

2018 Biennial Report of the Finance Committee

CWA

Communications Workers of America

September 12-13, 2018

Washington, DC

September 13, 2018

Dear Sisters and Brothers:

Your Finance Committee met in Washington D.C. on September 12 and 13, 2018, to review the 2017-2018 expenses and the 2018-2019 CWA Operating Budget. Every supporting document requested was made available to us. The committee also reviewed the Consolidated Financial Statements for the period ending May 31, 2017, prepared by the Certified Public Accounting firm of Calibre CPA Group. The auditors conducted their audit in accordance with generally accepted accounting principles. In the accountant's opinion, the financial statements fairly present, in all material respects, the financial position of the Communication Workers of America, AFL-CIO, CLC as of May 31, 2017.

The Finance Committee carefully reviewed expenses paid out during the 2017-2018 fiscal year and would like to acknowledge the efforts of the districts, sectors and divisions that were able to stay within their administrative budgets. The committee also reviewed the paid expenses within those administrative units which were more than 1% over their budget allocations. The committee then either met with or received communications from representatives of CWA, NABET, and TNG, and we understood their explanations based on unique circumstances. The majority of the expenses were due to unanticipated costs related to employer bankruptcies, national bargaining, and organizing, which included scenarios requiring outside legal assistance. Our discussions and recommendations were focused on continuing to find ways to manage costs in the most productive and efficient ways possible. Our discussions also produced many creative ideas shared among the Finance Committee and District/Sector Vice Presidents that will promote the discipline required to meet the needs of the future, considering the new environment our union faces. We would also like to recognize those Administrative Units that were able to keep their expenses within their allocations despite similar challenges.

The recent Janus decision has had a major impact on our budget planning. As a result, it was necessary to implement a 25 percent reduction to the majority of line items. The committee recognizes the continued effort that CWA has taken to help solidify our financial position through cost containment while maintaining necessary service to our membership.

The Finance Committee makes the following recommendations to further work with our budgetary challenges:

- The increasing cost of negotiating collective bargaining agreements, including those as a result of bankruptcies or other economic circumstances, as well as national contracts, continues to be a challenge. We recommend that the CWA leadership, at all levels, review our processes and develop ways to minimize our expenses.
- It is imperative to continue to ensure timeliness of SIF/Growth Fund applications through CWA leadership action.
- At all levels of the union, it is paramount to reinforce the commitment to organizing (internally and externally) to deal with the impact of the Janus decision and forward the

goals of CWA Strong. Actions like reevaluating or renegotiating vendor contracts or leases and other cost-savings measures to adjust to new budget realities should be considered.

- CWA has done good work to combine conferences and meetings, however there are still many opportunities for all levels of the union to redouble efforts to combine meetings or schedule them before or after existing meetings.
- The union should continuously monitor the effects of the Janus decision on CWA membership and income as well as the impacts and effectiveness of the 25 percent reduction, and consider adjustments if appropriate.

By meeting many of the previous recommendations of the Finance Committee, using CWA Strong and stepping up our organizing efforts, our union has managed to reach a stable foundation in terms of finances and membership.

This strengthens us for the battle ahead – as we deal with the impacts of the Janus decision and continue to fight to protect workers' rights.

The Secretary-Treasurer's office instituted a number of changes to increase the efficiency of the Union: a new, modern accounts payable system was upgraded and a position was created to review and approve SIF and Growth Fund expenditures, improving accountability and reporting to better control costs. The S/T office also took advantage of multiple retirements in the printing office to improve operations under new office management. Most printing is now done in-house on new, more efficient equipment.

The 2017-2018 Finance Committee would like to thank President Chris Shelton, Secretary-Treasurer Sara Steffens, Assistant to the Secretary-Treasurer Elizabeth Wilks, and their staff for their time and efforts in aiding the committee in the review, development and preparation of this year's report.

The committee also wishes to thank representatives in all CWA districts, national units, and headquarters for their ongoing efforts to achieve the financial targets outlined in the 2017-2018 budget.

In Solidarity,

Dante Harris, President, AFA-CWA Local 29012
Michael Cabanatuan, TNG Region IV Vice-President, Local 39521
Christine Shaw, Secretary-Treasurer, CWA Local 4100
Frank Tallarine, Secretary-Treasurer, CWA Local 1106

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Finance Committee
September 2018**

Explanation of CWA Funds

There are six funds, all of which were examined and reported on by Independent Auditors for the period ending May 31, 2017. A copy of the report has been reviewed by the Executive Board and Committee.

The Funds are as follows:

1. General Fund
2. Defense Fund
3. Members' Relief Fund
4. Strategic Industry Fund
5. Building Fund
6. Pension Fund

General Fund

The General Fund is the fund from which the International operates. All the income money which comes to CWA is handled through the General Fund. The status of this fund is reported monthly to the Executive Board and monitored by the Secretary-Treasurer's office.

Defense Fund

The Defense Fund was established by the 1952 Convention and began to operate in September of 1952. Income to the Defense Fund is derived from membership dues and equivalent payers in the amount of \$.50 each month. Income is deposited in the Defense Fund account as dues reports are processed.

During the 2013 CWA Convention, delegates approved for existing monies currently in the Defense Fund to be distributed into the seven existing Strategic Industry Fund silos (Telecom, Media, Manufacturing, Passenger Service, Public/Health Care, Public workers without the right to strike and AFA). Funds are apportioned to the seven silos based on membership.

Locals whose membership pays into the MRF/SIF no longer contribute \$0.50 per member.

Locals whose membership does not pay into the MRF/SIF continue to contribute \$0.50 per member. These monies are directed into their respective silo each month.

Robert Lilja Members' Relief Fund

The Robert Lilja Members' Relief Fund (RLMRF) was established by 1990 Convention action. The purpose of the fund serves as relief for strikers, locked-out members, victims of collective bargaining strategies and other approved mobilization actions. The opening balance of the RLMRF on March 31, 2013, was \$444,787,000. Total investment earnings of this balance during the 2017 calendar year were \$25,245,000, and one-half of these earnings - \$13,845,061 was moved into a newly established Growth Fund per delegate approval at the 2013 CWA Convention. Earnings on RLMRF investments from April 1, 2013 to March 31, 2014, were \$27,222,500, a 6.12% increase which resulted in a balance of \$459,417,000 in the MRF on March 31, 2014.

Income to the Robert Lilja Members' Relief Fund is derived from membership dues and equivalent payers in an amount equal to .15% per month (or 1/4 of an hour) of minimum dues of those eligible to strike. Income is deposited into the Members' Relief Fund account as dues reports are processed. Income and expenditures from the fund are reviewed by the Defense Fund Oversight Committee according to the rules established by Convention action.

Effective September 1, 2006, all RLMRF contributions are credited to the Strategic Industry Fund unless the RLMRF fund balance falls below \$377,484,108, the established floor created by 2006 Convention action. If the RLMRF fund falls below the established floor, all contributions will revert back to the RLMRF until it reaches the established floor. When the RLMRF reserves reach \$500,000,000, the floor will be raised to \$400,000,000.

Strategic Industry Fund

The Strategic Industry Fund (SIF) was established by 2006 Convention action to finance major large scale campaigns to increase CWA bargaining power.

The SIF is a restricted fund, requiring a majority vote of the Executive Board and approval of the Defense Fund Oversight Committee before expenditures are made. The market value of the fund as of May 31, 2018, was \$78,612,452.

Growth Fund

At the 74th CWA Convention held in April 2013, the delegates approved the Defense Fund Oversight Committee's recommendation to establish a new Growth Fund. This new fund will allow CWA to search for better ways to change the course of movement for the company and the nation. Beginning and going forward with the Annual Investment Earnings from the 2012 calendar year, one half of annual investment earnings from the RLMRF will be invested in building CWA's ability to fight for economic justice for members through the new fund. The market value of the Growth Fund as of May 31, 2018, was \$21,334,651.

The Defense Fund Oversight Committee responsibilities are expanded to include participation with the Executive Board in the approval and evaluation of requests submitted for this new fund.

Building Fund

By Executive Board action in January 2006, the Building Fund was established for the purpose of recording the assets, liabilities, expenses, and income associated with the headquarters building property. As of May 31, 2018, the unrestricted net assets were \$88,913,870.

CWA Plan for Employees Pensions and Death Benefits Fund

This fund provides for CWA employees' retirement benefits. A periodic actuarial review is made of the CWA Pension and Death Benefit Trust Fund where our contribution is adjusted to meet CWA obligations. Like several other pension plans, the plan's investments suffered many losses as a result of the overall decline in the economy and the financial markets in 2008 and 2015. Annual contributions to the plan are necessary and are growing in dollar value.

The CWA Pension Fund was established in 1951 as a separate trust. It is a defined benefit pension plan substantially covering all employees other than PPMWS employees. On January 1, 2006 the IUE Pension Plan was merged with the CWA Plan for Employees Pensions and Death Benefits.

On May 31, 2018, the market value of the plan was \$159,115,778.

Financial State of the Union

This committee realizes that with ever increasing financial burdens and with causes needing the Union's attention, along with a continued uncertain economy, we must be continuously vigilant of cost overruns. This year each administrative unit must operate not only within their authorized budget, but also within the dues income they generate as well as contributing to the ongoing programs and expenses of the overall Union.

Salaries – Elected Officials

Each year it is the committee's responsibility to review salary changes for our elected officials. The Committee's previous recommendation of a salary increase that is commensurate with the negotiated agreements held with the CWA employee unions was used.

Staff Complement

The committee had recommended that only Staff positions that are now filled or have received approval to be filled at the time of this report. Requests to fill all Staff positions must be made to the Budget Committee and authorized by the Executive Board.

The 2018 – 2019 Budget

The committee reviewed and considered the Report of the Budget Committee as adopted by the Executive Board of the Union. The 2018 – 2019 Fiscal year budget used the following projections in calculating the income: 1% increase in membership, and a decrease of 1% in per capita dues. Although we continue to organize more members the expected delay in first contracts affects the projection of income.

The calculated estimate of overall income of the Union for the 2018-2019 CWA Operating Budget used is \$81,629,398.

As in the past, we recommend the Executive Board use this budget as a positive guide and make every effort to operate within the actual income of the Union during the period represented by this budget.

The approved budget follows as:

Exhibit A (Communications Workers of America – Operating Budget) and
Exhibit B (Administrative Units Budget)

A more detailed explanation of each item in the budget may be found on pages.

Communications Workers of America - Operating Budget					
2017-2019					
				2017-2018	2018-2019
<u>Income</u>					
	Dues - Members and Agency Fee Payers			\$ 88,129,398	\$ 88,129,398
	HQ Building			4,000,000	4,500,000
	Other Income			900,000	900,000
	Income Reduction				(6,500,000)
	Total Income			\$ 93,029,398	\$ 87,029,398
<u>Expenses</u>					
<u>National Programs</u>					
029	Organizing Fund			4,925,000	3,693,750
030	Community Action			150,000	112,500
031	Legal Admin Unit Litigation & Misc.			625,000	468,750
032	Convention			600,000	200,000
034	Committees, Conf, Human Rights & Board Mtgs			440,000	330,000
038	Taxes			500,000	500,000
039	Affiliation Dues - AFL-CIO & Other			3,588,406	2,581,116
040	Contingency			237,489	1,624,390
043	Information Systems			700,000	525,000
045	Communications (CWA News & PR)			1,400,000	1,226,250
145	Digital Media Operations			235,000	-
046	Professional Services			570,000	570,000
047	International			30,000	22,500
048	Education			170,000	127,500
061A	Retiree Benefits (Health Care, Insurance)			6,500,000	6,500,000
061B	Insurance - Other (Workers Comp., etc)			997,500	997,500
064	Staff Moves			150,000	150,000
066	CWANET Training			100,000	75,000
225	MRF Loan			1,527,156	1,807,156
	Total General Budget			\$ 23,445,550	\$ 21,511,412
<u>Administrative Units</u>					
A1	Salaries - Officer & Staff			24,102,814	23,634,649
A2	Salaries - Full Time/Other			9,380,455	9,266,240
A3	Employee Benefits (Non-Pension)			8,373,317	8,200,175
A4	Employee Taxes			3,042,747	2,984,864
A5	Employee Pension			5,718,383	5,601,300
B1	Office Occupancy			5,658,660	5,739,065
B2	Staff Expenses			3,921,562	2,968,518
B3	Administrative Operations			4,884,422	3,663,316
B4	Legal			4,501,486	3,459,859
	Total Administrative Units			\$ 69,583,848	\$ 65,517,986
	Total Budgeted Expenses			\$ 93,029,398	\$ 87,029,398
	Total Income			\$ 93,029,398	\$ 87,029,398

Administrative Units Budget

2018-2019

District & National Units	Updated				Updated				Total Admin Unit Expenses			
	<u>A-1</u>	<u>A-2</u>	<u>A-3</u>	<u>A-4</u>	<u>A-5</u>	<u>B-1</u>	<u>B-2</u>	<u>B-3</u>		<u>B-4</u>		
	Salaries: O&S	Salaries: & Other	FT Emp Benefits: 25%	Emp Taxes: 9.1%	Emp. Pension: 17%	Total Personnel Expenses	Office Occupancy	Staff Expenses w/ 25% Reduction	Admin Operations w/ 25% Reduction	Legal w/ 25% Reduction	Total Office Admin. Expenses	
District 1	3,632,850	698,887	1,082,934	394,188	736,395	6,545,254	1,180,471	400,440	606,363.05	1,519,428	3,706,702	10,251,955.97
District 2-13	1,528,373	488,719	504,273	183,555	342,906	3,047,826	347,615	190,950	157,085.57	372,042	1,067,693	4,115,518.65
District 3	2,054,612	584,590	659,800	240,167	448,664	3,987,834	251,434	224,085	275,524.54	231,451	982,495	4,970,328.51
District 4	1,663,893	364,542	507,109	184,588	344,834	3,064,966	298,438	216,990	198,422	7,575	721,425	3,786,390.15
District 6	1,898,851	472,298	592,787	215,775	403,095	3,582,806	571,494	211,065	204,876.26	573,217	1,560,652	5,143,457.80
District 7	1,838,619	473,701	578,080	210,421	393,094	3,493,916	158,223	209,895	150,366.88	187,065	705,550	4,199,466.37
District 9	1,437,733	417,598	463,833	168,835	315,406	2,803,406	540,664	164,910	220,309.37	173,576	1,099,460	3,902,865.17
PPMWS-CWA	245,013	68,899	78,478	28,566	53,365	474,321	20,694	51,285	10,832.57	57,900	140,711	615,031.96
IUE-CWA	2,744,134	335,293	769,857	280,228	523,503	4,653,014	54,339	419,565	181,634.34	75,000	730,538	5,383,552.52
TNG-CWA	1,093,964	259,053	338,254	123,125	230,013	2,044,409	162,533	170,063	126,088.43	199,088	657,772	2,702,181.82
WABET-CWA	636,428	112,207	187,159	68,126	127,268	1,131,187	60,613	88,410	104,535.53	62,588	316,146	1,447,333.17
T&T	636,428	125,002	162,811	59,263	135,892	1,119,396	132,015	66,675	80,280.11	928	279,898	1,399,294.35
Public Wkrs	375,640	68,899	111,135	40,453	75,572	671,699	62,855	48,248	18,713.99	-	129,817	801,515.87
Total	19,786,539	4,469,688	6,036,510	2,197,290	4,130,008	36,620,033	3,841,387	2,462,581	2,335,032.16	3,459,859	12,098,859	48,718,892.32
Headquarters	3,848,111	4,796,552	2,163,666	787,574	1,471,293	13,067,195	1,897,678	505,937	1,328,284.32	-	3,731,898	16,799,093.41
Grand Total	23,634,649	9,266,240	8,200,175	2,984,864	5,601,300	49,687,228	5,739,065	2,968,518	3,663,316.48	3,459,859	15,830,757	65,517,985.73

Explanation of National Programs
Exhibit A

Organizing (029)

We must continue our internal and external organizing efforts in order for CWA to remain an effective organization. The salaries of permanent Organizing Coordinators are included in Line item A1 of their Administrative unit. All organizer expenses are charged to the Organizing account.

Community Action (030)

This allocation allows CWA to respond to a small percentage of the meaningful requests we receive from community and civic organizations, programs and activities dedicated to the welfare of all citizens.

CWA upholds membership and serves on executive boards of a number of organizations. Fees associated with these activities are included in this budget allocation.

Legal Administration Unit Litigation and Miscellaneous (031)

Our legal costs continue to be a significant part of our budget. A portion of these expenses are budgeted to the Administrative unit section. This allocation is for the remainder of our legal expenses.

Convention (032)

This allocation includes funding for the biennial convention, including auditorium and meeting room rental and setup, printing of verbatim reports and other convention materials, postage, wages and expenses of convention committees.

Committees, Conferences & Executive Board Meetings (034)

Permissible expenses are associated with meetings of the Union's Executive Board including travel expenses of Executive Board members and others required to be in attendance. If required, the cost of the meeting room is also included. The budget allocation further includes a provision for committee meetings and conference expenses. Expenses for the Minority Leadership Institute in the amount of \$40,000 have been moved out of the Education Budget line into this line. The allocation does not cover expenses of these attendees for committee meetings and conference expenses unless authorized by the President of the Union.

Taxes (038)

This allocation covers non-related payroll taxes, such as the costs of District building and personal property taxes.

Affiliation Dues (039)

This allocation is for affiliation dues paid to organizations such as the AFL-CIO Departments, Union Network International, IAPTA, International Metal Workers, International Federation of Journalists, and others.

Contingency (040)

The purpose of this account is to provide for unexpected and unknown costs or those expenses that cannot be budgeted to appropriate accounts at the time the budget is prepared.

Information Systems (043)

This budget item reflects the costs of office automation, internal communication networks, training, and updating of equipment in the Headquarters and District offices.

Communications (045)

This account includes the funding of the CWA News, which is mandated by Article XXVI of the CWA Constitution. The allocation includes the cost of printing and postage and is also used for the Union's publicity and public relations program which brings the story of the Communications Workers of America to the public through the mass media of radio, TV, newspaper and social media. It will also pay for ongoing recurring expenses related to our digital media operations, such as hosting fees for our online communications systems, Salsa email, advocacy, Mobile Commons text messaging, and the purchase and renewal of domain names.

Professional Services (046)

This budget item allocation reflects expenses for audit fees and miscellaneous professional services such as accountants, actuaries and consultants, including those hired to support bargaining and contract negotiations.

International (047)

CWA is involved in the free world trade union movement. This budget allocation funds activities with our labor colleagues from a number of countries.

Education (048)

This budget account allocation is for the expense of week-long leadership conferences and the development and delivery of training programs.

Retiree Benefits (061A)

The allocation to this account is for the general insurance policies of the Union, which include group healthcare, pharmaceutical, vision, dental, and life insurance for retirees. Employee healthcare expense is reflected in the Administrative Unit budgets – Line A3.

Insurance – Other (061B)

The allocation to this account is for insurance coverage other than employee healthcare and automobile.

Staff Moves (064)

This allocation is for the costs associated with relocating Staff.

Apprenticeship & Training (066)

This budget allocation is for existing apprenticeship, training activities and new programs which may be implemented in this budget year.

Total National Programs - Total of Budget accounts 029 through 066.

Total Administrative Units - Total of A1 through B4.

Total Budgeted Expenses - Total of National Programs and Administrative Units.

Explanation of Administrative Unit Budget
Exhibit B

Budget Line A1-A5 & B1-B4 Formula Applications

To determine certain allocations, the Budget is based on April 2014 per capita counts.

A1 Salaries – Officers and Staff

Reflects annual salary cost for administrative unit officers, staff and professional employees. The following chart indicates the officer's salaries:

POSITION	SALARY
PRESIDENT	\$211,466
SECRETARY-TREASURER	\$189,354
DISTRICT VICE PRESIDENTS, TNG-CWA VICE PRESIDENT, NABET-CWA VICE PRESIDENT, IUE-CWA VICE PRESIDENT, T&T VICE PRESIDENT AND PUBLIC WORKERS VICE PRESIDENT	\$165,130
AFA-CWA VICE PRESIDENT	\$153,336
PPMWS EXECUTIVE OFFICER	\$135,980

A2 Salaries Full Time and Other

Reflects annual salary cost for administrative unit full-time clerical employees and supervisors.

A3/A5 Employee Benefits

This allocation reflects 30% of administrative unit salaries for employee medical, dental, vision, life insurance, and 401(k) match, plus sufficient funds to meet the pension plan fund commitment.

A4 Employee Taxes

Each administrative unit is allocated 9.1% of administrative unit salaries for employee tax expense.

B1 Office Occupancy

Each administrative unit allocation includes known increases that could be determined. Figures include projected common area maintenance and rent increases projected at 2% for the 2018-2019 budget year.

B2 Staff Expenses

Reflects funds allocated for Staff travel, auto, and communication expenses.

B3 Administrative Operations

This line includes expenses for the following items: part-time salaries and expenses, supplies and printing, postage and freight, rental and maintenance of equipment, contract services, electronic communications, and any other operating expenses.

B4 Legal

This includes each administrative unit's allocation for expenses such as retained counsel, arbitration, charges and litigation.

Concluding Remarks

It is clear that difficult challenges lie on the road ahead. As we deal with decreasing memberships, sub-par wages, and anti-union legislation, we have to continue to develop innovative ways to ensure that our Union continues to meet the financial obligations necessary for survival. With the foresight of our Executive Officers, Local Executive Boards, and our members working together cooperatively to contain costs and grow our Union, we will without a doubt be able to combat the growing challenges that lie ahead.

The CWA Finance Committee will be meeting in 2019 to review the finances and make adjustments to the proposed 2019-2020 operating budget as necessary and present their report at the 77th CWA Convention.