MATA COMMUNITY MEDIA

BUSINESS PLAN

SUMMARY OF PROPOSAL

MATA COMMUNITY MEDIA
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Contact Person: Vel Wiley, CEO

MATA Community Media (formerly Milwaukee Access Telecommunications Authority) was incorporated in March 1984. The organization began full operations in May of 1985. Originally, MCM had a single focus-to provide public access television service to the residents of the City of Milwaukee. The initial contract covered sixteen years ending in 1999.

MCM has four primary public service responsibilities to the residents of Milwaukee:

1. The Community Education Media (channel 14)
2. Youth Media Training and Education (channel 14 & 96)
3. Milwaukee Public Access Training and Televising (channel 14)
4. Manager for Educational Access (channel 13)

US Bank holding the loan used to purchase and renovate a new location for MCM, has a primary position on the loan with the City holding a second position. MCM is currently unable to meet the large monthly loan payments and is seeking other options to resolve the problem. There are two possible means in which this situation may be corrected both of which would require the City to advance additional revenue from the trust established for public access.

Option 1 - Pay off the bank loan (assumes no loan penalty imposed)
Option 2 - Reduce amount of current loan by $500,000

Business History

A new Cable Franchise Agreement approved in December 1999, reduced the funding level for the public access by 57%. In addition to greatly reduced cash support, the in-kind facility MCM had occupied for 16 years was eliminated and MCM was required to relocate. The relocation expense was approximately $2.4 million, which required a loan of $1.5 million.

In January 2000, the City of Milwaukee provided a six-month temporary contract to continue providing public access service to the residents of Milwaukee. The temporary contract became a long-term temporary contract until April 2001. The City of Milwaukee also provided $794 thousand for capital toward the relocation. In addition, MCM used $350 thousand of the organization's reserve funds to cover a portion of the relocation expense.

As a result of the numerous changes and increased expense, it was necessary for MCM to restructure the organization. That process was completed in April 2002. The new structure provided for three departments: education, community media and public access. To meet the newly acquired loan obligation, MCM developed strategies to develop more revenue, hired a fund development person, sought grants and individual contributions, and added services for paid productions, video conferencing along with a host of other profit making ventures.

Unfortunately, the 911 tragedy of 2001 diverted many of the funds from individual gifts to the survivors and victims' family members of the event. On the heels of the 2001 tragedy, the economy went into a recession, which greatly restricted foundation dollars.
Consequentially, MCM being relatively new to the funding world and new to the paid production world, obtained limited grants and production contracts. Efforts to meet the 2002 financial goal fell short. Also, 2003 is expected to reflect a deficit that cannot be satisfied without assistance.

Business of the Future

MCM is a unique model. It is the only community media organization of its kind in the United States. This is seen as an advantage in many ways given that the restrictions, which previously greatly limited revenue generation as a single focus public access organization, are no longer hindering future possibilities.

The current challenge of the bank loan expense makes it unlikely that MCM will have sufficient capital to do the marketing necessary to execute the new strategies that have been created. A grass roots approach to marketing has been taken thus far. While such an approach may prove beneficial, using such a method generally results in slow progress.

It is extremely important to use effective, expeditious methods for making the general public and businesses aware of the services MCM has to offer. To accomplish the critically needed marketing efforts, MCM needs to launch a marketing campaign.

To address the financial strain and the need for marketing, MCM received a **$5,000 grant in 2003** to employ a consultant for the purpose of developing a fund raising plan. In addition, a local consulting company, **Geiger & Associates,** provided in-kind services to prepare a marketing plan.

Both plans provide specific information with realistic goals to achieve success. The Fund Raising Plan has a variety of selections. One of the items has already been achieved. **MCM was recently awarded a $25,000 grant based upon an idea proposed in the Fund Raising Plan.** Other strategies within the plan will require additional assistance marketing professional.

Revenue to fill a marketing position will not be available until 2005, MCM is submitting a proposal to UWM to get senior level marketing students as interns. The Marketing Plan states the interns will be utilized to develop marketing materials, target and contact prospective clients and develop evaluation techniques. This assistance is greatly needed to achieve success in gaining future production assistance.

In light of the current financial constraints, MCM does not have revenue to hire someone for the marketing function. Therefore, the interns would play a pivotal role until MCM's financial position is improved and a marketing position is affordable. Review of the projected seven-year budget will identify the addition of such a position in the year 2005.

Time Warner Cable has also agreed to provide marketing support. After discussion of MCM's situation with Bev Greenberg, Time Warner has agreed to provide the following marketing services:

- Air public service announcements about MCM
- Place ads, provided by MCM, in the cable guide
- Insert information about MCM in the monthly bill twice a year
- Enclose MCM materials in the new customer package

MCM has spent the past two years enhancing the look of the channel by improving the production quality and developing paid services. The efforts have proved to be successful, but potential clients must be made aware of the benefits of using MCM's services. Word of mouth is an effective, but very slow marketing method. It is critical to the organization's success to have additional means of promotion and seeking clients.

Product and Service

MCM has three studios, six edit bays, four additional edit stations and a multitude of field production equipment. MCM also has video conferencing capabilities, professional staff, flexibility, reasonable pricing and evening.

The organization has serviced clients such as the Green Bay Packers and Turner Hall. High profile local and state officials have appeared on television programs produced through MCM. MCM has also produced a number of programs that have aired on commercial channels.

The services being sold will be for video conferencing needs, production of PSA's or TV commercials, coverage of special events and other video production services. In addition, leasing of production equipment and space is available.

Customers or Purchasers

The Fund Development Plan identifies non-profit organizations as potential clients. Many non-profit organizations are unable to pay the high cost of most commercial production companies. Given that MCM is a non-profit organization, it is a natural fit to have other non-profits as clients.

Other potential clients will range from small to midsize profit making businesses. Just as the non-profit organizations cannot afford the commercial cost of production, many small businesses are also affected. Both the need for such services and potential clients have been identified.

Employees and subcontractors

MCM has reduced its staff from 22 employees to 11 employees. To compensate for the reduced staff, existing personnel have assumed more responsibilities. Subcontractors are used for certain functions.

The Executive Director is Vel Wiley. Ms. Wiley has been with MCM since its inception. She was initially the Business Manager and was appointed as the executive director in 1991.

The following steps were taken by the administration in an attempt to manage the financial situation:

1. Hired a Fund Development position in October 2001 (resigned in Aug. 2002)
2. Staff cuts during 2000 - 2002
3. Salary cuts for the Executive Director and the Business Manager
4. Elimination of non-essential services
5. Listed second building for lease or sale

6. Sold second building (June 2003)
7. Reduced Insurance
8. Contracted grant writer
9. Eliminated retirement contributions
10. Revised medical and dental coverage for less expensive plans
11. Increased employee contribution for medical coverage
12. Eliminated medical and dental benefits for those working fewer than 30 hours.
13. No employee pay increases
14. Eliminated staff education training
15. Eliminated paid conference attendance

MCM has operated on a bare bones budget for two years. Still the financial situation continues to worsen. In January 2002, MCM received a revised bill from the WE Energies for $24,000 of arrears. Apparently the gas and electric was estimated from October 2001 – December 2002. According to the PSC, while the responsibility for the situation may have been that of WE energies, the State regulations require them to collect the arrears. However, **consideration was given by providing a two-year period to pay the arrears rather than the original one-year that was originally stated.**

Request/Recommendation

Currently, MCM has assets totaling an estimated four $2.1 million. As previously stated, US Bank presently holds the first position on MCM's existing mortgage and capital loan of 1.3 million.

Option 1 assumes the bank loans are paid in full without a prepayment penalty using revenue from the PEG trust. The outstanding principle balance is $1.3 million. The payments are annual payments of approximately $166,404 per year. Selling selected bonds strips, which the trust currently uses as an investment tool, would pay off the loan and continue to make revenue available throughout the life of the current agreement.

This action is recommended because both MCM and the City would be in a stronger financial position.

- The City would assume a first rather than a second position with all collateral.

- Revenue would remain available at a reduced amount for distribution throughout the contract life which ends in 2016

- A reduction in the annual disbursement would not begin until 2006

- MCM would have two years to develop paid service clients and special events

- Debt service for MCM would be eliminated

- City would experience a substantial net increase in return by exchanging bonds generating low interest for elimination of interest expense at a higher rate.

Option 1 also allows for MCM to hire a full time marketing position in 2005. As identified in the Marketing Plan, MCM would use interns to establish certain marketing essentials. However, to maximize the benefits of sales and marketing, a full time position will be necessary.

While interns are wonderful for building the foundation, they are not nearly as stable as a regular employee. Interns usually have limited hours of availability, a learning curve and in most cases, are expected to participate for only one semester. The various disadvantages would not prove to be of assistance in client continuity and sales.

Option 2: Is proposes a reduction of the debt service by paying off $500,000 of the loan. Reducing the loan balance would also reduce the payments. A slight reduction in annual disbursement would occur in year 2007. However, revenue for disbursement would be available throughout the life of the contract, 2016.

Option 2 also assumes the bank loan interest would be refinanced at a lower interest rate of 6.% on both the mortgage and the capital loan. The lower interest rate and the reduction in principle would reduce the annual expense by $95,000. While this would provide some relief, the bank would continue to hold the first position on all assets.

Once the remaining portion of the loan is restructured, the terms for the length of the loan will also change. This option provides an opportunity to rebuild the reserve fund and provide MATA with a debt service that is more manageable.