

**Report of the
Finance Committee
to the
73rd Convention**

CWA

**Communications Workers of America
July 11-13, 2011
Las Vegas, NV**

July 2011

Dear Sisters and Brothers:

Your Finance Committee met in Washington D.C. on May 23 and May 24, 2011 to review and recommend suggestions on the 2011-2012 Budget and a preliminary 2012 -2013 Budget. Every supporting document requested was made available to us. The Committee reviewed the Consolidated Financial Statements for the period ended May 31, 2010, 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 presented fairly, in all material respects, the financial position of the Communications Workers of America, AFL-CIO, CLC as of May 31, 2010.

Last year the Finance Committee recommended to the Secretary-Treasurer's office and the Executive Board that they reach out to the nine (9) Unions that represent the bargaining unit members who work at CWA to discuss the state of our finances and work together to explore possible solutions. We would like to acknowledge the nine unions that participated in concession bargaining; CWA Staff Union, The Guild, O.P.E.I.U Local 2 & 3, F.G.R, B.E.S.T, U.S.E., IFSOEU and the Operating Engineers and thank them for their negotiation efforts and agreements that were reached which will significantly contribute to cutting costs in the 2011-2012 budget. We ask all CWA members to recognize our Brothers and Sisters that are in these Bargaining Units and the Secretary-Treasurer's office for all their hard work and sacrifices. During the past year the Secretary-Treasurer's office, with the support of the Executive Board, has also taken some major initiatives to solidify our financial position. Some of the other initiatives taken include but are not limited to:

- Froze wage increases for the Administrative Staff and elected Officials.
- Reconfigured the National's office building space to be more efficient and allowing more rentable space to provide additional income.
- Moved investments to allow better management of these funds.
- Negotiated copier contracts which will reduce the costs of in-house printing by more than \$1.5 million over the next five years and allow more printing to be brought in.

This Committee recognizes and thanks those Vice Presidents who have moved in the right direction to be within or near their budgets; however, there are still 26% that remain over budget. The Committee understands that there may be unexpected circumstances that influenced this overage.

The Finance Committee has carefully reviewed and considered the budget obligations that CWA faces in the future. Therefore the Committee makes the following recommendations to further deal with this budgetary crisis:

- We are encouraged by the Secretary-Treasurer's Office and the Executive Board's direction and commitment to balance the budget and grow our

Union. We recommend and support the passage of the SIF Distribution Resolution as a short term patch while exploring longer term solutions for increased revenue opportunities.

- Each Administrative Unit must keep their expenses within their generated dues income and budget with further recognition of the need for all Units to contribute to the ongoing programs and administration of the National Union. In addition, all Units must be in compliance with the CWA Constitution and be current with their dues. The Committee recommends that the Secretary-Treasurer take steps that may be necessary to keep Locals in compliance.
- Each Administrative Unit and Local must continue to aggressively pursue organizing along with signing up their non-members, particularly those working in Telecom, Mobility, and the Public, Health and Education sectors. These efforts alone have a potential of generating close to \$5 million in revenue throughout the Union. In addition, an alternate plan should be discussed to generate future revenue for the operation of this great Union.
- We recommend that any Administrative Unit whose expenses exceed more than one percent of their budget, must provide a reasonable explanation for the cause of the overage to the Finance Committee and should be prepared to present that explanation to the Convention Delegates.

The Committee is recommending the 2011-2012 Budget as one that shows fiscal responsibility during a challenging time. Financial stability will require oversight of internal controls to meet budgetary compliance. The Committee recognizes the burden that National and Local leadership face exercising cost containment while providing necessary service to our membership.

The 2011-2012 Finance Committee would like to thank President Larry Cohen, Secretary-Treasurer Jeff Rechenbach, Executive Vice President Annie Hill, Assistant to the Secretary-Treasurer Teri Pluta, and their staff for their time and effort in aiding the Committee in the review, development and preparation of this year's report.

The Committee wishes to thank all representatives in CWA Districts, National Units and Headquarters for their ongoing efforts to achieve the financial targets outlined in the 2011-2012 Budget. We respectfully request delegate approval.

In Solidarity,

Chris Lane, President, CWA Local 2201, Chair
Roy Hegenbart, President, CWA Local 3250
Carolyn Sallis, President, CWA Local 7175
Terri Senich, Executive Secretary-Treasurer, CWA Local 13500

**REPORT OF THE
FINANCE COMMITTEE
to the 73rd CONVENTION
COMMUNICATIONS WORKERS OF AMERICA**

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, 2010. A copy of the report has been reviewed by the Executive Board and Committee and was sent to Local Presidents.

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 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 Market Value of the Fund as of May 31, 2011 was \$14,026,000.

Robert Lilja Members' Relief Fund

The Robert Lilja Members' Relief Fund (RLMRF) was established by 1990 Convention action. The purpose of the fund is relief for strikers, locked-out members, victims of collective bargaining strategies and other approved mobilization actions. The Market Value of the fund as of May 31, 2011 was \$419,872,000.

Income to the Robert Lilja 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 RLMRF contributions are credited to the Strategic Industry Fund unless the RLMRF fund balance falls below the 2006 Convention established MRF floor. The RLMRF floor is \$376,714,280. If the RLMRF fund falls below the established floor, all contributions will revert back to the RLMRF 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 Market Value of the fund as of May 31, 2011 was \$55,759,000.

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, 2011, the Market Value of the Fund's unrestricted net assets was \$48,690,491.

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. As did many other pension plans, the Plan's investments suffered losses as a result of the overall decline in the economy and the markets in 2008. Contributions to the plan were necessary in 2010 and will be monitored again this 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 May 31, 2011, the Market Value of the Plan was \$203,728,000.

Financial State Of The Union

This Committee realizes that with ever increasing financial burdens and causes needing the Union's attention, combined with a continued uncertain economy, we must continue to be ever vigilant of cost overruns. This year, each administrative unit must operate not only within their authorized budget but also live within the dues income they generate as well as 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. However, in conjunction with the negotiated agreement with the employee unions there will be no increases to salaries.

Staff 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.

The 2010 – 2011 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 2011-2012 budget year.

In calculating the projected income, the Committee built this budget based on an estimate of what our revenue will be for this fiscal year based on a projected 0.35% per month decline in membership and a 2% increase in per capita dues. The calculated estimate of overall income of the Union used is \$96,946,737.

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.

Our proposed budget follows as Exhibit A (Communications Workers of America – Operating Budget) and Exhibit B (Administrative Units Budget).

A line-by-line explanation of each item in the budget may be found on pages 9-12.

**Communications Workers of America Balanced - Operating Budget
2011 - 2013**

		<u>2010 - 2011</u>	<u>2011 - 2012</u>	<u>2012 - 2013</u>
<u>Income</u>				
	Dues - Membership	91,263,155	87,575,803	87,575,803
	Dues - Agency Fee	7,821,773	7,970,933	7,970,933
	Other Income	1,400,000	1,400,000	1,400,000
	Total Income	100,484,928	96,946,736	96,946,736
<u>Expenses</u>				
	National Programs			
029	Organizing Fund	5,100,000	4,100,000	4,100,000
030	Community Action	200,000	162,051	162,051
031	Legal Admin Unit Litigation & Misc.	847,000	965,000	965,000
032	Convention	992,015	892,015	892,015
034	Committees, Conferences & Ex Board Mtgs	400,000	400,000	400,000
038	Taxes	191,600	140,000	140,000
039	Affiliation Dues - AFL-CIO & Other	4,600,832	4,059,286	4,059,286
040	Contingency	155,611	-	-
043	Information Systems	750,000	750,000	750,000
045	Communications (CWA News & PR)	2,000,000	1,400,000	1,400,000
046	Professional Services	647,000	500,000	500,000
047	International	50,000	30,000	30,000
048	Education	300,000	210,000	210,000
061A	Retiree Benefits (Health Care, Insurance)	8,688,546	9,156,873	9,156,873
061B	Insurance - Other	569,747	569,747	569,747
064	Staff Moves	200,000	150,000	150,000
066	Apprenticeship & Training	183,000	132,000	132,000
	Total General Budget	25,775,351	23,616,972	23,616,972
	Administrative Units			
A1	Salaries - Officer & Staff	28,184,384	28,240,056	28,240,056
A2	Salaries - Full Time/Other	12,196,153	11,081,021	11,081,021
A3	Employee Benefits	11,052,065	10,215,025	10,215,025
A4	Employee Taxes	3,285,201	3,187,379	3,187,379
A5	Employee Pension		3,778,160	3,778,160
B1	Office Occupancy	7,107,923	7,038,201	7,038,201
B2	Staff Expenses	4,564,872	4,279,135	4,279,135
B3	Administrative Operations	5,809,729	5,452,246	5,452,246
B4	Legal	5,003,000	4,850,000	4,850,000
B5	Position Reductions	-2,493,750	-	-
	Total Administrative Units	74,709,577	78,121,221	78,121,221
	Total Budgeted Expenses	100,484,928	101,738,193	101,738,193
	Total Income	100,484,928	96,946,737	96,946,737
	Surplus/ (Deficit)		(4,791,456)	(4,791,456)

Administrative Units Budget

2011 - 2012

District & National Units	<u>A-1</u>	<u>A-2</u>	<u>A-3 & A-5</u>	<u>A-4</u>	Total Personnel Expenses	<u>B-1</u>	<u>B-2</u>	<u>B-3</u>	<u>B-4</u>	Total Office Admin. Expenses	Total Admin Unit Expenses
	Salaries: O&S	Salaries: FT & Other	Emp Benefits: 37%	Emp Taxes: 8.1%		Office Occupancy	Staff Expenses	Administrative Operations	Legal		
District 1	3,455,055	844,824	1,531,359	348,290	6,179,529	1,005,757	451,214	892,993	1,650,000	3,999,964	10,179,492
District 2-13	1,638,842	530,789	759,251	173,224	3,102,107	487,506	211,288	234,811	350,000	1,283,605	4,385,711
District 3	2,356,787	728,812	1,095,141	249,934	4,430,674	267,918	305,680	335,331	223,000	1,131,929	5,562,603
District 4	1,657,001	427,562	738,785	168,850	2,992,199	277,802	203,396	305,146	80,000	866,344	3,858,543
District 6	1,789,339	477,312	801,576	183,599	3,251,826	378,978	240,512	290,944	400,000	1,310,434	4,562,260
District 7	1,990,994	480,184	876,665	200,165	3,548,009	107,100	258,068	288,300	180,000	833,468	4,381,476
District 9	1,765,034	465,239	790,156	180,652	3,201,081	596,837	216,836	324,846	157,000	1,295,519	4,496,600
T&T	687,920	214,537	322,764	73,099	1,298,321	406,575	102,284	89,402	23,000	621,261	1,919,582
Public Wkrs	280,302	98,449	134,948	30,679	544,377	45,663	46,424	34,163	-	126,250	670,627
PPMWS-CWA	302,934	75,290	134,926	30,636	543,786	37,700	55,166	56,115	100,000	248,980	792,767
IUE-CWA	3,588,985	257,622	1,374,689	313,222	5,534,518	9,727	637,622	281,512	50,000	978,861	6,513,379
TNG-CWA	1,050,421	232,908	457,245	103,950	1,844,524	152,750	198,697	130,980	270,000	752,427	2,596,950
NABET-CWA	684,215	162,373	301,636	68,574	1,216,798	109,306	125,974	164,043	202,000	601,322	1,818,121
AFA-CWA	<u>3,400,451</u>	<u>1,196,944</u>	<u>1,637,964</u>	<u>372,389</u>	<u>6,607,748</u>	<u>589,813</u>	<u>496,808</u>	<u>422,653</u>	<u>200,000</u>	<u>1,709,274</u>	<u>8,317,022</u>
Total	24,648,281	6,192,846	10,957,106	2,497,263	44,295,495	4,473,431	3,549,969	3,851,239	3,885,000	15,759,639	60,055,134
Headquarters	<u>3,591,775</u>	<u>4,888,175</u>	<u>3,036,078</u>	<u>690,116</u>	<u>12,206,144</u>	<u>2,564,770</u>	<u>729,166</u>	<u>1,601,007</u>	<u>965,000</u>	<u>5,859,943</u>	<u>18,066,087</u>
Grand Total	<u>28,240,056</u>	<u>11,081,021</u>	<u>13,993,184</u>	<u>3,187,379</u>	<u>56,501,640</u>	<u>7,038,201</u>	<u>4,279,135</u>	<u>5,452,246</u>	<u>4,850,000</u>	<u>21,619,581</u>	<u>78,121,221</u>

Explanation Of Administrative Unit Budget
Exhibit A

Budget Line A1-A5 & B1-B4 Formula Applications

To determine certain allocations, the Budget was based on April 2011 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	\$186,615
EXECUTIVE VICE PRESIDENT	\$159,389
SECRETARY-TREASURER	\$167,101
DISTRICT VICE PRESIDENTS, TNG-CWA VICE PRESIDENT, NABET-CWA VICE PRESIDENT, IUE-CWA VICE PRESIDENT, T&T VICE PRESIDENT AND PUBLIC WORKERS VICE PRESIDENT	\$145,724
AFA-CWA VICE PRESIDENT	\$105,283
PPMWS EXECUTIVE OFFICER	\$120,000

A2 Salaries Full Time and Other

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

A3 & A5 Employee Benefits

Reflects an allocation of 27.25% 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 2% for the 2011-2012 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 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 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 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. 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 CWA Budget Committee should continue to focus on not only staying within budget but also keeping spending within income.

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 is subsidized by the leasing of available space. CWA rent payments to the Building Fund, while below market rates, also assist to sustain building operations.

A decline in membership within a number of our represented employers reinforces the need for organizing new workers as the key to our future. For 2011-2012, 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.