

99.3 County FM
("Prince Edward County Radio Corporation")
Operating Report to Members
January 27th, 2016

"To fund and operate a not for profit community radio station that reflects and contributes to the richness, diversity, public safety and economic vitality of Prince Edward County."

INTRODUCTION

At the last AGM held in January 2015, we reported that the station's first three months were successful beyond anyone's expectations. I am happy to report that in the year since then we have built on that momentum and that our first full year on the air has been a real success.

Our success would not have been possible without the large number of volunteers who stepped up, and continue to step up to the plate to help 99.3 County FM become part of the fabric of the county, and I thank you all for your dedication to the station. I think it's fair to say it's been more work than any of us imagined but it's also been a lot of fun and I am so deeply impressed by caliber and energy of the people attracted to the station and their dedication to our community. It is a privilege to work with you.

What we have achieved in a little over is year is little short of amazing. The size of the station's impact is captured in the following statistics covering the first 12 months on the air:

- More than 90% of radio listeners in the County listened to the station at least once, and more than 50% listen at least once per week.
- More than 6,000 Public Service Announcements (PSA's) provided at no cost to promote 850 different community events and fundraisers organized by 137 local community organizations
- Over 1,390 local news reports broadcast touching every ward in the community, the only station with an exclusive focus on Prince Edward County
- More than 200 local advertisers have aired over 1,000 different campaigns. Local businesses have reported sales gains of up to 35% as a result of advertising with the station: Adam Busscher (Picton Home Hardware) reported that "We sold more docks in one month than we usually do in one year during the campaign on the station."
- Over 120 live interviews with local artist and 56 on-air performances with local musicians.
- Over 600 interviews covering a diverse range of topics of interest to residents including agriculture, health, nature, tourism, food, events of interest, sports, the arts, movies & theatre, along with interviews with representatives of not-for-profit organizations, entrepreneurs, new and established businesses, municipal, provincial and federal government representatives.

In the balance of this report on operations, I would like to address our operational accomplishments and challenges in programming, finances, facilities, administration and volunteers.

PROGRAMMING

In last year's Annual Report, two challenges were identified in this area: maintaining the quantity and quality of programming after the initial thrill wore off and successfully covering controversial local issues while preserving balance. We have successfully addressed both challenges.

Maintaining Program Quality

The station has delivered a schedule with 55 or more different shows each week consistently throughout the year and the majority of the programs we started with have been sustained, through the work of their dedicated hosts.

One lesson we have learn is that in order to maintain the grueling schedule of a weekly show, some hosts have teamed up with co-hosts with similar interests to share the work, which has further enriched the programming, for example, the Frere Brothers on Folk Roots.

One area that has been especially time intensive is spoken word programming (such as The County Naturally, Let's Talk Dog, The County Writes The County Reads, etc.) where the ratio between what's heard on the air and the time required to create the show can go as high as 10:1 to 30:1 by the time a show is researched, guests found, recorded, edited and produced. We have tried a number of ways over the year to make this task easier and it will be the major focus of our training in the coming year.

We have introduced several new shows and segments in the last year. "UBtheDJ" builds on the theme "you never know what you will here next" and gives potential new DJ's a chance to try out their ideas for new shows. We also added new programming where listeners told us we had a gap, notably the "Classic Country" show with Chris Holder. Several people have come forward to share their ideas for other shows that we hope will be submitted shortly.

Controversial Issues

The treatment of controversial issues while maintaining balance was the other area highlighted in last year's Annual Report where we have also successfully maintained the station's position of editorial neutrality. Controversial topics are covered in public affairs segments on the noontime County Grapevine program where we had a live all-candidates debate during the federal election and speakers for and against Industrial Wind Turbines. The station also created a special "Have Your Say Hotline" to provide listeners with a service similar to letters to the editor, where listeners can record their views on any County topic for potential broadcast on the Grapevine.

On the advertising front, in keeping with its policy of editorial neutrality, the station aired paid advertising from supporters of Industrial Wind Turbines during the last year (just as it aired paid advertising from opponents). Though this decision generated some controversy and letters to the editor, listener emails on the topic were overwhelming in favour of the station's policy. This included listeners who were themselves personally opposed to wind turbines.

REVENUE & EXPENDITURES

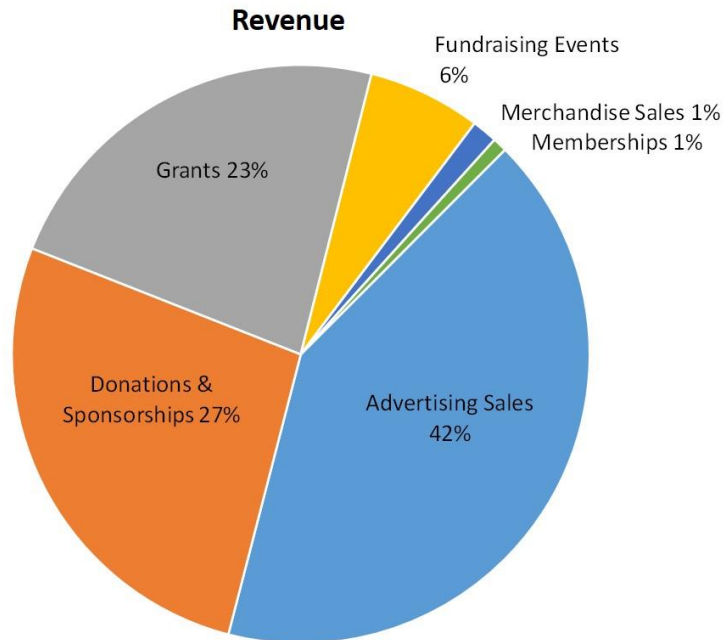


Figure 1

Revenue

The station exceeded its revenue goal for last year, with success in each of its three main sources of funding: advertising sales, donations and sponsorships, and grants. (See Figure 1.)

As expected, advertising was the largest source of revenue with sales of just over \$167,000 for the year compared with a goal of \$100,000.

Individual donations and business sponsorships were the next largest revenue source, where \$92,000 was received compared with a goal of \$57,280. The Radiothon during May last year was a first of its kind for the station which we expect to repeat on a smaller scale in the future.

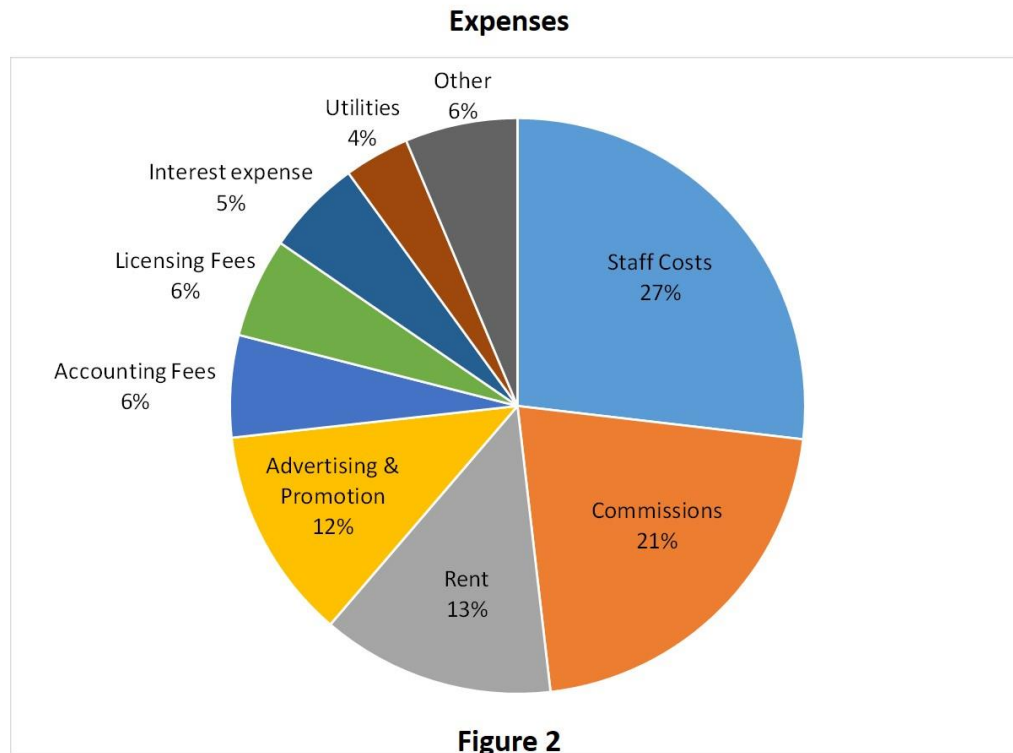
Finally, we also had a successful year in terms of grants, raising \$94,600 through three targeted grants, compared to a budget target of \$70,000.

A municipal grant received last January for \$9,600 paid for our transmission tower rental for the year.

A one-year grant for \$35,000 for production and commercial support from the Community Radio Fund of Canada allowed us to advertise and hire two part-time positions: a commercial production and an on-air production leader. This grant also allowed for the purchase of new microphones, portable recording equipment and headphones.

Finally, a Parrott Foundation grant for \$50,000 enabled us to pay down a significant portion of our debt incurred to pay for capital equipment for start up.

Expenses



On the expense side, four types of expenses accounted for almost 2/3rds of all costs: staff costs, sales commission, rent and advertising and promotion. (See Figure 2.)

Staff costs were in line with the amounts approved by the board and consisted, during the last fiscal year, of the General Manager's compensation and two part-time production positions funded by a dedicated CRFC grant referred to above, and a part time traffic manager, added in the last two months of the fiscal year. It is to be noted that all on-air hosts are also volunteers and when any paid staff are heard on the air, they are doing so on volunteer time above and beyond their paid hours, excepting as emergency fill-ins.

Commission costs for advertising sales were 2/3rds higher than the original budget, a positive development which reflected the fact that sales revenue exceeded budget by a similar amount.

Rent is a fixed cost which includes leases for the studio and roof space at the County Farm Centre and for space for our equipment on the Rogers transmission tower.

Finally advertising and promotional expenses reflected the need to make residents and visitors aware of the station during its first year. Most station advertising was done over the airwaves at no expense, but costs were incurred for supplementary advertising in the Gazette, for a limited number of lawn signs and for 3 mobile billboards on major highways.

FACILITIES

This year saw work on two major capital projects identified in last year's Annual Report: air conditioning and backup generation.

Air Conditioning

Studio air conditioning was completed on budget and on time (just in the nick of time for summer). The installation, which also included HVAC recovery and fresh air makeup, was needed to prevent electronic equipment from overheat and to make the studios bearable for occupants. The station was able to pay part of the cost for this project through an advertising swap.

Emergency Power Generation

Emergency power generation and surge protection for the studio were made possible through funds raised in the May Radiothon. The project also included the installation of a power monitor so that we now pay for just the power we use at the station instead of our estimated nameplate power, which has lowered electricity costs slightly. This project was also done on a combination of cash and trade.

The generation system was designed to support the studio through a five-day power outage at either +30C or -30C. There have not been any prolonged power outages since the generator was installed, but it has kept the studio functioning smoothly despite several short outages.

Transmission Tower Emergency Power

The station still needs to install emergency power generation at the transmission tower, because of Rogers stringent engineering requirements, this will be more complicated and expensive than the studio installation. We are still exploring several different avenues for a cost effective solution and actively looking for additional funding opportunities to help defray the cost.

Emergency Broadcast System

Although not specifically referenced at the AGM last year, the CRTC has mandated that in cases of emergency, all radio and television stations must have in place an emergency broadcast system which allows the government to interrupt scheduled programs to broadcast messages. Our transmission team was able to install our system earlier this year, thanks to funds raised during the Radiothon. (Anyone who had friends or relatives in Sarasota during the recent tornados got a taste of what an early warning system does.)

Dead Air Alarm

The dead air alarm was a minor project, funded from operations, which has paid for itself many times over. Whenever the station is silent for a pre-determined period, an alarm sounds in the studio and it also dials a phone list of people on call if the alarm is not promptly silenced.

Studio Space

As anyone who has visited the studio will know, space at the studio is at a premium. Fortunately, we were able to negotiate a small increase in space with our landlords at the County Farm Centre in exchange for air time. Home Hardware supplied the building materials in trade, while Greenbush Electric and Woodcrafters were again generous with their time. Volunteers came forward to clean, paint, and donate cupboards and cabinets. We don't know how we got along without the new space.

Donor Wall

The studio entrance way is the location for our new Donor Wall recognizing the Founding Donors whose contributions were pivotal to getting the station off the ground. The innovative design was the work of volunteer Tim Snyder and was executed by Tim and Leslie Snyder and JB Print of Trenton This work again was done with a combination of volunteer, trade and cash.

Automation System Upgrade

During the year became clear that an upgrade to the station's automation system was needed. For cost reasons, we launched the station on a limited starter version, but it quickly became apparent that we were running out of space for our large music collection. Also, because this was an end of life version, no improvements were going to be made for this version. The upgrade was completed recently and will safely handle our music collection and ease bottlenecks in production.

Contact Management System

The principal web-based project done over the last year was the implementation of a new open source contact management system. This was given a priority over other web-based projects because as a free, open source solution, it allowed the station to save well over \$1,000 a year in costs compared to the commercial system which we used previously. The new system, which now enables us to account for donations with far less work, was installed and is managed by volunteers.

ADMINISTRATION

As noted in last year's Annual Report, the station has been, in a way, a victim of its own success. In its first full year of operation, the station exceeded goals which were set for its 7th year of operation based on the financial projections provided to the CRTC as part of the license application. This has placed extraordinary demands on the General Manager and volunteers working in administrative areas like scheduling and accounting.

A lot of time and effort have gone into resolving this issue which was identified as a key challenge in last year's annual report.

We have reached the conclusion that there are two distinct parts to the station. The public face of the station on the air is based on volunteers. Any hours, excepting emergency hours, are volunteer hours. Emergency hours are manning the on air shows during periods when trained volunteer hosts are not available, or voice tracking/being live the minimum 6 minutes per hour necessary to do weather, PSAs and liners.

On the other hand, we have concluded that certain key back office roles will need to be filled with paid staff.

The back office face of the station are the activities which must be carried out, day in and day out, without fail or interruption, in order to keep the station on the air and meet our CRTC and customer commitments. While many of these activities, were done and will continue to be done by volunteers, we recognized that others which were highly time sensitive and continuity dependent could not continue to be done totally in this manner. This is consistent with other community stations of our size, which generally operate with 3 to 6 paid staff in addition to a large complement of volunteers. Accordingly, we applied for CRFC grants for additional production positions, again consistent with how

many other community stations fund such positions, and upon receiving the grant, advertised among our membership to fill them.

We also recognized that we needed specialized daily help in traffic and accounting activities which could not be completely filled by volunteers. Scheduling is a mission critical role needed to keep station on the air day to day. It is Very technically demanding, and takes months to train on specialized software, and requires a knowledge of our two specialized software packages, plus accounting principles, and our sales and creative processes to do in its entirety. This we filled with the volunteer trained for the job who was willing to take it on a part time daily basis, made possible by a grant from the county this year to partially fund this traffic/accounting position.

Our present complement of paid staff is 3 ¼ full-time equivalents, which we hope to be able to maintain dependent on successful grant submissions.

Sales activities have always been paid on a commission basis, with a sales team consisting of 2 part-time sales people plus the GM (who receives no commission). All trade sales also receive no commission. The station will be advertising for a full-time sales position which we hope to fill as soon as possible.

To put things in perspective, the amount of time worked by both regular (75) and occasional (25) volunteers was equivalent to 22 ½ full-time equivalents over the last year, compared to a planned paid staff of 3 ¼ full-time equivalents.

VOLUNTEERS

The station depends and will always depend on a large team of volunteers who believe that their work at the station is a way to make a real difference in our community. Our volunteers -both on the air and behind the scenes- are responsible for the station's incredible success during its first full year on the air. They have worked long hours and good-naturedly persevered as we found our way together.

During the next year, we will continue to look for new ways to entice people into the station, such as through "UB the DJ", by having a large number of guests on the air (several of whom have stepped up to take on volunteer roles) and through word of mouth with existing volunteers.

In our first year we were able to offer volunteers a chance to be part of a fun team having a real impact in our community. We hope to offer more of the same goods things for volunteers in our second year, supported with more training and opportunities to learn new skills now that we better understand the road ahead.