

**REPORT OF THE
FINANCE COMMITTEE
TO THE
71st ANNUAL CONVENTION**



**COMMUNICATIONS WORKERS OF AMERICA
June 22-24, 2009
Washington, D. C.**

NOTICE!

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The Committee urges that questions, comments or recommendations be written and forwarded to the Chairperson of the Finance Committee prior to the Committee's meeting in Washington, D. C.

Address communications to:

**Pam Siefers, Chair
c/o CWA/ Jeffrey Rechenbach, Secy-Treas.
501 Third Street, N. W.
Washington, DC 20001**

The Committee will also be available to meet with you prior to the start of the Convention on Saturday, June 20, from 2:00 p.m. until 6:00 p.m. and Sunday, June 21, from 2:00 p.m. until 6:00 p.m. at the Hilton Washington.

Note: *It is suggested that anyone desiring a meeting with a Committee at a time other than above should contact the Committee Chair in the Hilton Washington.*

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COMMUNICATIONS WORKERS OF AMERICA**

EXPLANATION OF CWA FUNDS

There are six Funds, all of which were examined and reported on by the Auditors.

The funds are:

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 provides for the ongoing operation of the Union. As of April 30, 2009 the General Fund had total assets of \$51,159,126 and unrestricted net assets of \$19,668,845.

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.

The General Fund contains what the Auditors have identified as "Unallocated Receipts." Dues money received by CWA is labeled in this manner until the Secretary-Treasurer's Office can channel or allocate it. As an example: a dues check from an employer is received in the Secretary-Treasurer's office; it is immediately deposited in the General Fund as unallocated money. Upon processing the report that comes with the employer's check, checks are issued for the amount due the Locals. Also, at this time, we transfer the proper amount to the Defense Fund and Members' Relief Fund or the Strategic Industry Fund. The International's portion remains in the General Fund, available for use by the International. The Local amount is returned to the Locals.

DEFENSE FUND

The Defense Fund was established by the 1952 Convention and began to operate in September of 1952. It has specific rules, adopted by the Convention, which outline the ways it can be used.

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.

The Defense Fund is administered within the Defense Fund Rules established by Convention action.

The unrestricted net assets of the Fund as of May 31, 2008 were \$13,716,124.

MEMBERS' RELIEF FUND

The Members' Relief Fund (MRF) was established by 1990 Convention action. The purpose of the fund is relief of strikers, locked out members, victims of collective bargaining strategies and other approved mobilization actions. The unrestricted net assets of the fund as of May 31, 2008 were \$418,342,441.

Income to the Members' Relief Fund is derived from membership dues and equivalent payers in an amount equal to .15% per month of minimum dues (1/4 hour) of those eligible to strike. Income is deposited in 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 MRF contributions are credited to the Strategic Industry Fund unless the MRF fund balance falls below the 2006 Convention established MRF floor. The MRF floor is \$376,714,280. If the MRF fund falls below the established floor all contributions will revert back to the MRF until it reaches the established floor.

STRATEGIC INDUSTRY FUND

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

The SIF is a restricted Fund, requiring a majority vote of the Executive Board before expenditures are made. The unrestricted net assets of the fund as of May 31, 2008 were \$37,475,695.

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, 2008, the total assets of the Fund were \$41,073,694 and the unrestricted net assets* of the Building Fund were \$(1,287,746).

*Note: Net assets for the Building Fund is calculated by taking the purchase price of the building, less accumulated depreciation, less the outstanding mortgage balance.

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, and our contribution is adjusted to meet our obligations. Contributions are necessary in this budget year.

The CWA Pension Fund was established in 1951 as a separate trust. It is a defined benefit pension plan covering substantially 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 April 1, 2008, the latest period for which actuarial data is available, the fair value of the Plan assets were \$274,546,911, the actuarial present value of accumulated benefit obligation was \$277,326,258, leaving net assets under accrued obligations of \$2,779,347. To address this shortfall of assets under calculated obligations, CWA contributed \$3,588,890 to the pension plan out of the 2008/2009 budget.

FINANCIAL STATE OF THE UNION

This Committee realizes that with ever increasing financial burdens and causes needing the Union's attention, and an uncertain economy, we must continue to be ever vigilant of cost overruns. This year, we urge each administrative unit to operate not only within their authorized budget but also to live within the dues income they generate and contribute to the ongoing programs and expenses of the Union.

SALARIES – ELECTED OFFICIALS

Each year, it is the Committee's responsibility to recommend salary changes for our elected officials. The Committee recommends that salaries be increased up to but not greater than the percentage increase granted to the Administrative Staff, effective July 1, 2009.

COMPLEMENT

The Committee has funded only those 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.

To provide financial assistance to an administrative unit, for the 2009 -2010 budget year we recommend that when a Staff employee leaves the payroll, those allocated expenses should continue for the full fiscal year.

THE 2009 – 2010 BUDGET

The Committee reviewed and considered the Report of the Budget Committee as adopted by the Executive Board of the Union. After thorough and detailed deliberations, this Committee recommends the following budget for the 2009 – 2010 budget year.

In calculating the projected income, the Committee built this budget based on an estimate of what our revenue will be in June 2009. The calculated estimate of overall income of the Union used is \$263,667,817. **\$105,467,127** was available for National Programs and Administrative Units budget and approximately **\$158,200,690** would be sent to the Locals. AFA administrative unit dues income and expense are included in this budget.

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

Our proposed budget follows as Exhibit A (Administrative Units Budget) and Exhibit B (National Programs).

A line-by-line explanation of each item in the budget may be found on pages 7 - 11.

Administrative Units Budget

2009 – 2010

District & National Units	<u>A-1</u> Salaries: O&S	<u>A-2</u> Salaries: FT & Other	<u>A-3</u> Emp Benefits: 32.16%	<u>A-4</u> Emp Taxes: 8.1%	Total Personnel Expenses	<u>B-1</u> Office Occupancy	<u>B-2</u> Staff Expenses	<u>B-3</u> Administrative Operations	<u>B-4</u> Legal	Total Admin Unit Expenses
District 1	3,327,619	871,234	1,350,351	340,107	5,889,311	1,012,050	518,850	1,019,540	1,561,000	10,000,751
District 2	905,421	321,008	394,419	99,341	1,720,189	262,042	138,780	168,408	192,000	2,481,420
District 3	2,291,527	810,645	997,658	251,276	4,351,106	302,858	350,805	380,653	200,000	5,585,422
District 4	1,519,719	566,658	670,979	168,997	2,926,352	316,654	246,720	359,685	77,000	3,926,411
District 6	1,721,996	559,882	733,852	184,832	3,200,561	407,503	277,560	325,143	391,000	4,601,767
District 7	1,769,839	568,917	752,144	189,439	3,280,340	169,755	277,560	329,950	175,000	4,232,605
District 9	1,502,767	601,899	676,861	170,478	2,952,005	553,845	231,300	368,495	165,000	4,270,644
District 13	852,453	211,816	342,269	86,206	1,492,744	199,157	123,360	125,593	167,000	2,107,854
Comm & Tech	520,432	148,626	215,169	54,194	938,421	126,250	77,100	98,422	50,000	1,290,193
Public Wkrs	269,479	60,703	106,187	26,745	463,113	35,125	48,472	45,393	-	592,104
Telecomm	257,355	60,703	102,287	25,763	446,108	27,500	46,896	17,843	-	538,347
PPMWS-CWA	642,706	118,268	244,729	61,639	1,067,342	85,125	125,552	98,635	105,000	1,481,654
IUE-CWA	3,653,645	309,549	1,274,563	321,019	5,558,776	311,985	790,814	552,956	50,000	7,264,532
TNG-CWA	1,293,832	242,473	494,076	124,441	2,154,821	117,500	280,992	163,225	270,000	2,986,539
NABET-CWA	643,439	147,680	254,424	64,081	1,109,624	86,868	130,401	198,341	202,000	1,727,234
AFA-CWA	<u>3,323,885</u>	<u>1,434,676</u>	<u>1,530,353</u>	<u>385,443</u>	<u>6,674,358</u>	<u>997,471</u>	<u>539,700</u>	<u>548,659</u>	<u>200,000</u>	<u>8,960,189</u>
Total	24,496,115	7,034,736	10,140,322	2,553,999	44,225,172	5,011,689	4,204,863	4,800,943	3,805,000	62,047,665
Headquarters	<u>3,659,153</u>	<u>5,316,567</u>	<u>2,886,591</u>	<u>727,033</u>	<u>12,589,344</u>	<u>3,001,275</u>	<u>803,579</u>	<u>1,666,852</u>	<u>1,198,000</u>	<u>19,259,050</u>
Grand Total	<u>28,155,267</u>	<u>12,351,303</u>	<u>13,026,913</u>	<u>3,281,032</u>	<u>56,814,516</u>	<u>8,012,964</u>	<u>5,008,442</u>	<u>6,467,795</u>	<u>5,003,000</u>	<u>81,306,716</u>

EXHIBIT A

**Communications Workers of America Balanced - Operating Budget
2009 - 2010**

Income

	2008-2009	2009-2010
Dues - Membership	100,514,895	96,692,934
Dues - Agency Fee	8,117,555	7,274,193
Other Income	<u>2,300,000</u>	<u>1,500,000</u>
Total Income	110,932,450	105,467,127

Expenses

National Programs

	2008-2009	2009-2010
029 Organizing Fund	5,100,000	5,100,000
030 Community Action	200,000	200,000
031 Legal Admin Unit Litigation & Misc.	847,000	847,000
032 Convention	992,015	992,015
034 Committees, Conferences & Ex Board Mtgs	400,000	400,000
038 Taxes	191,600	191,600
039 Affiliation Dues - AFL-CIO & Other	5,271,767	5,256,309
040 Contingency	3,419,944	1,039,902
041 Equipment Additions	59,425	-
043 Information Systems	1,025,000	1,025,000
044 District Building Maint & Operations	218,725	-
045 Communications (CWA News & PR)	2,200,000	2,200,000
046 Professional Services	847,000	847,000
047 International	75,000	75,000
048 Education	300,000	300,000
061A Retiree Benefits (Health Care, Insurance)	7,508,375	8,322,728
061B Insurance - Other	674,060	569,747
063 Auto Fleet Program	175,000	-
064 Staff Moves	200,000	200,000
066 Apprenticeship & Training	<u>183,000</u>	<u>183,000</u>
Total General Budget	29,887,911	27,749,301

Administrative Units

A1 Salaries - Officer & Staff	30,569,018	28,155,267
A2 Salaries - Full Time/Other	13,098,926	12,351,303
A3 Employee Benefits	10,085,004	9,438,024
A4 Employee Taxes	3,537,102	3,281,032
B1 Office Occupancy	6,909,312	8,012,964
B2 Staff Expenses	5,287,848	5,008,442
B3 Administrative Operations	6,554,328	6,467,795
B4 Legal	<u>5,003,000</u>	<u>5,003,000</u>

Total Administrative Units 81,044,538 77,717,826

Total Budgeted Expenses 110,932,449 105,467,127

Total Income 110,932,449 105,467,127

Pension Prepayment (A3 reduction) 3,588,890

EXPLANATION OF ADMINISTRATIVE UNIT BUDGET

EXHIBIT A

BUDGET LINE A1-A4 & B1-B4 FORMULA APPLICATIONS

To determine certain allocations, the Budget was based on April 3, 2009 per capita counts.

A1 Salaries – Officers and Staff

Reflects annual salary cost for administrative unit officers, staff and professional employees.

A2 Salaries Full Time and Other

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

A3 Employee Benefits

Reflects an allocation of 32.16% of administrative unit salaries. The allocation includes 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 was allocated 8.1% 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 3% for the 2009-2010 budget year. Where leases are due to renew, a 5% increase was added to the current rent.

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 all other operating expenses.

B4 Legal – This includes each administrative unit's allocation for expenses such as retained counsel, arbitration, and arbitration cancellation fees.

EXPLANATION OF NATIONAL PROGRAMS

EXHIBIT B

Organizing (029)

We must continue our internal and external organizing efforts if CWA is 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 worthwhile requests we receive from community and civic organizations, programs and activities dedicated to the welfare of all citizens.

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

Legal Admin. Unit Litigation and Miscellaneous (031)

Our legal costs continue to be 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 annual convention, including auditorium and meeting room rental and setup, printing of verbatim reports and other convention materials, postage, wages and expenses of convention committee.

Committees, Conferences & Executive Board Meetings (034)

Expenses associated with meetings of the Union's Executive Board including travel expenses of Executive Board members and others required to be in attendance at such meetings. The cost, if any, of the meeting room is also included. The budget allocation also includes an allocation for committee meetings and conference expenses. The allocation does not cover expenses of attendees unless authorized by the President of the Union.

Taxes (038)

This allocation is for taxes other than payroll related, such as the cost of District building taxes and personal property taxes.

Affiliation Dues (039)

This allocation is for the 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 costs and expenses that are not known or 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, communication networks, training, 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 XXV of the CWA Constitution and Public Relations. The allocation includes the cost of printing and postage as well as 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 and newspaper.

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 other than employee healthcare and automobile.

Staff Moves (064)

This allocation is for the costs associated with relocating Staff.

Apprenticeship & Training (066)

The 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.

Concluding Remarks

The Budget Committee continued to focus on not only staying within budget but also keeping spending within income. The Executive Board made a commitment to live within our means and we have achieved this goal.

Current economic conditions have forced us to reallocate support staff and harvest the benefits of new technology to reduce our payroll while sustaining quality work. We recognize that in some instances we are stretched and appreciate the hard work and burden that places on dedicated staff.

The cost of owning and operating the building continues to be supported by the rent income flowing to the fund. CWA rent payments to the Building Fund, while below market rates, have been sufficient to sustain building operations.

A decline in membership within a number of our represented employers reinforces the need for passage of the Employee Free Choice Act. Organizing

new workers is the key to our future. For 2009 – 2010, we are recommending a conservative budget that reflects the current conditions. Steps taken by the Executive Board have significantly improved the Union's financial position, but we need to continue to closely monitor spending to ensure that our income forecasts match our cash flow and that our expenses do not exceed our projected income. Collectively, we have demonstrated that this can be done and we congratulate the Executive Board for taking the steps necessary to ensure the fiscal well-being of our Union.

2009 FINANCE COMMITTEE

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