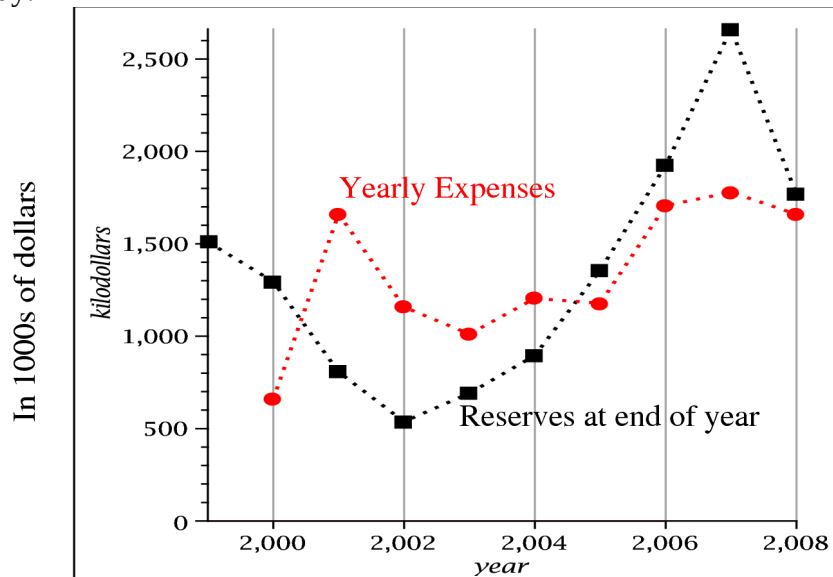


## An updated view of our finances

Anant Sahai IT-Soc Treasurer

**Summary:** The news recently has been mostly positive relative to how things looked in March at the CISS BoG meeting. The IT Society **lost about \$1.2 Million** due to the financial crisis (for comparison purposes, since 2001, we have made only \$0.4M in investment gains) down to \$1.8M. *This represents a return to the reserve levels of between 2005 (\$1.4M) and 2006 (\$1.9M).* The current forecast shows that we will remain in excellent health, with an expected reserves to expenses ratio a bit above 100%, more than double what is required by the IEEE. (See the plot below.) The stock market this year seems to have stabilized, so no similar drop in value is expected next year, but who can really say.



We have a \$114K budgeted surplus for 2009 of which the \$50K of budgeted conference surplus looks likely to arrive with ISIT this year on track to do quite well. We have a further \$10K of margin available in our initiatives budget. Xplore revenue will only become clear at the end of the year, **so for 2009, we should be able to safely spend an additional \$60-100K on new initiatives this year.**

Going forward, our major looming financial threat is the change in conference Xplore revenue sharing. This is projected to cost the society something like \$120K per year in steady state and essentially wipes out the structural operational surplus that we have been running for the past few years. All new initiatives will have to be covered from conference surpluses or from raising our journal revenue. In the more distant future, print subscriptions might go away completely, putting us \$200K in the hole every year.

**Financial Meltdown Implications:** The most significant consequence of the meltdown is that the IEEE as a whole is below its 50% limit of reserves to expenses. The IEEE is pressuring us to raise more surpluses in the future to help them out (we are resisting: see below). This means that we officially can't send money outside the IEEE (e.g. to the IEEE Foundation to endow an award) and more importantly, we can't spend 50% of the surplus from previous years any more.

**Journal Revenue:** We get journal revenue from two basic sources. Libraries who buy our print subscription (\$1075 per subscriber: we have around 186 effective subscribers, and so we get about \$200K from this per year) and from IEEE Xplore (around \$700K). Xplore revenue comes to us from two formulas. One component is a “per click” of about 50 cents (it drops every year as overall usage increases) for every time someone downloads a PDF from Xplore using an institutional subscription (members logged in as themselves and reading papers do not help us). The other component is a “per paper” fee of approximately \$700 (also drops every year as more papers get published overall) that Xplore pays us for every paper we publish.

The ideal paper from a financial point of view is thus Costa's “Writing on Dirty Paper:” short (Once a paper is over 10 pages, it has a marginal cost of more than \$700 to publish) and immensely popular for years. It is likely that reducing sub->pub times will increase download counts from Xplore. Other societies take aggressive steps to do this, one of the most effective one being shepherding good papers from their conferences into their magazines or journals in an expedited way. Tutorial and survey papers are also likely to be revenue enhancing if they act to promote lots of downloads of other IT Transactions papers.

**2010 Budget Information:**

Item	2007	2008	2009 Budget	2010 Budget
<i>Transactions Income</i>				
Xplore	894.4	749.1	694	700
Nonmembers	280	263	248	222
Members (print)	66.4	55	55	46
Other (e.g. voluntary page charges)	14.2	21	9	21
<b>Total Tran Income:</b>	<b>1255</b>	<b>1088</b>	<b>1006</b>	<b>989</b>
<i>Transactions Expense</i>				
Editing	-415	526	-549	-579
Printing	-149	158	-160	-135
Other (Xplore + fees)	-16	18	-11	-10
<b>Total Tran Expense:</b>	<b>-580</b>	<b>-702</b>	<b>-720</b>	<b>-724</b>
<b>Net from Transactions:</b>	<b>675.4</b>	<b>386.2</b>	<b>286.1</b>	<b>265</b>
IEEE Charge:	-376.7	-255.4	-335.7	-348
Conference Xplore:	280	197	227	207
Conference Income:	796	604	397	660
Conference Expense:	-701.4	-532.1	-347	-660
<b>Net from Conferences:</b>	<b>94.6</b>	<b>71.9</b>	<b>50</b>	<b>0</b>

Member Dues:	80.9	83	83	84
Newsletter:	-34.9	-38.6	-35	-35
Committee expenses:	-70	-117.0	-145.5	-150
Other	-23		-14	-23
<b>Net from members:</b>	<b>-47</b>	<b>-72.6</b>	<b>-111.5</b>	<b>-124</b>
<b>Operating Surplus:</b>	<b>635.2</b>	<b>343</b>	<b>116</b>	<b>0</b>
Investment returns:	98.6	-1235	0	0
<b>Net surplus:</b>	<b>733.8</b>	<b>-893</b>	<b>116</b>	<b>0</b>

Notes:

1. We told IEEE that we expect no conference surpluses. Part of this is that the Awards Lunch is now born entirely by ISIT. However, internally we do expect some surpluses. We need the internally budgeted conference surpluses as a buffer as well as to support any big transient expenses associated with moving to Manuscript-central that exceed the \$25K slush we have in the committee budget for this sort of thing, etc.
2. We raised the nonmember subscriber rate from \$1025 to \$1075 to partially offset a forecast reduction in the number of subscribers. IEEE had wanted a much bigger rise as they view print subscriptions as an inelastic but inherently deteriorating demand from which maximum revenue should be squeezed before it eventually goes away.
3. The \$150K in committee expenses breaks down internally as:
  - o \$15K Awards
  - o \$25K Distinguished Lecturer Program
  - o \$20K Routine Web hosting, bug fixes, etc.
  - o \$25K IT Schools
  - o \$10K Student Committee
  - o \$10K Outreach/Women
  - o \$5K Membership/Chapters
  - o \$15K Misc (BoG meetings, AE dinner, required TAB meetings, etc.)
  - o **\$25K for as yet undecided BoG committee initiatives.**

**Backup information copied directly from the March '09 report:**

***A Simple Rounded Net-View of our “steady-state” Finances:***

<b>Area</b>	<b>Net</b>	<b>Running Total</b>
Transactions	+240K	240K
Long-term Conf. Xplore	+110K	350K
IEEE Administration	-335K	15K
Membership Dues	+80K	95K
Newsletter	-35K	60K
Student Committee	-15K	45K
BoG meet, Web devel, Awards, etc.	-50K	-5K
IT Schools	-20K	-25K
Distinguished Lectures	-25K	-50K
Outreach	-10K	-60K
~10% Conference Surpluses	+50K (1 ISIT + 2 ITWs)	-10K
Unfair Conference Xplore (slowly goes away by 2012)	+120K	110K

**Details about the 2009 budget and looking towards 2012:** As you know, we are at the mercy of the IEEE for a great many financial inputs. What follows is an approximate analysis that should reveal the current situation. Most of our revenue is out of our hands:

Xplore revenue from Transactions	700K
Xplore revenue from Conference papers	230K for 2009 110K longer term

These two are mostly in the hands of the IEEE. The conference number will change since it comes from our being the beneficiaries of a completely outdated the formula.

We have only indirect control of the Transactions revenue since it is mainly apportioned depending on two factors: the largest one is how many PDFs are downloaded (clicking on abstracts does *not* count) from people who are ***not*** signed in using their member number or any other official IEEE account. Basically, this is papers downloaded through Xplore from institutional subscribers like Universities, Research Labs, Companies, etc. In 2007, each such click brought us 70 cents. In 2008, we are getting about 54 cents. This declining trend will likely continue as usage increases faster than the prices. Anyway, this means that we are *helped* by papers getting into the Transactions in a timely fashion and might be hurt by long-lived preprints on the web. Reducing our sub-to-pub time and having long-half-life papers relevant to communications, networking, signal processing, circuits and other communities (as opposed to being only of interest to the IT crowd) will likely improve our revenues, but it is hard to predict by how much. I had informal

discussions with the IEEE Magnetics society since they have about the same membership as us, but had a sub->pub time of closer to 4 months. Their institutional clicks were about six percent higher than us, which would have yielded us about \$23K more per year. However, they seem to have a different pattern of use than us with no blockbuster articles getting 1000+ downloads in a year while we had twenty articles in that category.

The second factor is how many papers that we put in the Transactions. We currently get about \$0.7K from Xplore for every paper we put into the Transactions. The number of pages per paper is a pure cost to us and give us no financial benefit. *From a financial point of view, the best paper is a popular short paper.* Anyway, this \$0.7K is significantly larger than what we get for conference papers. The Magnetics society has moved to a model in which they aggressively encourage good conference papers to get into their Transactions. They only publish extended abstracts from the conference and shepherd high quality papers rapidly into their transactions by coordinating the review processes while still maintaining a high standard for their Transactions. This shrinks sub-to-pub time. It doubles their paper count relative to us and yields them about \$300K in extra Xplore revenue per year. They spend a lot of this money on student travel grants and lecturer support to their Summer School that enables international students to attend.

Anyway, we have some minor control over the following sources of revenue in that we can set the prices. The following assumes that we do not raise prices.

Nonmember and other subscriptions to transactions	250K
Membership fees	80K

Whether it is worth increasing membership depends on whether we believe that a member is likely over the course of the year to shift ~60 PDF downloads onto their member number and away from their institution. At that point, we probably lose money. The best case are members who only download PDFs through their institute subscriptions. It is interesting to note that to a large extent, our membership fees are what currently finance our ability to deliver the newsletter, awards, website, etc.

In the long run, the total annual non-conference income comes to **\$1140K** in the long term (say 2012) and about **\$1260K** this year.

Now let us start including the expenses that we have. We start with the big terms that we have little to no control of.

Administration paid to the IEEE	-335.7K
Transactions creation expenses (partially a function of our page budget)	-550K
Transactions printing expenses (mostly a function of the page budget)	-160K

So far, we are at -1045.7K in expenses. This leaves us about **\$95K** to play with in steady state and about **\$215K** this year. But there are some more expenses that we want to have to serve the members:

Newsletter	-35K
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Student committee	-15K
Awards, Website maintenance, and BOG/Officer meetings, etc.	-50K

At this point, we just have **0K** left in steady state but have **\$120K** left this year. Let us carry over some big initiatives that seem likely to continue into the future.

IT schools for students	-20K
Distinguished Lecturer Program	-25K
Women in IT and other outreach	-10K

At this point, we are either into the red by about **\$55K** in steady state or are sitting pretty with **\$70K** in surpluses this year. In typical years, this will only be partially offset by investment returns on our roughly \$1700K reserves. The limit of our net negative is 3% of our reserves. That would permit us to go till roughly **-50K**, leaving us with a 5K shortfall after the conference formulas change --- slightly more than that if 2009 also takes a big bite out of our reserves. This is not likely to be permitted as long as the IEEE as a whole is in the hole. Sadly, this is the likely scenario for the next few years.

At this point, we should bring into consideration the main income/expense that we actually have complete control over: conferences. Right now, the current BoG policy is to aim to run conferences at 0% surplus. It is clear that will not work in the long run with our now diminished reserves if we want to do anything like IT schools, distinguished lectures, significant upgrades to Pareja, etc.

Conservative ISIT Surplus	40K
Conservative ITW Surplus x 2	5K x 2

This results in an another ~50K that could be spent on sustained annual expenses as we go forward. Steadily raising our member and nonmember journal prices by the recommendations of the IEEE also generates approximately ~40K, but this is assuming that institutions and individuals will not cancel subscriptions in response. Between them, we can cover our anticipated expenses and still have about \$35K to invest in new initiatives.