCFO to the NFC) (note this is separate from external debt so does not include any amounts owed for tower rent or the big loan that refinanced that)

* Pacifica's National Office has had to use Central Services funds (paid by other stations) that are needed for services that are essential for all of Pacifica (including accounting, payroll processing, audits, pension administration, legal, engineering, and NO staff) at least 8 times in FY2019 to instead cover net shortfalls of \$146K in WBAI payroll, and \$40K for employee health insurance

* The other stations are not generating sufficient income to be able to continue paying for WBAI's employees, and in fact the Foundation as a whole has insufficient income to continue paying for WBAI's payroll; in addition to its other obligations including, for instance: the insurance which is required by the terms of the "big loan" which is presently outstanding and which can be called if we don't pay our insurance

* WBAI's lack of payments for Central Services, and draining CS funds from other stations, and failure to pay the Pacifica Radio Archives, to cover WBAI's shortfalls in payroll, may prevent the staff of the Pacifica Radio Archives from being paid this month and result in their having to suspend operations

* The failure to pay the Pacifica Radio Archives (PRA) (which has generated over \$4 million in listener donations to Pacifica during the last four years for premiums they've supplied) will have a disastrous effects on the Pacifica network in general, and fundraising in particular

* Pacifica's interim Chief Financial Officer has projected that we'll have a deficit of over \$1 million for FY2020 (that just started), if things are not changed, meaning there will not be any spare cash to fund WBAI's deficiencies, and

Whereas, WBAI is behind on other financial obligations, including:

* two months behind on required payments for its tower rent, and this threatens cutoff of transmitter operations and WBAI's license

* also behind on payments to its call center used for fund drives and owes unknown amounts to other companies/vendors

* owes fund drive thank-you gifts to approximately 1000 donors from past fund drives

* most of the bequest from NY this year had to go to cover debt that had not been paid because of WBAI's previous serious deficiencies in Central Services payment, and

Whereas, the above has resulted in **Pacifica falling further behind on payments due to essential service providers** (\$143,170 as of Oct. 9, 2019), including \$59,238 due to NETA (that handles accounting and Human Resources, plus collects and processes financial information that our auditor needs), and:

* the National Office bank account has only about \$2K in it as of Oct. 9, 2019, and will not be able to fund WBAI payroll at the end of this week

* WBAI's bank accounts have a total of only \$33,249.27 in them as of Oct. 10, 2019, but one of them is locked due to a lien, and all that is not enough to cover other overdue obligations such as tower rent, without even considering payroll

Whereas, **NETA has given notice to Pacifica that it can no longer work without being paid** and will terminate services by the end of October if Pacifica doesn't act in some way to show that it will have sufficient cash to be able to pay for NETA's service in the future, and

Whereas, that **if we lose NETA because of the backlog of unpaid bills, then we won't be able to get our audits done, we will lose our tax exemption and our ability to get grants,** and then it's just a matter of time before we **lose our licenses** for stations below 92 MHz, and

Whereas, **the above would quickly lead to the economic collapse of the Pacifica Foundation,** and

Whereas, **the fiduciary responsibilities of Board members include placing the financial health of the Foundation above any personal loyalties,** and

Whereas, **allowing the Foundation to lose accounting, audit, HR, and other essential services in order to keep WBAI staff on payroll would be an severe abrogation of those very important responsibilities** and would expose Directors opposing actions needed to save the Foundation to personal liability, and

Whereas, **the plan being implemented by Pacifica will allow WBAI to stay on the air, while it is rebuilt** to ensure it does not keep running large deficits each year. and until it can again have locally produced programs, therefore

Be it Resolved that the Pacifica National Board affirms the actions needed to save the Pacifica Foundation from economic and legal disaster, including:

1. The PNB ratifies interim Executive Director John Vernile's actions at WBAI, including:
 - * removing the General Manager of WBAI
 - * laying off staff at WBAI and suspending local operations temporarily
 - * keeping WBAI on the air with programming from other stations until WBAI can be rebuilt with local staff and programming in a manner that is financially sustainable
2. Keeping the licenses of all Pacifica stations, and not swapping nor selling any station.

Article Six, Meetings of the Board of Directors, Section 7: Open Meetings

“In addition, within a reasonable period after the closed meeting, the Foundation's Secretary shall post on the Foundation's website a general statement of the basis on which all or part of said meeting was closed.”

This notice is pursuant to and satisfies the requirements of Section 396(k)(4) of the Communications Act.