

LNC Executive Committee Meeting

Teleconference

March 18, 1999

Present: David Bergland, Chair
Hugh Butler, Vice Chair
Mark Tuniewicz, Treasurer
Steve Givot, Secretary
Joe Dehn

Staff: Steve Dasbach, National Director
Ron Crickenberger, Political Director

Also present: Dan Fylstra (NV), Region 2 Alternate
Ken Bisson (IN), Region 3 Representative

The meeting was called to order by Bergland at 8:34 EST.

Item: Ballot Access Status

Crickenberger reported that the AL drive is the only drive currently active. About 35,000 gross signatures have been collected so far. We will need about 60,000 gross signatures total to complete the drive.

Crickenberger reported that the OH drive is up to 50,000 gross signatures collected. He said that we will want a total of 60,000 gross signatures. He said that he is working on getting a CD-ROM database for registered voters for the entire state for validity checking purposes.

Dehn asked if there is some particular validity problem with the OH drive.

Crickenberger said that one paid petitioner has shown a lower than expected validity rate.

Crickenberger said that he is planning to start the OK drive next, then do the ND and SD drives.

Butler asked Crickenberger how much additional funding would be needed to complete the AL drive.

Crickenberger said that at the current expenditure rate, the worst case scenario is an additional cost of about \$6,400 per month.

Butler asked whether a total of \$6,400 more will complete the AL drive.

Crickenberger said that while \$6,400 will not complete the entire AL drive, it will complete the national party's share of the AL drive. However, he said, if the AL party does not complete its share of the drive, national may have to spend as much as \$20,000 more to complete the drive.

Item: Major Donor Fundraising

Crickenberger said that major donor fundraising for Project Archimedes has raised a total of \$75,000 to \$78,000 pledged or in hand. He said that \$26,000 of this amount was raised today. He noted that a portion of the pledged funds will not be available for several weeks. Some other pledges are conditional on collecting enough to do the entire one million piece mailing.

Dasbach said that the figures cited by Crickenberger exclude \$55,000 which was left to the party from the estate of a deceased member.

Item: Director's Report

Dasbach said that the new accounting system is now balanced against the old system with the exception of a \$28 difference which is currently being researched. We are currently up to date with the exception of this amount.

Dasbach said that his intention is to take a financial snapshot the Monday before each Executive Committee meeting and forward that information to the Executive Committee. He said that he also intended to take distribute a month end financial snapshot.

Referring to the matter of payroll accrual discussed at the February 1999 Executive Committee meeting, Dasbach said that starting with the month of April, payroll will be accrued based on the number of working days in each month.

Referring to the matter of accrual of receipts discussed at the February 1999 Executive Committee meeting Dasbach said that accruing receipts that were in hand but not entered into the system at a month end would result in significant operational problems. The problems would arise if we attempted to enter data into the database system as of a prior date so that it was reflected as received in the month in which the funds actually arrived. Therefore, he said, he would not be accruing such receipts.

A discussion ensued regarding possible backup staffing to help prevent the overnight carryover of unrecorded funds.

Fylstra asked whether Dasbach has considered employing lockbox services.

Dasbach said that FEC regulations require careful handling of contributions and that this raises potential problems in using a lockbox service for many types of receipts.

Tuniewicz said that he has been looking into lockbox services for some time.

Dasbach said that he is considering whether to use a lockbox service for Archimedes receipts since they are all going into a non-federal account. He said that this eliminates the need for careful scrutiny that must be provided for funds going into a federal account.

Dasbach presented his report of March 18, 1999 showing budgeted and actual revenues, expenses, and net for the first two months of 1999. (Copy attached.)

Dasbach noted that while mailing the Annual Report to registered Libertarians did not draw as well as mailing it to inquiries, it did generate a profit.

Dasbach said that we are now current with all vendors. Cash in checking accounts totals \$38,774, accounts payable total \$16,998, leaving net current cash of \$21,775. Of this amount, he said that \$20,965 are funds dedicated to Project Archimedes. Nothing is in the reserve fund. Therefore, a balance of \$810 exists. Since the monthly rate of spending for ballot drives exceeds this amount, nothing is available to prefund other projects.

Dasbach said that the auditors would like to start the 1998 audit at the end of March. He said that he would prefer that the new accounting system be in place before Dunbar's time is diverted to work with the auditors.

Tuniewicz asked how long it would be until Nick would have time to deal with the auditor.

Dasbach said that he anticipates that Nick will have time available by the end of April or the beginning of May.

Item: Archimedes Status Report and Plan

Dasbach said that between \$75,000 and \$78,000 is currently available for Project Archimedes in the form of cash and pledges. In addition, he said that there is another \$55,000 coming from the estate of a deceased LP member. He said that the total expected cost of the mailing is \$300,000, that he expects to lose \$8,000 on the mailing, and that the worst case loss projection for the mailing is \$100,000.

Crickenberger said that the current count of available funding was up to \$85,000 in the form of cash and hard pledges, in addition to the \$55,000 bequest.

Dasbach said that cash flow requirements for the mailing (assuming a May 1 drop date) are \$95,000 for postage due on April 16, \$115,000 for printing and processing due on May 30, \$80,000 (estimated) for list rental due on June 14, and a consulting management fee of \$10K due at the end of the process.

Dasbach said that 80% of return will come in within 30 days, 90% within 45 days and the rest thereafter. Assuming the worst case scenario – a loss of \$100,000 with \$200,000 coming back in from a total of \$300,000 spent – he said the prefunding requirement is \$110,000.

Dasbach said that he expects 7,000 new members from the mailing with a worst case estimate of 5,000 new members.

A discussion ensued on the relationship between the extent to which a given list has been tested and the ability to accurately project results from mailing to that list.

Tuniewicz asked what percentage of the one million pieces will be sent to lists which were not previously rolled out

Dasbach estimated that this would be two lists comprising about 20% of the total mailing.

Bergland asked whether the Executive Committee was in a position to move forward with the project.

Givot asked why a \$150,000 required funding level was referenced so frequently at the February, 1999 Executive Committee meeting.

Dasbach said that the \$150,000 figure was based on the assumption that front end payments would be required for list rental. He said that he has learned that this is not a concern with the firm processing this mailing, hence the amount of funding has dropped since the payment for list rental is now deferred until 45 days after the piece hits the mail.

Givot asked whether the prefunding discipline required that \$300,000 (the total project cost) or \$110,000 (the maximum negative cash flow from the project) be available up front.

Butler said that the prefunding discipline as he understood it required that \$300,000 be available in unencumbered funds at the start of the project. He said that it appears that the Executive Committee was being asked to fund the project, not to pre-fund it.

Butler asked what the expectation is of turning these pledges into cash.

Crickenberger said that an absolute minimum of 70% of pledge dollars will come through. He said that in the case of personal contact with the national director or political director that this would rise to somewhere between 80% and 90%.

Butler asked how confident are we about the timing of receipt of proceeds from estate?

Dasbach said that the paperwork from the insurance carrier has already been received. He said that the national party is listed as beneficiary on a life insurance policy.

Bergland said that the insurance company can probably give a timetable for payment.

Bergland asked whether management is recommending that we proceed with the project given available cash, pledges received, and the insurance bequest.

Dasbach said that it is management's recommendation to proceed.

Bergland said that he, too, is sensitive to attaching the appropriate label to this project – be it funded or pre-funded.

Dasbach said that it would be possible to start the project now, but to delay it in mid-April when the first payment (for postage) is due.

Givot said that delay would be counter productive because the printing and processing bill in the amount of \$110,000 would soon start to come due and that if the mailing had yet to be dropped, that would only worsen the cash flow consequences of the delay.

Butler moved adoption of management's recommendation to proceed with the one million piece mailing for Project Archimedes.

Tuniewicz seconded.

The motion was unanimously approved.

Item: Reserve Policy

Bergland introduced the recommendation by referring to the revised draft distributed by Givot.

Tuniewicz suggested he and Dasbach work out the final language.

After discussion it was decided that Tuniewicz and Dasbach will finalize the draft for future ratification by the Executive Committee and that Tuniewicz will report on the status of this process to the April LNC meeting.

Item: Defend Your Privacy Web Site Status Report and Potential Sponsorships

Bergland informed the Executive Committee that he is in contact with someone who might be interested in sponsoring this web site.

Dasbach said that another company contacted Jack Dean regarding possibly sponsoring one or more of the updates that will be sent out in the coming months. Dasbach said that anticipated revenue from each update would be about \$3,600 per update, based on a standard rate of \$0.03 per email recipient.

Dehn asked for clarification of what sponsorship entailed.

Dasbach said that sponsorship involves including a commercial message attached to future emailings. The emailing would state something along the line of: "This message is sponsored by" He said that the sponsor would have to relate to the issue of privacy and that its ad would have to be short.

Tuniewicz asked for clarification of the nature of the businesses who had expressed interest in sponsoring the web site.

Bergland said that one firm specialized in asset protection and offshore investing.

Fylstra said that we should be very cautious about this decision. He said that since the expectation of the people subscribing to the Defend Your Privacy list is that it is to be used for political action, he feels that some people may be turned off by any commercial use of the list.

Bergland asked what distinction people might make between a banner ad at the site and a commercial message attached to their email.

Dasbach explained two different approaches: banner ads and update email sponsorship. A brief discussion of the two approaches ensued.

Dehn said that people can be more sensitive to what comes to them in their mailbox than what they find when they look elsewhere. He said that another difference is that since the web page already has ads, coming back and seeing a different ad does not change their expectations. However, he said, we did represent that the email list was only to provide them with updates.

Dasbach said that Jack Dean provided an example of a relatively "tasteful" ad.

Dasbach said that the next message to be sent out would be a call to action and, therefore, no attached ad would be considered for that mailing.

Givot said that he did not support the idea of accepting sponsorship in the form of a general ad, but said he might favor a message to the effect that a sponsor had paid for the costs of running the site. He said that it was important to him that the LP not receive funds from the sponsor, but rather the sponsor would directly pay cost to maintain the site.

Dasbach said that he would not proceed without first coming back to the Executive Committee with a proposed message from a sponsor and other pertinent details – leaving it to the Executive Committee to reach a decision on the merits of proceeding. He said that extreme caution should be exercised regarding the matter of possible sponsorship of the site.

Crickenberger asked Givot about general concerns he had about accepting sponsorship advertising such as at the national convention.

Givot reiterated that he tended to dislike sponsorship by which the party received money directly as opposed to forms of sponsorship in which the sponsor directly paid some cost that the party would otherwise have paid.

Dasbach said that, at present, the site was costing about \$105/day.

Dehn asked why the site was costing \$105/day.

Dasbach described the services being provided and how the party was being billed for those services.

Dehn asked Dasbach how much the total costs would be and how it fits into the budget.

Dasbach said that it comes from the web site budget and that it can be stopped at any time that we want to stop providing services for the site.

Butler said that the success of this project was outstanding, but that when we do such things we are putting the organization at some financial risk.

Bergland asked what the 130,000 name list is going to develop into.

Dasbach said that we have seen a clear increase of traffic into our main web site and that we have also seen an increase in new memberships coming in from the web site.

Item: Policy Governance - Potential Adoption

Givot said that he believed that in considering a possible timetable for migration to the Carver model, several things were apparent to him. He said that any transition should be complete before the next LNC is elected because having the transition span across election of a new LNC was unreasonable. He said that we need to commit to proceeding in April if this is to be done during the lifetime of the current LNC. He said that this necessitates setting a timetable subsequent to securing LNC commitment to proceed.

Dasbach said that if we were to proceed to implement the Carver model, the appropriate actions to take to start would be adoption of the first three steps outlined in the Carver model booklet.

Givot said that some additional time would be required before the August LNC meeting to work on details with broad participation from LNC members. He said that all LNC members should be told about this and encouraged to attend an August planning session.

Tuniewicz said that it might be premature to proceed. He said that the Executive Committee had had little prior substantive discussion of this topic.

Bergland agreed.

Dasbach said that it might be more appropriate for the Executive Committee to place the topic on the agenda for consideration rather than to recommend adoption of the model.

Dehn asked for an advocate to explain why we should do this.

Butler said that he likes the outcome described in the booklet, although the booklet does not fully explain the process. He said that the model fits in well with the growing maturity of the organization. He noted that the Carver booklet says that it takes between six and 12 months to work out the details of the transition, requires total buy-in from the governing board, and that the whole thing must be specified before the organization transitions to using the model effectively.

Bergland said that Dehn is correct in asking whether we want to spend a substantial time at the LNC meeting on this topic to the exclusion of other topics we might want to talk about.

Givot suggested two possible motions. First, he suggested a motion by which the Executive Committee would recommend that the LNC authorize pursuing a transition to the Carver model of governance. Second he suggested a motion by which the Executive Committee would recommend that the LNC explore pursuing the transition.

Bergland moved that the Executive Committee believes that adoption of the Carver approach to governance may benefit the Libertarian Party and recommends that the LNC consider adopting this approach to governance at its April meeting.

Givot seconded.

After brief additional discussion, the Executive Committee moved to a vote.

Bergland, Butler, Tuniewicz, and Givot voted yes. Dehn abstained.

In subsequent discussed there was consensus that Bergland will frame the issues that the LNC will be asked to consider.

Item: LNC Meeting - Advance Plans

Discussion of the Executive Committee's recommendation on the Carver model of governance will be put onto the agenda and allotted a significant period of time.

Nothing will be formally scheduled for Friday.

Item: UT Expulsion Request

Bergland reported his views regarding the issue of expulsion of members. He said that if the national party decided to expel someone, first it would have to establish a procedure that establishes due process and then invoke that procedure. He said that it would be best if the ByLaws included some language that made it more clear as to how this could be done. He suggested that this may be something that the ByLaws Committee may want to consider in the future.

Dehn agreed with Bergland.

Dasbach said that if an expulsion procedure were to be adopted, it might be a good idea to require that expulsion requests would be considered only on the recommendation of an affiliate party.

The meeting was adjourned at 10:43 EST.