

April 23, 2009

U-M to discontinue operation of WFUM-TV

FLINT, Mich.-- The University of Michigan plans to discontinue operating Michigan Television (WFUM-TV/Flint) because of shortfalls in revenue since 2005 and the need to control the university's costs in the face of the continuing economic downturn.

Member contributions from viewers, along with support from area businesses and foundations, have traditionally provided the largest source of funding for Michigan Television.

Over the past two years, the station has experienced a 28 percent decline in member support and business underwriting revenue. The station has also been obligated to make significant capital expenditures over the past several years related to the federally mandated conversion to digital television, which the station completed in November, 2008.

A careful review of future revenue prospects showed that shortfalls were likely to continue, leading to sustained operational losses.

The university hopes to transition operation of the station to another entity, and is currently in discussions with other parties on the possibility of assuming operation and/or ownership. There are no immediate changes planned in the station's program schedule.

“We have been grateful for the support of our viewers and donors, and the dedication of our staff, but unfortunately WFUM-TV has not been able to sustain itself financially, like many other businesses in this tough economy,” said David Lampe, vice president of communications at U-M. “And over the last several years, the university has been under growing pressure to reduce costs wherever it can in order to maintain its core commitment to the quality and accessibility of a U-M education. Under these circumstances, we decided it was best to withdraw from the public television business.”

As part of its on-going fiscal management process, the university has recently announced several measures intended to cut costs, including restructuring the University Press, decreasing its share of employee health benefit costs, consolidating its central IT operations, and cutting back on non-patient care positions in the Health System.

“This is a painful decision and we understand how it will affect our staff as well as the supportive Flint community, but we didn't see any way to make it work,” Lampe said.

WFUM-TV first began broadcasting in August 1980, and has offices and studios on the University of Michigan-Flint campus. Michigan Television (WFUM-TV) broadcasts over digital channel 28, and is available on cable systems throughout mid and southeastern

Michigan. The station has an estimated viewing audience of approximately 200,000 viewers per week.

Michigan Television is operated by Michigan Public Media, which also operates Michigan Radio, an NPR news station; Michigan Channel, a cable channel featuring programming from the University of Michigan and other research universities; and Michigan Productions, a video production unit. Operations of those units are not expected to be affected by this decision.

Michigan Television Update FAQ

What happened?

A decision was made after careful analysis for the University of Michigan to leave the public television business.

Why was the decision made?

A decision to examine the station stemmed from a business meeting in July, 2008 between Michigan Public Media and the Regents' Finance, Audit, and Investment Committee. At the time, the Office of the Vice President for Communications was charged with analyzing and evaluating the station's business, and making a recommendation on the future prospects of Michigan Television at the university due to shortfalls in operating revenue.

The considerations included:

- 1) The relevance of the station to the mission of the university.**
- 2) The value and revenue opportunities of new multi-channel digital transmission**
- 3) A realistic examination of funding sources and their sustainability**
- 4) Potential partnership with other public TV stations for operational efficiency.**
- 5) Ancillary income options**
- 6) A market valuation of the TV station license**

In the most recent months, trends of future technology and economic development were examined as well.

Finally, our fiscal year 2008 financial statement, dated February 2009, was issued with a "going concern" note by our independent accountants (PriceWaterhouseCoopers). This is a formal term that expresses doubts about the

ability of the organization to sustain itself financially. This notice accelerated the need for a decision about the continuance of the station.

We delivered the conclusions to the Regents' Finance, Audit, and Investment Committee on April 16, 2009 and received approval to proceed with the future direction of the station.

Who made the decision?

The decision was made by the Office of the Vice President for Communications, in concert with the Regents of the University of Michigan, the Flint leadership, Executive Officers of the University, and Michigan Public Media.

I have been a supporter for a long time, so why have I never heard there were serious funding problems at the station?

While the station was experiencing three straight years of membership revenue growth as well as audience ratings growth, federally mandated technology changes forced extraordinary expenses upon the station. While initial indications were that the local revenue streams of membership, grants, and underwriting might be able to bring the station's revenue in line with operations, the current fiscal year has already demonstrated a projected 26 percent decline in membership and underwriting revenue, compared with last year. As the station has struggled to make itself financially solvent, it has used all of its reserves and, combined with the downturn in the economy as well as broader trends in the broadcast marketplace, it became clear that the station would not have the financial wherewithal to continue.

What happens next?

It is our goal to transition the operation of Michigan Television to another public television entity. The University is in confidential discussions with other interested parties and hopes to have a preliminary solution identified this summer. This would allow for a continuation of public TV in the Flint area.

What immediate changes will viewers notice?

There will not be any immediate changes planned for the program schedule.

Does this mean I will no longer be able to watch public TV?

We are hoping to transfer operations to another public television owner.

Public television is available at WTVS Detroit Public TV (Channel 56 Detroit), WDCQ-TV from Delta College Quality Public Broadcasting (Channel 19 University Center), and WKAR-TV (Channel 23 East Lansing).

How many employees work at the station?

21

How many employees will be immediately affected by this decision?

The number of employees immediately affected will be based on the timing and needs of the station and/or potential operators. We expect there will be full-time job reductions eventually.

Is there any chance the university will change its mind?

No. During these times of financial challenges across the state and the nation, the University of Michigan remains focused on the stewardship of its resources and its core academic mission. An auxiliary service such as Michigan Television must be able to sustain its own operations with alternative income streams without substantial reliance on University resources. The university's first obligation is to its students.

What additional funding sources have you pursued in an effort to keep the station operating?

We have approached current and past stakeholders of the TV station including both the Flint and Ann Arbor campuses for reconsideration of financial appropriations. We have reached out to key foundation partners to assess their willingness and ability toward a significant long-term commitment of support and have examined the ability of our donor base to generate the required level of income to sustain the operation. The projected annual shortfall, however, is over one-third of the current operational budget.

What is the relationship between Michigan Television and Michigan Radio?

Both Michigan Television and Michigan Radio fall under the organizational umbrella of Michigan Public Media, the University of Michigan's broadcasting division. While there are some personnel who are shared between the two stations, the vast majority of Michigan Public Media's employees are dedicated to only one of the stations.

This change does not affect Michigan Radio. The radio station has been experiencing record membership revenue over its recent drives and most recently posted its highest audience levels in the history of the station – 516,800 weekly listeners.

What is the relationship between Michigan Television and other public TV stations in the state?

Michigan Television is licensed to the University of Michigan and operates entirely separate from all other public TV stations. While most stations carry many of the same network shows (from PBS), each are responsible for their own financial health. Donations and other contributions raised by each station benefit only that station.

Why doesn't PBS just give you more money?

PBS is primarily a public television network, not a provider of funding. In fact, Michigan Television (as well as all public TV stations) pays fees to PBS for the programs they make available to stations. As the producer of shows, PBS is not in a position to provide funding. We pay dues to PBS. It is CPB (the Corporation for Public Broadcasting) that provides grants to us. CPB uses a formula that recognizes a station's abilities and successes in generating a revenue stream from its own local resources. CPB then supplements this funding.

How does the station's financial situation compare with other public TV stations'?

We are among eight university public television licensees across the country currently assessed to be in "fragile" financial condition, and we are one of a total of 30 public television licensees in this category. There are 173 public TV licensees in the United States.

In January 2009, CPB published an "economic outlook and impact" report on public broadcasting and reported that revenue from most sources for public television is expected to be down by double digits this year.

Why don't you just reduce costs?

Michigan Television has the smallest dedicated staff among our regional peers. Even with the outsourcing of significant backroom and technical operations, the costs would still eclipse the income available, thereby creating a protracted operating deficit which the University can no longer subsidize.

But you just upgraded your technology to digital, even earlier than the federal mandate requires. Why did you go through that expense?

The technology changes mandated by the FCC required significant advance planning in order to be compliant by the required date of February 17, 2009 (since changed to June 12, 2009). In fact, Congress set the requirement in 1996.

In the past 12 months, financial conditions across the system and the University have changed dramatically, creating an ill-timed coincidence.

How much money will the University save by withdrawing from public television?

At the close of last fiscal year, the station had a net operating loss of \$1.48 million on total operating expenses of \$4.2 million.