

INTRODUCTION TO 2006 BUDGET DRAFT

TDNA Board of Directors Meeting December 1, 2005 - Headliners Club, Austin

TDNA's surplus fund balance is now in the process of surpassing all previous cash reserve levels and will be approaching \$100,000 by the end of 2006.

This is a first-time high for the association, whose surplus balance has fluctuated from a 1994 high of plus \$52,455 to a low of minus (\$24,715) at the end of 2002.

The 2005 budget year has washed out the remaining carryover deficit from 2004 and will leave a surplus profit of just over \$31,000 at the end of this year. With the net budget profit from 2006, that surplus will grow to an estimated \$99,516.

While the \$68,205 budget net profit projected by this budget draft does not reflect salary raises or the replacement of TDNA's 10-year-old copier – and therefore may be a lower 2006 profit balance than shown here – TDNA's surplus fund will exceed \$100,000 during 2007.

The draft budget being presented today calls for total income of **\$414,405**, expenses totaling **\$346,200**, and a 2006 budget net profit of \$68,205. When the 2006 budget net profit is combined with the \$31,310 balance carried over from 2005, the year-end surplus becomes \$99,516 at the end of 2006.

A line-by-line description of both the income and expenses follows:

INCOME

Regular Dues – \$389,925 ... There are currently 70 newspaper members, including two daily court records. A 2% dues increase was applied for 2005, but no dues increase is planned for 2006. All but 14 daily newspapers in Texas are TDNA members.

[2006 Newspaper Dues list attached to budget worksheet]

Associate Dues – \$19,480 ... There are currently 24 associate members – 21 firms paying \$1,000 each, and three colleges paying \$160 – which adds up to \$21,480 in dues income. \$2,000 has been deducted from Associate Dues, allowing two member firms to drop out without endangering budgeted income. As of mid-November, five associate member firms are delinquent in paying 2005 dues.

Since an associate member recruitment is planned for the end of 2005, this conservatively budgeted amount should be realized even if one or two current members are lost.

[2006 Associate Dues list attached to budget worksheet]

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Interest Earned - \$500 ... Includes additional interest to be earned from securities investments, and reflects a growing cash balance. Buying a Treasury Bill or CD will bring in more than the negligible \$100 or so that TDNA has been earning on small savings balances in recent years.

Sale of Materials - \$3,500 ... Reduced from \$4,500 for 2005. Directory sales have dropped off in recent years. The sale of auto window "PRESS" decals has also dwindled significantly, possibly because the Texas Press Association began giving theirs away a couple of years ago.

The larger, spiral-bound *2006 Directory of Texas Daily Newspapers*, which will include e-mail addresses, may boost sales. The price of the new directory has been increased by \$2 per copy, which should also help to ensure that this lowered budget income goal is reached.

Annual Meeting - \$1,000 ... The budgeted net profit to be achieved by the annual convention was reduced from \$10,000 per year to \$1,000 last year. Phil Berkebile's retirement, which reduced salary and other benefit expenses, made it possible to greatly lower the convention's profit goal, and it was hoped that lowered budget income demands would help to keep convention costs down for attendees and thus make attendance more attractive.

Special Assessment – \$0 ... No legislative or other assessments are anticipated for 2006.

Miscellaneous Income – \$0 ... No income is currently anticipated for 2006. This category catches unexpected income, which is usually the late collection of bad debts from a prior year.

EXPENSES

Auditing/Accounting – \$5,000 ... Total expenses for 2005 went over \$4,000 by a couple hundred dollars even though a new payroll service provider is charging lower rates than the previous company. A new expense for 2006 will be the auditing of a new TDNA 401k pension plan. This category covers the preparation of yearly income tax and sales tax returns by the CPA firm Threadgill, Ryan and Associates as well as payroll and payroll tax form service by ADP.

Automobiles – \$13,000 ... Same as last year. This amount includes \$685-per-month auto lease payments as well as gas, repairs, tires, license and registration.

Awards – \$1,800 ... This budget expense account has always existed but was has not been used for many years. The amount budgeted for awards expense in 2006 covers preparation of award plaques and cash gifts to judges. Actual prize money is provided by Cox Newspapers for the Fentress intern awards and by Hartman Newspapers for the Hartman sportswriting contest. The Murphy copyediting award is funded by its own budget expense category. That prize money now flows in and out of this account rather than Sales and Promotion. Thank-you gifts to contest judges were also posted to Sales and Promotion in the past, and the preparation of award plaques was formerly charged to Printing.

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Bank & Credit Card Fees – \$1,000 ... A brand new budget account. Bank service fees on checking and savings were previously charged to Miscellaneous along with any late payment penalties or finance charges. This account was created to accommodate both these bank fees and new fees incurred by accepting payments by credit card. TDNA began accepting payments by VISA or Master Card this past year, which brings the obligation to pay monthly fees to our credit card processor Innovative Merchant Solutions. Fees charged to TDNA by Innovative Merchant Solutions depend upon the volume of money processed per month, amount of credit card data provided for each transaction, and whether or not there are any charge-backs or credit checks.

Board Meetings – \$600 ... This amount has remained the same for the past several years and includes the cost of holding two board meetings per year at the Headliners Club in Austin.

Dues & Subscriptions – \$3,300 ... Includes membership dues to NAM, Nebraska Press Association (for disability insurance), Headliners Club monthly dues, subscription to the *Austin American-Statesman*, subscription to *E&P*, cost for *E&P*'s yearbooks, and a few other organizational memberships and subscriptions.

Insurance – \$48,500 ... This category includes the cost of maintaining the TDNA staff United HealthCare health insurance, Guardian dental group plan for staff, disability insurance, CNA AD&D policies on staff, partial payment of AARP insurance for John Murphy, workers comp, auto insurance on company car, property/commercial and fidelity bond.

Rates for health and dental coverage go up by 5% to 20% every year, and a 20% increase has been factored into this amount. Total costs will go down somewhat for 2006, however, now that Phil Berkebile has retired and TDNA is covering only two staff members.

Legal/Legislative – \$8,500 ... This amount has been reduced to reflect a non-legislative year. Costs include LAC meeting expense, lobbyist registrations, attendance at NAM annual legislative conference, meals at Headliners Club that are legislative related, law book updates and CD-ROM updates of Texas statutes, Ken Whalen's cell phone cost, attorney fees and any other meetings and travel related to legislative activity. LAC meeting expenses held late in 2006 in preparation for the 2007 80th Regular Session will be charged to the 2007 TDNA budget.

Miscellaneous – \$2,500 ... Administrative fees for TDNA's pension plan cost \$1,000 per year and preparation of the annual pension plan tax form costs \$200. The remainder is budgeted to cover any contract labor, flowers and memorials, and TDNA's postal bulk permit renewal. Bank fees are no longer charged to this account.

Murphy Award – \$1,000 ... This budget expense is the cash prize for the annual Murphy copy editing award.

Office Equipment & Repairs – \$8,200 (scenario B) ... There are four budget scenarios are outlined for this budget expense category. All four totals include \$4,250 to cover the postage machine lease payments, onsite computer programming or troubleshooting, and miscellaneous repairs or software purchases.

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A: \$20,700 – This amount would include both moving/redesigning TDNA’s website and purchasing a new Lanier copier.

B: \$8,200 – (included in 2006 budget) Total costs for 2006 with the new website host but without a new copier.

C: \$21,180 – Includes the purchase of a new copier but not changing TDNA’s website.

D: \$8,680 – With no changes to TDNA’s website and no new copier.

Benefit of moving TDNA’s website:

Although Belo Interactive is currently hosting *tdna.org* at no charge, TDNA staffers have not attained the skill level expected nor the free time needed to maintain the website in-house. Updates and manipulation of website pages typically costs \$1,000-\$2,000 per year. TDNA is also paying \$230 per year for e-mail hosting by a separate company.

A proposal by TPA’s internet technology staffer (Fred Anders, whose second-floor office is next door to the TDNA offices) to host both the website and e-mail accounts through his own company Round Rock Productions – including two hours per month to update and maintain the website – would cost less than the amount currently being spent to update the free website.

Pros and cons of purchasing a new copier:

TDNA’s 10-year-old Lanier 6735 copier is showing signs of wear and should probably be replaced within the next couple of years. The current copier was purchased outright for \$9,000 in 1996. The annual maintenance agreement cost \$1,255 that first year and has gradually increased to \$2,400 in 2005 as the machine ages and requires more upkeep. Toner is provided at no extra cost in the maintenance agreement. This copier has a speed of 35 pages per minute and has printed 529,000 copies so far, averaging 4,400 per month over the past 10 years.

One option presented by Lanier is a Lanier LD238C copier that prints black-and-white at a speed of 38 ppm and color at 28 ppm. It is also a fax machine, holding 500 speed dial numbers, and functions as a network printer for office computers and as a scanner to e-mail. It staples and collates (as does our current machine) and hole punches. The first year maintenance agreement is priced at \$938.

The additional faxing capabilities would allow TDNA to pre-program numbers for mass faxes to newspaper ad managers, editors or other member groups. TDNA’s current Cannon fax machine holds 127 speed-dial numbers – enough for individual and group dials to publishers, associate members, board of directors, corporate newspaper owners, and a few miscellaneous numbers.

The toner cost for producing color convention flyers in-house would be somewhat cheaper than the cost of having them printed at Quik Print.

On the other hand, TDNA’s 6735 copier is still making beautiful copies and has very few technical difficulties. Transitioning to a networked printer/fax/copier would require staff time to master its operation and could present new opportunities for computer network difficulties.

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Lease: Lease payments for this copier range from \$471.76 for a 36-month lease with a fair market value buy-out at the end of the lease, to \$386.14 per month for a 60-month lease with a one dollar buy-out. While these leasing options would lower yearly costs to around \$4,000 to \$6,000, they would end up costing from \$16,983 to \$23,168 over the term of the lease.

TDNA has used only Lanier copiers for the past 20 years. With each new lease or purchase, other copiers such as Sharp and Canon are priced and tested, but Lanier has always proven to be the best choice. Lanier was the only bid solicited this time.

[A worksheet is attached providing details on these options]

Office Rent – \$28,800 ... TDNA's lease in the TPA building is \$2,400 per month.

Payroll Taxes – \$12,500 ... Reduced from 2005, when payroll taxes were also paid on \$25,000 paid to Phil Berkebile as bonuses and for consulting.

Pension Trust – \$24,000 ... This cost will go up from \$13,000 in 2005 to meet projections by Southeastern Employee Benefit Services, which administers TDNA's Jefferson-Pilot target benefit plan. According to rough estimates by SEBS, TDNA will make contributions of \$17,000 for the 2006 plan year and will be adding \$7,000 more to the 2005 plan year. Pension costs for Ken and Darla will peak in 2006 when Darla reaches age 65.

This estimate does not take into consideration costs of changing pension plan providers and switching to a 401k plan.

Postage/Freight/Mailing – \$7,500 ... Same as 2005.

Printing – \$5,000 ... This is less than the \$11,000 budgeted for 2005 when TDNA's office move necessitated reprinting all stationery, and less than the \$6,700 budgeted for 2003 and 2004. A reduction in costs will result from moving award plaque costs to the Awards expense category and from eliminating the annual associate member directory and incorporating full-page associate listings in the *2006 Directory of Texas Daily Newspapers*. Although the annual newspaper directory is being enlarged and improved for 2006, printing costs should remain about the same because TDNA staffers are doing all initial typesetting and the larger directory will use a standard paper size that was formerly trimmed to create the old pocket-size TDNA directory.

This budget category also includes printing 20,000 directory order form flyers, press decals, intern posters and miscellaneous printing.

Promotion/Sales – \$1,000 ... This budget category expenses activities associated with special projects, and miscellaneous gifts. It no longer includes awards costs.

Salaries – \$155,100 ... Two full-time staff members and one part-time staffer at 2005 salary and bonus levels.

Supplies – \$6,000 ... Reduced by \$1,000 from last year. Based on office supply costs for recent years. This budget item covers copier paper, printer toner, coffee, bottled water, paper towels, file folders, manila envelopes, and all other office accessories.

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Taxes-Other – \$900 ... Reduced by \$100 from last year, based on 2005 property taxes. Covers property taxes on leased car, copier, computers and other office furniture and equipment.

Telephone – \$1,000 ... Although 2005 telephone expenses went over budget, 2006 costs should allow us to reduce this item by \$200. Last year's costs included Phil Berkebile's cell phone and home fax as well as the last telephone bill from the old office. This year's costs will only include conference calls and Darla's cell phone. Local and long distance telephone service is provided as part of TDNA's office lease agreement with TPA.

Travel & Meetings – \$11,000 ... This expense budget account has been increased for 2006 since it now includes additional national and statewide travel to meetings such as the Newspaper Association Managers summer conference and to meet with Texas publishers.