

Report of the Administration and Finance Committee for the January 2007 meeting of the ARRL Board

The Administration and Finance Committee met in Newington on November 18, 2006, primarily to discuss and review the management budget/plan for 2007. Minutes for the November meeting were distributed to the Board on December 4, 2006 [arrrl-od:2226].

The 2007 Plan document was sent out to Officers and Directors on December 8th. All Officers and Directors were invited to participate in a teleconference call on December 21, 2006. The purpose for the call was to have staff management available to discuss and answer questions about the Plan. Several non-A&F Board members did participate, and several others asked questions by telephone or via e-mail. Some informal notes from the call were distributed on December 27, 2006 [arrrl-od:2239].

A summary of the November meeting activity:

- 1) The Pension Review subcommittee report on work to evaluate the League's present pension plan, and its long term cost expectations. The Pension Protection Act of 2006 approved by Congress has slowed some of the analysis work. Steps will also be taken to review how our current pension investment is being handled and whether there are better options.
- 2) The Future Revenue subcommittee has taken several dozen suggestions and narrowed them down to four main areas, the ARRL Lab, branding opportunities, small run books and other publications, and plaques and other Amateur Radio gifts. Their next steps are to focus on business plans, market research, and financial issues and report back at the January A&F meeting.
- 3) Treasurer McCobb reported on the investment portfolio returns as of the end of the 3rd quarter, and said that the current annual income is estimated at about \$550k (\$13.6m portfolio).
- 4) Mr Shelley's financial report noted that Handbook sales were not at the same level as the two previous years, possibly because the premium (1942 QST) was not as attractive, or because of market saturation. He noted that the current expectation was that the year would end with a loss that would probably exceed \$200k, primarily as a result of the FCC inaction on Morse Code, and because of expenses associated with the Court of Appeals lawsuit on BPL.
- 5) The review of the 2007/08 Plan started with a discussion about the 2006 Plan, and the need to more clearly track and measure projects and initiatives. The 2007 Plan assumes FCC action on the Morse issue will take place [obviously it has] and assumes our increased income from publications and exams will come around the middle of the year. One of the major cost increases continues to be health care, with no relief in sight.

CDO Hobart presented a fundraising plan for upgrading the entrance to the main building and updated the Committee on efforts to stimulate Diamond Club memberships. Membership Manager Katie Breen spoke about ambitious plans for membership promotion during 2007, with goals for an increase of 2.5% (3724 members).

Staffing changes in the 2007 plan will lead to one fewer total staff members for a total of 95 (FTE), with some additions as well as plans not to fill some vacant positions.

The bottom line is a budget with an excess of income over expenses of less than \$100k, so unexpected expenses could easily put it into negative territory.

The December 21st teleconference call focused on the 2007 Plan and included questions about staffing, especially plans for the new education manager, the aggressive plan for membership recruitment, and how prepared we were for the changes that will result from the FCC's action to drop testing of Morse Code.

On a personal note, the slim profit (\$71k) envisioned in the 2007 Plan should be a warning to us all. We deliberately lost money in 2001-02-03 to implement the Development Office and upgrade computer systems, and the bottom line for 2006 may be in the \$200k loss range (thank you FCC).

We are in an environment where our traditional sources of revenue are stagnant (membership, advertising, publication sales), with little positive prognosis for growth, and while our fund raising efforts are still increasing (slower than expected), they are not offsetting the yearly increases in salaries, energy and materials. Collectively we haven't had the will to cut programs, and as a Board, we continue to try to add new things to our long list of programs. We don't need to make a profit every year, but we do need to make a profit some years so that on average we are able to put \$100k or \$200k per year into our reserves.

The Committee will be meeting again on January 18th, just before the Board meeting, and we will provide the Board with at least a verbal update of the items covered.



A&F Committee

Tom Frenaye, K1KI, chairman

Frank Butler, W4RH

Bill Edgar, N3LLR

Bob Vallio, W6RGG

Jim Weaver, K8JE

David Woolweaver, K5RAV

Jim McCobb, K1LU

plus

Dave Sumner, K1ZZ, CEO

Barry Shelley, N1VXY, CFO

Mary Hobart, K1MMH, CDO

Harold Kramer, WJ1B, COO

8 January 2007