

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

John Coate, May 2014

### ***Highlights from this fiscal year***

- New equipment: control console, events calendar, program automation system, FM audio processor, backup STL set, main studio production computer.
- New local programs: Sweet Smoke, Songs in the Key of Twang, Give and Take, local news with Sheri Quinn and Michael Kisslinger.
- We have not touched our line of credit since November.
- We switched to a 3-per-year pledge drive schedule.

### **Finances**

Assuming the pledge drive goes well, we are on track to complete our second straight profitable year. Our line of credit is still untouched since November. We have one fairly large bill coming from the equipment repairs we did a couple of weeks ago. Otherwise the big bills for this year have been paid already. This is a real turnaround from years past. Our long-term debt is now below \$23K.

We should all take a moment and consider what we have achieved – and I mean *everyone* who sent us a dollar or volunteered – for having pulled this off.

We got ourselves out of the hole. Now we have to stay there.

Because next year is going to have *serious* financial challenges. We know that our grants from the Corporation for Public Broadcasting will be reduced. And most of our expenses are going up: NPR, PRI, insurance, payroll, rent, postage. It is a certainty that we will need to keep earning at our current levels just to stay afloat. Material improvements will have to be made at a modest pace.

The CPB changed its criteria for how it allocates grant money to radio stations and we will be receiving a smaller grant starting in October. This fiscal year we received \$187,022 – a record. We do not yet know the exact amount of the reduction, but I estimate that it will be as high as \$50K. It should be noted that the higher our earned income, the higher our CPB grant. Since this is also a good income year, our CPB grants will still be pretty good, but if our income goes down, the grant amount goes down with it.

We plan to move forward with the re-routing of our STL signal path – what we call the “Ukiah Signal Project” – but we intend to do it in a way that gets it paid for from what we actually earn. This is also why we will do the signal path portion before we tackle the broadcast studio portion. We need to do it first, and we need to get it paid for before we move to the studio portion. This way we will know that we can truly afford the extra expense that comes with it. KZYX got itself in so much financial trouble in years past by over-committing and being unable to pay for it on an ongoing basis. We cannot allow that to happen again. The spring pledge drive will

inform us as to how we should proceed with this project. If we do well, we can get started with some confidence that we will not overextend ourselves.

Speaking of the spring pledge drive, we have taken a certain risk by switching to a three-drive-per-year schedule. We are confident that over time it will grow our total revenue and spread our income out more evenly through the year. It might take a few cycles to come to fruition, though we of course hope that it pays off right away. We'll know in a couple of weeks.

The following is what we call our financial "vital signs." This is our at-a-glance snapshot of how we are doing for the year so far and where we are right now: what we owe, what is owed to us and how much money is available for us to borrow at-will from our line of credit.

## AS OF APRIL 29, 2014 (YTD)

THIS FISCAL YEAR TO DATE

Total Income:	\$481,896.49
Income from donations:	\$236,239.77
Expenses:	<u>\$411,056.47</u>
<b>Net Gain/Loss:</b>	<b>\$70,840.02</b>
Total Accounts Payable	\$29,295.30
Accounts payable from prior years	\$23,625.24
Accounts payable current year	\$5,670.06
Line of Credit Balance (Payable)	\$0.00
Accounts receivable (pledges & underwriting)	\$36,343.20
Available line of credit	\$75,000.00
Checking account balance	\$51,569.79

### License renewal

At the time of this writing, the KZYX FCC license is still not renewed. It is clear that the process was slowed down due to the five "informal objection" letters sent to the FCC asking that our license not be renewed. We believe that the FCC will renew the license, but we won't know until it is in fact renewed. One thing everyone should know is what these objections have cost. Issues between KZYX and the FCC are legal proceedings and we must work with our FCC attorneys in Washington DC. So far we have paid more than \$6K in legal fees just dealing with these letters.

## **STLs**

In early April, one of the “studio-transmitter-link” (STL) units that carry the radio signal from the main Philo studio up to the 90.7 transmitter failed, knocking all three of our signals off the air. We were back on the air about 48 hours later. Fortunately, we had an older set of STLs already at the shop being refurbished. The failed unit has been rebuilt and is back in service. We now have one backup set in place and soon we will have another, recently purchased on eBay. We do regret not having the backup units finished before the failure took down the signal. But we are very close to having all rebuilt STLs, with backups for each of our two sets. This plugs a major hole in our quest to install full equipment redundancy for our three signals.

## ***Looking ahead to next year***

### **The Ukiah Signal Project**

For more than a year I have described why the main signal from the Philo studio up to the 90.7 transmitter on Cold Springs Mountain is obstructed by trees and will eventually stop working completely. Because of this we have to originate the signal from another location. The best place to originate it is in Ukiah, where we have access to a roof with an unobstructed line up to the 91.5 transmitter on Laughlin Peak. From there it can be sent over to Cold Springs. At the same time we set this up it becomes technically pretty easy (although the equipment is expensive) to set up a broadcast studio in Ukiah. At the beginning of this year I proposed that we do the studio first and then deal with the signal path. But that was mistaken. We need to do the signal path first because the trees are growing fast.

In order for the radio signal to originate in Ukiah, several things have to happen:

- + Obtain a license for the Ukiah-Laughlin STL “shot.” The process is underway.
- + Rent 2<sup>nd</sup> floor office space at N. State and E. Smith. The roof of this building is the best location in Ukiah for the STL.
- + Set up the STL antennas and units and test the signal.
- + Acquire a set of high-speed broadband “codec” units that will maintain solid data link between Philo and Ukiah. A set will probably cost \$4500-5000.
- + Set up T1 broadband link between Philo and Ukiah.
- + Move the STL units and antennas so the main signal reverses direction and moves from Laughlin over to Cold Springs. This requires hiring “tower climbers.”
- + Set up a new satellite downlink dish on the roof of the Ukiah location. (NPR should supply this and install it since our contract calls for us to get a new one.)
- + Move the rack of processors and other gear from Philo to Ukiah.

If we do it right we should not be off the air for more than a couple of days, which is not bad for such a large undertaking.

In order for this configuration to work, it needs to have a strong dedicated broadband connection between Ukiah and Philo. A T1 line (\$400/month) should do it, but to work best it should have a separate second broadband line in case the T1 has interruptions. This will be much easier to achieve if the Philo studio moves to Boonville, with the better broadband that comes with being closer to the phone building. The “KZYX-KZYX Future” image at the end of this document shows the main studio moved to Boonville. But we can’t move everything all at once. We have to do this in manageable chunks. So we plan to stay in Philo until the rest of the Ukiah project is completed.

The “Ukiah studio” is a separate project that will require some expensive equipment. It will not be as difficult to construct. It needs:

- + A control console. \$4000.
- + A multi-line phone system. \$3000.
- + CD players, turntables, PC, cabling. \$3-4000.
- + Networking gear – router, hubs. \$500-1000.
- + Furniture, chairs, lighting. \$1000.

At the end of this report are two images showing how the KZYX signal is configured today and how we propose to change it.

### **Programming**

The most prominent programming development in FY 2013 was the change in local news reporters. After a year and a half of service, Paul Lambert stepped down and we changed to our current two-person team of Michael Kisslinger and Sheri Quinn. Michael also hosts his own show, “Give and Take.”

2013 was the year we put “Open Lines” on hiatus while we re-tool the show. That is in the works and will go live soon with a different format and new hosts.

We continue to seek people who want to do programs that focus on local issues.

### **Mobile**

In 2009, 2% of NPR listeners nationwide used a mobile device to access NPR for at least part of their listening week. That number is now 40%. Next year it will go above 50%. Thereafter more than half of the people who listen to NPR – and by extension, public radio – will use a mobile device to access their favorite public media. Terrestrial radio won’t go away. Rather, it will share with online as the source for a listener. Already this transition has changed people’s expectations and practices of how they get the media they want. “Online” means on-demand, multi-platform and personalized to the individual’s taste. Broadcast radio doesn’t deliver this. It is linear programming. And KZYX is essentially a variety show designed to accommodate a large, diverse, spread-out population with few media choices. Without significantly changing our radio format, we have the opportunity to use broadband and mobile to create on-demand versions of KZYX that are more tailored

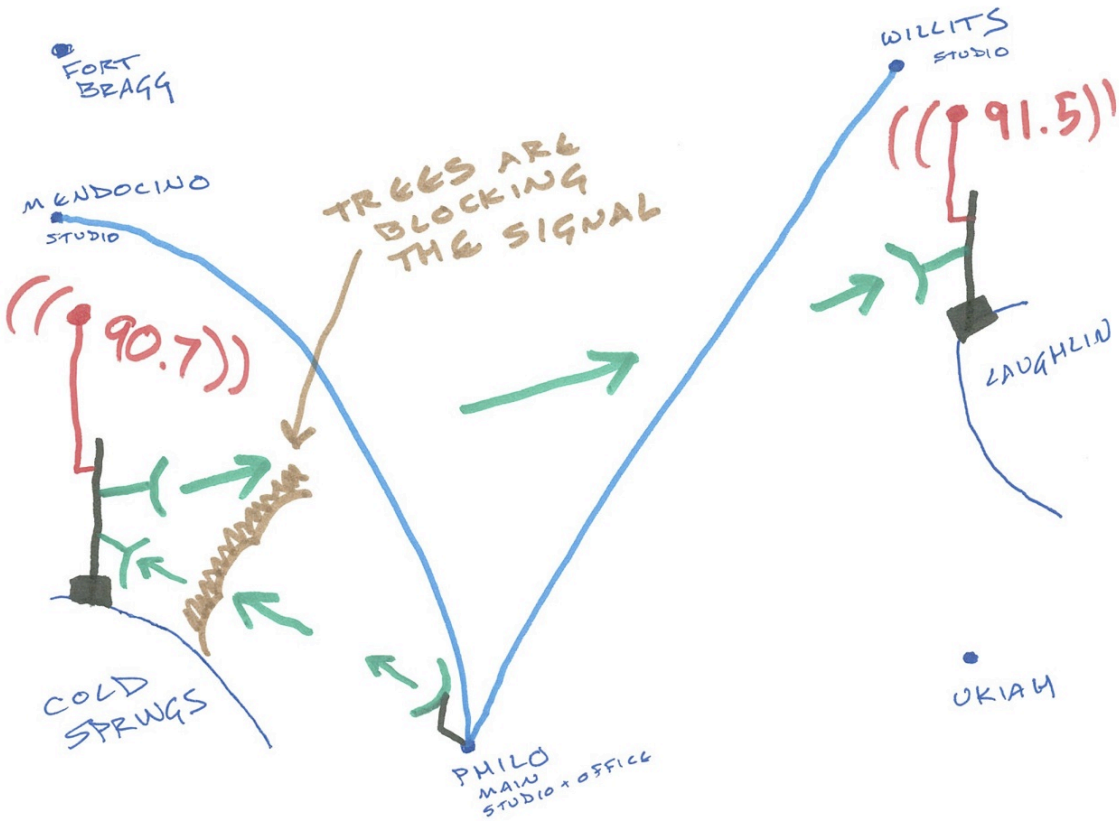
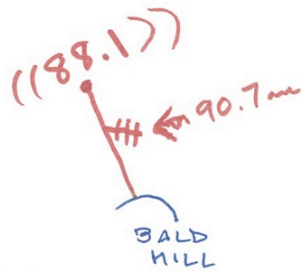
to an individual's taste. This will take design and a well-constructed and robust backend. But here is the good news: yes the KZYX programming schedule is complicated and is hard to remember. And yes, we lose a lot of people who can't arrange their time to intersect with it. But with a mobile app that lets you choose blocks of KZYX programs grouped to suit your taste or interest, such as Americana, Jazz, local public affairs, self-help and well being, and KZYX programming becomes quite a rich smorgasbord of knowledge and culture that is actually pretty easy to understand and use. We are in the early stages of designing this app. So yes the Internet disrupts all media and yes this is a huge challenge. But it is also a big opportunity.

### **Farewells**

This week our part-time bookkeeper Letitia Whitely is leaving us for a full time management position at another business in Anderson Valley. In her four years with us she was a key part of our journey from deep debt to fiscal solvency. Her focus, competence, professionalism and complete reliability will be deeply missed. But I knew this day would come. She is destined for leadership. We were lucky to have her as long as we did.

And after six full years, Fran Kolinier is leaving our Board of Directors. She was the last remaining Board member from the group that hired me in 2008. Throughout that time we could always count on her good sense, positive energy and incorruptible moral compass.

# KZYX-KZYZ TODAY



— = FM RADIO  
— = STL  
— = BROADBAND

— = OBSTRUCTION

# KZYX-KZYZ: FUTURE

