

## **MCPB General Manager's Report**

July 6, 2009

John Coate

This report marks the end of fiscal year 2009 and the beginning of 2010. It is near the end of my first year as GM. I think I have a pretty good sense of how the station works (and doesn't work) and I continue to know the people in the KZYX&Z extended family better.

### **Operations**

*New 90.7 main antenna:* We end the year on a technical high note with the installation of a new, and superior antenna installed on the tower at Cold Springs. The antenna was bought for more than \$16K through a federal grant with matching funds provided by Chuck Heath. It is far beefier than the old antenna and considerably more sophisticated, with a 70 lb transformer that tunes the antenna to the 90.7 frequency. It was installed in one long day by a crew from Fisher Wireless. When they got it done and we turned it on, the "SWR" reading, which describes an antenna's efficiency, was, at 1.01 (1 is perfect), the best reading they had ever seen. And you can hear it – better frequency response, more clarity, and punchier bass. The broadcast pattern we picked was as close to the old pattern as we could make it, but there are some differences. Fortunately, many are good. Reception is better in Ft Bragg, for example. And as a bonus, the 88.1 translator, which picks up its signal from the 90.7 antenna, sends a stronger signal as well.

*Generator:* We took delivery on the 10.5kw propane generator, obtained through a grant from the Mendocino Community Foundation. In order to put it into service, we need to dig a trench to bury the propane line and acquire an automatic transfer switch so it will turn on and off by itself when the grid goes down and comes back up.

*Philo wiring:* Volunteer Wally Stahle is in the process of isolating some of the signal-critical circuits in the Philo studio so that they do not share their circuit with any non-critical devices. Circuit breakers going off due to someone inadvertently overloading a circuit has been a chronic problem at Philo, which after all, was built as a house. This work will ensure those events don't happen.

*Streaming:* For some months, people who receive our stream over the internet via AT&T DSL have not been able to get our stream. After months of puzzlement, it was finally solved by moving our signal to a different "IP address" at MCN where the streamer is housed.

*Arbitron:* We installed the Arbitron units at the two transmitters only to discover that they had sent us the wrong ones. We have the right ones now and the one for 90.7 is operating. 91.5 will be installed soon. This gives us a chance to see how our programming rates per hour compared to other stations in the area.

### **Programming**

One never wants to make programming choices based on economics and budget matters, but that is what we have to do. The programs we chose to keep are part of the NPR group, which means their news programs plus Fresh Air. In addition, we're keeping our Pacifica/Democracy Now affiliation. We always have the option to pick these shows back up later if we have the money.

A Prairie Home Companion will be replaced by a series of live concerts, starting with Leonard Cohen. Then the 6-8 PM Saturday slot will be E-Town, a live music and talk show plus other cultural/entertainment programs.

This American Life will be replaced by "Tapestry of the Times" from Smithsonian Folkways or "Soundprint", a radio documentary program.

BBC will be replaced by music programming from midnight to 5AM. From 5 to 6 AM we'll have international news from Radio Netherlands and Radio Deutsche Welle.

"Car Talk" will be replaced by "Wait Wait Don't Tell Me."

Piano Jazz will be replaced by a pair of 30 minute shows, "Left, Right, Center" from KCRW (Santa Monica)

Conversations from the World Café will be replaced by "Maps and Legends" a contemporary music program hosted by our own Roberta Werdinger.

In order to get more immediate relief for our monthly budget, we had to reduce our news staff to one person. In order to continue to bring quality local news, we will have to reduce the length of the community news broadcast to 30 minutes, four days a week so that our remaining News Director can devote time to reporting in the field and preparing stories. We recognize that our listeners expect quality reporting about important local stories and we fully intend to deliver it.

In the upcoming year we will develop a viable evaluation and change process so that we can ensure the highest quality local programming.

## **Membership**

The spring pledge drive is nearly done in the sense that we are now sending out the last of the thank-you letters. We know that the process of fulfilling pledge drives takes too long. We need to devise a system that has the accuracy of today's computer-based system with the speed of the old volunteer and paper-based system. This is a big goal for the upcoming FY.

We set goals of \$120K and \$100K this past year and we made them both. We did not, however, collect all of that money. Indeed we only collected about \$160K from those two drives. Add to that the overhead of the premiums and postage and the net isn't all

that great. We're elated when we make the goals and we act as positively as we can afterwards in order to encourage people to send the money, but we need to get a better return per drive or else we have to set even higher goals. I am sure that part of the problem is the efficiency of our process, but mainly I think we saw the effects of a rapidly deteriorating economy and job market that make it much harder for some people to actually send us the money. Next year's membership income budget of \$270K is not only ambitious, but that has to be the amount of money we actually put into the bank.

### **Underwriting**

In the downward economy we did see underwriting taper off but we still made our overall yearly goal. However, much of that underwriting income is in trade, usually advertising and promotion and food, and so last year we actually didn't see about a 40% of it in actual cash. Again, for next year we need to perform strongly in this category, even with a troubled economy. Our goal is \$80K in cash and \$40K in trade.

### **Events**

Events are an obvious way to make money, and there have been times in the past when events did well for this station. However, they take a lot of work and often carry cash expenses so the net result turns out to not be as great as it may seem if you just look at the income side of it. We keep thinking of appropriate events for us to sponsor or convene. Here is what we plan for the upcoming year:

Mime Troupe in Ft Bragg July 26: we need to sell 250 tickets to break even.

Luau in Boonville August 8: limited tickets (250) at \$40/each. Music and dinner. If we sell all the tickets and keep our overhead down, we hope to net \$8K from this event.

Auction: we'll do the auction again this year. We hope to net \$5K this time.

Two other events under consideration are a Chef's dinner and a raffle for a practical prize such as a year's worth of groceries.

### **Finances**

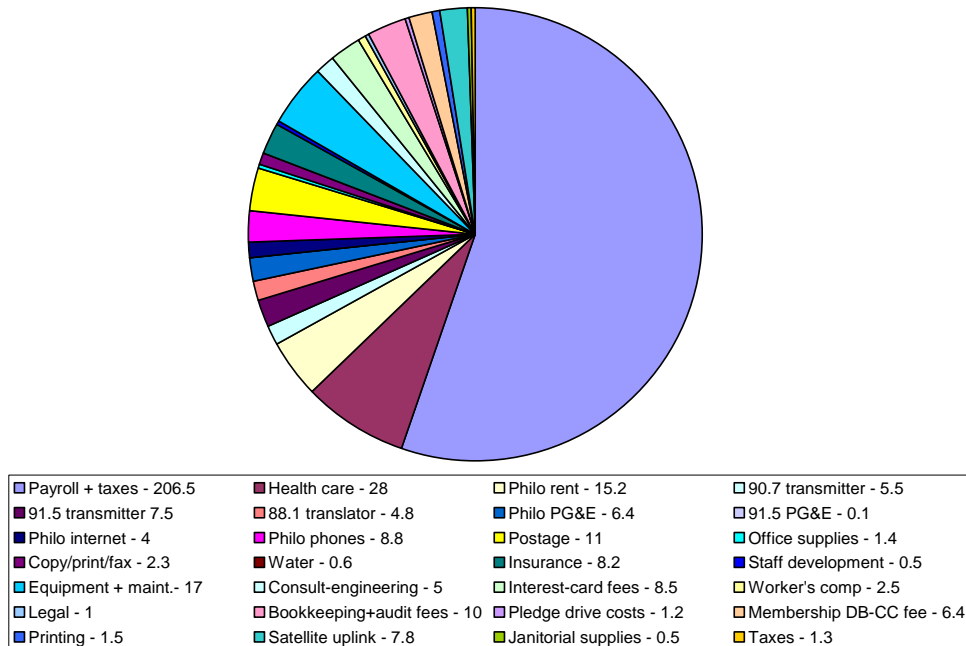
Much has been written and said about this station's financial problems. Make no mistake about it: they are very real and very present. The first twenty years of this station was a time of growth and prosperity in this country and that rising tide lifted the boat of this station, even as we operated in a basic hand-to-mouth way. But as the economy faltered, so did the net income of this station. With expenses constantly rising in every category and income faltering in most categories, the assumption that this station could successfully operate its six facilities broadcasting a large amount of expensive national programming and a two-person local news team is not now true.

Painful as it is, we cannot continue if we don't control our costs so that we live within our means and pay off our debts on a schedule that is acceptable to our creditors.

FY2009 ended with income of \$465,473 and expenses of \$552,009. Add to that a very large debt of unpaid bills and bank loans totaling \$174K. Straightening this out without losing members is our challenge.

The following chart shows approximately what it costs to operate the station at 90.7, 9.5 and 88.1 in its most basic legal form, while still qualifying for \$127,500 in federal grants from the Corporation for Public Broadcasting. In other words, this is what it takes to be on the air at all:

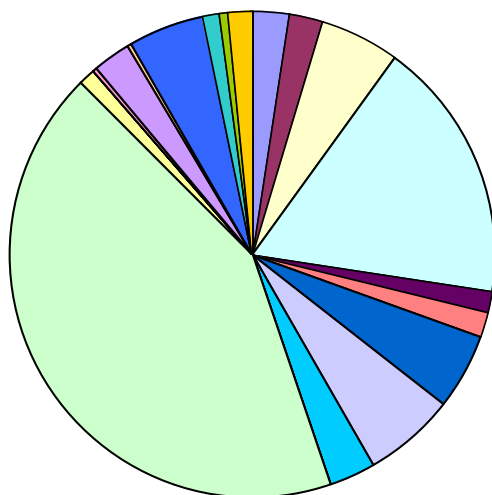
**KZYX&Z Necessary Expenses: \$374K**



As you can see, it takes about \$90K less than we made last year to operate.

The following chart shows approximately what we have been spending on things which, while important and seemingly even essential, are optional to the basic operation:

Optional Expenses (before: \$204.2)

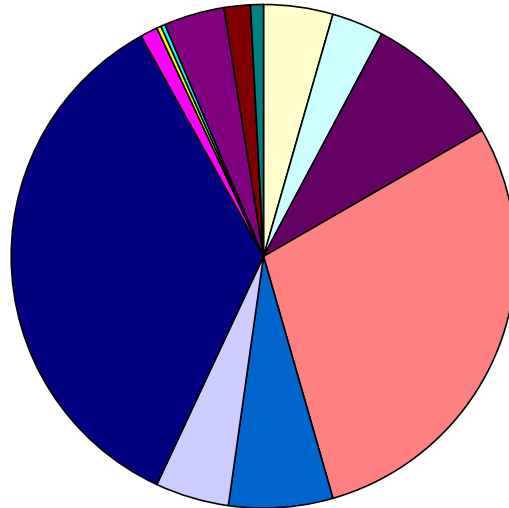


Mendocino studio - 5	Willits studio - 3.9	NPR fee - 10.4	NPR News - 33.5
Fresh Air - 2.6	Car talk - 3.3	Prairie Home Companion - 9.3	PRI (BBC, This Am Life) - 11.8
Pacifica, Democracy Now - 5.6	PRX exchange - 0.5	News Department - 81.7	News travel - 2
Studio security - 0.3	Coffee - 0.2	Dues - 5	Subscriptions - 0.2
Pledge drive premiums - 10	Janitorial labor - 1.8	Payroll service	Meals, travel - 3

In fiscal year 2008, the station lost a total of \$105K. FY09 wasn't more than a little better. The above chart illustrates why quite clearly. If we only make \$465K (or \$475K as we did in FY08) and we spend \$376K for basics + \$204K for options, that equals \$580K, which is what was spent in FY08.

How then do we move forward? In part I propose reducing our optional expenses by about \$75K. Some of these cuts have already been implemented, some have not:

Optional Expenses (after: \$128.3K)



■ KZYX&Z Optional Expenses (after)	■ Mendocino studio - 5	□ Willits studio - 3.9
■ NPR fee - 10.4	■ NPR News - 33.5	■ Pacifica, Democracy Now - 5.6
■ News Department - 40.5	■ News travel - 1.5	■ Studio security - 0.3
■ Dues & subscriptions - 4.4	■ Pledge drive premiums - 2	■ Meals, travel - 1
	■ Fresh Air - 7.7	■ Coffee - 0.2

These cuts alone won't be enough. We will also need to increase our income, because we need to pay down our \$174K debt. The FY2010 budget proposes an income of \$560K. If we make that much we can offer the above services while paying down our debt at the rate of \$58K per year. If we cannot make that much, we will have to cut further from the items in the above chart marked "before."

The following is the proposed budget for fiscal year 2010:

### **KZYX 2010 PROPOSED BUDGET**

<b>ACCT. #</b>	<b>ACCOUNT NAME</b>	<b>2010 BUDGET</b>
<b><u>INCOME</u></b>		
4000	Donations	5000
4005	Donations In Kind	1500
4010	Fundraising Events	20000
4020	Membership	270000
4050	Major Donor Giving	50000
4060	Underwriting	80000
4065	Underwriting Trades	
4070	CPB Operating Grant	95000
4080	CPB Rural Bonus	32500
4090	Other Grants	6500
	<b>TOTAL INCOME</b>	<b>560500</b>
<b><u>EXPENSES</u></b>		
6000	Advertising/Promotion	900
6010	Bank Charges	8000
6020	Board of Directors Expenses	100
6025	Board Election Expenses	350
6030	Broadcast Equip < \$3000	5000
6035	PTFP Antenna Installation	5000
6040	Supplies/Small Equipment	1000
6050	Dues & Subscriptions	4400
6060	Equipment Rental	2300
6070	Fundraising Expenses	7000
6080	Insurance	8250
6090	Interest Expense	500
6120	Meals & Lodging	1500
6130	Office Supplies	1400
6140	Gross Employee Wages	232,500
6150	Employee Benefits	33,500
6170	Worker's Comp	2500
6180	Employer's Payroll Taxes	16,000
6190	Postage & Delivery	11000

6200	Premiums/Incentive Gifts	2000
6210	Printing	1500
6220	Professional Development	500
6230	Bookkeeping & Accounting fees	10000
6240	Payroll Service	700
6250	Legal & Professional Fees	1000
6260	Broadcast Engineering Consultant	3300
6270	Other Consultants	5400
6280	Programming Fees	58,200
6290	Recruitment Expenses	200
6300	Rent	32500
6310	Repairs & Maintenance	2400
6320	Satellite Interconnect Fees	7800
6330	Security	300
6340	Taxes	1300
6350	Telephone/Internet	21700
6360	Travel Expenses	2500
6370	Utilities	6500
####	DEBT Service and Retirement	58000
####	CAPITAL EXPENSE (> \$3000)	3500

**TOTAL EXPENSES**

**560500**

Of special note is the membership income of \$270K. This is the highest amount of income from membership in the station's history. It assumes that we gain new members while receiving higher average donations from each member. In order to accomplish this we will hold a special one-day pledge drive for new and lapsed members in August. In addition, since no pledge drive ever collects 100% of the money pledged, it means that we will set higher goals for the main pledge drives because \$270K is the amount from membership that we must actually deposit in the bank.

Staffing will be General Manager, Program Director, Chief Operator, News Director, Underwriting and Events Manager, part-time Membership Coordinator and a part-time bookkeeper.

Taken as a whole, this budget is very lean and will require great discipline plus concerted effort by everyone to raise the necessary funds to keep operating.