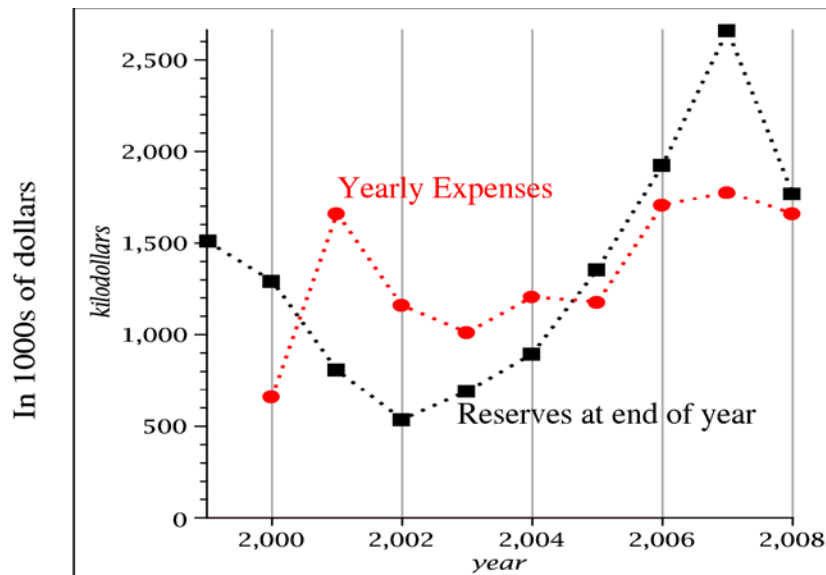


A final view of our finances for the year

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presented by incoming treasurer Nihar Jindal

Summary: The financial story is largely unchanged from the ISIT report (highlights of which are copied below). Bottom-line, we are on-track to **have about \$100K in surplus that we can invest this calendar year** in new forward-looking initiatives. The uncertainties have been resolved: ITW Volos and ISIT did well and the current ITW is probably going to hover around break-even, possibly with a small loss. Looking forward, it seems increasingly likely that the *sale of print subscriptions of the Transactions to libraries/institutions is going to decline* sooner rather than later. This is a real challenge for the society that needs to be resolved because it could put us into a significant structural deficit. The biggest line-item on the expense side is our enormous (true cost is \$110, members pay just \$45) subsidy to members who get print copies of the transactions. The most likely ways to increase revenue are to increase the conference surpluses (by reducing expenses and/or jacking up fees) and to improve the quantity and timeliness of Transactions papers.

Background for this year: 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 had a \$114K budgeted surplus for 2009. Most conferences did fine and this means that we can spend more money this year.

Going forward, our major known 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. The major unknown financial thread is that print subscriptions might go away completely, **potentially putting us \$200K in the hole every year**. For example, Berkeley (and I believe MIT) has already announced that they're going to discontinue all print subscriptions to IEEE Transactions. With endowment losses and budget cuts across the world, it is only reasonable to suspect that this will be a widespread phenomenon.

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, nor can we spend 3% of our reserves.

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 net 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.

In addition, we have members who pay \$45 for a print copy that costs an average of about \$110 to print and deliver to them. (This does not include the preparation and editing costs, etc.) This costs us about \$70K per year: essentially all of our membership dues from everyone. So the 2/3 of members that do not get the printed transactions are subsidizing the 1/3 of the membership that does get a printed copy. This does not count the “lost clicks” that occur whenever someone reads their printed copy instead of downloading the paper through their institution.

Anyway, 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.

An updated simple rounded Net-View of our “steady-state” Finances:

Area	Net	Running Total
Transactions (online income – preparation costs)	+110K	110K
Long-term Conf. Xplore	+110K	220K
Membership Dues	+80K	300K
IEEE Administration	-335K	-35K
Newsletter	-35K	-70K
Student Committee	-15K	-85K
BoG meet, Web devel, Awards, etc.	-50K	-135K
IT Schools	-20K	-155K
Distinguished Lectures	-25K	-180K
Outreach	-10K	-190K
Subsidized Member Print Transactions	-70K	-260K
~10% Conference Surpluses	+50K (1 ISIT + 2 ITWs)	-210K
Transactions (print copies to nonmembers: will slowly go away)	+200K	-10K
Unfair Conference Xplore (goes away by 2012)	+120K	110K
Another ~10% in Conference Surpluses	+50K	160K

Notice that without the print subscriptions, we are in the hole before we even start doing anything. The 10% conference surpluses alone do not even let us do the newsletter. With a 20% conference surplus, we would get ourselves to basically covering the society's awards. That's it. Not enough to run BoG meetings, the website, manuscript central, etc.

So just eliminating the subsidy to member print transactions and raising conference surpluses is not enough in the steady state. We need to increase steady-state revenue by another \$90K if we are to survive the complete loss of library print subscriptions. The positive side of this is that we're fine if the print sales only drop by a half.

We do not have to face the full reality of this in 2010, and in 2011 it will be blunted by the last traces of the unfair conference Xplore revenue. But we have to deal with this in the not-so-distant future.

2010 Budget Information (copied from ISIT report):

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
Total Tran Income:	1255	1088	1006	989
<i>Transactions Expense</i>				
Editing	-415	526	-549	-579
Printing	-149	158	-160	-135
Other (Xplore + fees)	-16	18	-11	-10
Total Tran Expense:	-580	-702	-720	-724
Net from Transactions:	675.4	386.2	286.1	265
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
Net from Conferences:	94.6	71.9	50	0
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
Net from members:	-47	-72.6	-111.5	-124
Operating Surplus:	635.2	343	116	0
Investment returns:	98.6	-1235	0	0
Net surplus:	733.8	-893	116	0

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:
 - \$15K Awards

- \$25K Distinguished Lecturer Program
- \$20K Routine Web hosting, bug fixes, etc.
- \$25K IT Schools
- \$10K Student Committee
- \$10K Outreach/Women
- \$5K Membership/Chapters
- \$15K Misc (BoG meetings, AE dinner, required TAB meetings, etc.)
- **\$25K for as yet undecided BoG committee initiatives.**