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66-1572

22 MAR 1966

EAA

MEMORANDUM FOR : Executive Director-Comptroller

SUBJECT : Employee Activity Association

1. This memorandum is for your information in response to your request for a status report on the Employee Activity Association.

2. Background

The period April 1962 - December 1963, during which an effort was made to stimulate employee interest in an improved and expanded recreation program, saw a significant increase in the number of participants from under 600 to almost 3,000. With this growth came the need to provide a more formal mechanism to provide orderly management of current and new activities, and the Employee Activity Association was formed in December 1963.

3. Membership Drive and Growth

a. As one of its first actions and as part of an effort to attract even more employees, the EAA made plans for an Agency-wide membership drive. Although suspended for some time because of certain questions which arose concerning participation in the EAA by Clandestine Services personnel, the membership drive was finally launched in March 1965, with the following results:

Annual Members	2,983
Patrons	143
Sponsors	178
Total	<u>3,304</u>

This represents approximately 50% of the membership solicitation cards that were issued during the drive.

b. Membership continued to increase and by 31 December 1965 consisted of the following:

Annual Members	3,954
Patrons	155
Sponsors	184
Total	<u>4,293</u>

4. Program Additions

Growth in participation was accompanied by two equally significant additions to the scope of the EAA program—a ticket service and merchandise

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sales. Employees responded enthusiastically to these new services and thousands of sales have been made for tickets to sporting events, theatres and similar events, as well as for seat belts, fire extinguishers, candy, and other items. The merchandise sales program for Christmas 1965 was EAA's most ambitious program to date and gross sales were almost \$18,000 for candy and other items.

5. Financial Status

Attachment A is the EAA balance sheet as of 31 December 1965. Attachment B is a statement of income and expenses for the period 1 September - 31 December 1965. Attachment C shows additional income for January and February 1966.

6. Future Plans

a. In meetings with the Deputy Director for Support and the Executive Director-Comptroller that led to approval of the membership drive in 1965, it was made clear that EAA should work toward the goal of becoming self-sustaining. How to achieve this goal has been the subject of continuing study, and on this we offer the following comments:

(1) Membership dues should not be used to subsidize EAA expenses. These funds would soon be exhausted if they were used to pay operating costs and would not then be available for other purposes. For example, an outlay of EAA funds must be made to purchase Redskin tickets on a season's basis. The money is recovered when the tickets are later offered for sale. Without substantial cash on hand, however, the opportunity to purchase tickets would have to be rejected. Thus, some more dependable source of revenue than dues must be discovered for payment of EAA expenses.

(2) Many of the annual members join the EAA only to buy tickets and merchandise for the discounts offered and the convenience of making these purchases at their place of employment. If some or all of these services were discontinued, there could result an accompanying loss of members--and their dues.

(3) A sizeable staff is necessary to handle tickets and merchandise sales to members.

(4) Current profit from tickets and the limited sale of merchandise is not sufficient to support the present EAA staff. While EAA is paying the salary of a part-time accountant, its income is inadequate to pay other personnel costs.

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(5) The best and quickest way to develop additional sources of revenue and become self-sustaining is to increase merchandise sales. While the ticket service should be continued, the profit margin, allowing a discount to members, is quite small. The profit margin on merchandise is much greater and permits a sizeable discount to members and a worthwhile profit to EAA. For example, even with discounts to members who purchased merchandise during the Christmas sales period, more than \$4,000 net income was earned by EAA, and this profit will pay the salary of the part-time accountant for all of 1966. The Department of State Recreation Office has been successfully selling merchandise for some time; we feel that EAA can do as well.

b. We are planning an Agency-wide campaign to stimulate renewals of memberships by those employees who joined EAA last year but have not yet renewed and to attract other employees. As a "grabber" we will sell first aid kits for automobiles. These sell for \$3.95 at retail; we can purchase them for \$1.97 and sell them to members for \$2.35. We feel confident that hundreds of employees will purchase these kits, as they did the seat belts and fire extinguishers that were offered in past years. At the same time the kits are offered, we will publicize other types of new merchandise that will be handled by EAA: luggage, golfing and other sporting equipment, and camping equipment. Not only should this new merchandise bring in many more members (and their dues) but there should be a sizeable increase in net income to EAA. With such activity during 1966, we should be in a better position in December to evaluate EAA's financial status and its ability to become self-sustaining.

c. Our plans for expanding merchandise sales are not without potential problems. At the present time, the space available to EAA for its ticket service and merchandise sales is the booth and nearby corridor adjoining the North Cafeteria. This has been adequate in the past, and may be adequate for the immediate future. If, however, our estimates of activity are low and more employees than anticipated make purchases, additional space will be needed. Also, an expanded merchandise program may result in the need for additional personnel. To date we have served outlying buildings on a limited basis, and our inability to provide a better service to employees in these buildings may have cost EAA some members. The expanded merchandise sales may result in more time spent in servicing these other buildings.

d. EAA plans are geared to expanding our merchandise sales program. *If this succeeds*, the revenue earned will make it possible for EAA to assume

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a greater portion of its operating expenses and perhaps ultimately to become entirely self-sustaining. We will know better by December 1966. If by that time it appears that EAA's income can never be adequate, we will recommend an appropriate cut-back of its staff and services.

[Redacted]

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Acting Director of Personnel

3 Atts

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Approved For Release 2002/05/07 : CIA-RDP85-00375R000300070004-9

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Approved For Release 2002/05/07 : CIA-RDP85-00375R000300070004-9