

**Report of the  
Finance Committee  
to the  
76<sup>th</sup> Convention**

**CWA**

**Communications Workers of America  
August 7–8, 2017  
Pittsburgh, PA**

Your Finance Committee met in Washington, D.C. on June 21 and 22, 2017, to review the 2016-2017 expenses for 11 months ending April 2017 and the 2017-2019 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, 2016, 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 Communications Workers of America, AFL-CIO, CLC as of May 31, 2016.

The Finance Committee carefully reviewed expenses paid out during the 2016-2017 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 met with, or received communications from, representatives of CWA District 2-13, CWA District 6, CWA District 9, IUE and NABET and deliberated on recommendations.

Budget overruns were due to a variety of reasons including lengthy bargaining and staffing issues resulting in additional travel expenses and unanticipated legal costs. Protracted bargaining, particularly on large contracts, results in increased expenses including lodging, hotel meeting rooms and last minute travel. It is imperative that we continue to find new ways to efficiently bargain contracts in the most effective and productive ways possible. During our discussions with various district and sector vice presidents, they shared creative ways that these bargaining challenges are being addressed and planned for the future. We would also like to recognize those administrative units that were able to keep their expenses within their allocations despite those challenges. The committee also recognizes the continued effort that the national union has taken to try and help solidify CWA's financial position through cost containment while maintaining necessary service to our membership.

The Secretary-Treasurer's office has continued to roll out new systems that take advantage of technology to improve efficiency and save the union money. It has continued with the rollout of Concur – the expense reimbursement system -- that is nearly complete. This program has allowed full-time and part-time employees to go paperless with reimbursements. It has also incorporated the part-time payroll, allowing for the removal of duplicate keying. The office also moved forward with offering ACH as the preferred method of payment for all employees and vendors. Implementing this change has enabled the department to send the payment remittance advice slips through email rather than mailing through the postal service. This change alone has saved numerous hours of people power and has allowed for a significant decrease in the department's postage cost.

CWA's new payroll system centralizes multiple systems into one, is web-based, and has self-service capabilities that have produced significant cost savings. A new time reporting system that saves time and labor has been incorporated into the payroll system. Also in the works is a new membership system that will streamline functions and be regularly serviced and updated by the company that is creating it. Most important, it is far more user-friendly. It is expected to be completed by late 2018.

The Secretary-Treasurer's office plans to continue to modernize its systems to make CWA's financial functions more efficient and less expensive.

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

- Given the looming financial threats posed to labor by the Trump administration and Congress, the Finance Committee urges all locals to work the CWA STRONG plan and take action to make themselves – and CWA – stronger and better prepared to withstand the coming attacks and to bargain strong contracts.
- We need to continue to closely monitor spending to ensure that income forecasts match cash flow and that expenses do not exceed income, including careful monitoring of contributions to the legacy and new CWA pension plans on behalf of CWA employees.
- It is incumbent upon CWA to continue to keep its expenses within its generated dues income and budget allocations with further recognition of the need for all units to contribute to the ongoing programs and administration of the national union.
- The CWA Convention should support the proposal to eliminate the mandatory printing and mailing of a union publication, saving the union more than \$750,000 annually. While the printed newsletter remains a valuable tool for informing members, the amendment will allow the flexibility to use less-costly electronic media while still permitting the publication of print editions when deemed necessary.
- All administrative units, including committees, should consider merging or coordinating meetings and conferences when feasible. A good example of this is when the Women's Committee and the Human Rights Committee decided to hold a joint conference based on their common interests while still having individual breakouts. Combining meetings not only saves money but can build support for a common agenda.
- Any administrative unit whose expenses exceed one percent (1%) of their budget allocation must provide a reasonable explanation for the cause of the overage to the Finance Committee and, if necessary, should be prepared to present that explanation to the committee of the convention delegates. Any administrative unit whose expenses exceed three percent (3%) will attend a training set up by the Secretary-Treasurer's Office for budgeting effectively.
- The Secretary-Treasurer's Office should explore the concept of developing a bargaining contingency for negotiation of large contracts. Bargaining costs are a primary reason for budget overruns by districts and sectors.
- The Executive Board should initiate discussions to formulate a plan in preparation for the upcoming Janus decision, which will likely adversely affect CWA revenues.

CWA has made great strides in addressing the recommendations from previous finance committees, including setting balanced budgets and living within our means. Organizing has allowed us to stabilize our membership numbers and bring union representation to new industries. Our membership has decreased by nearly .75% over the past fiscal year.

The 2017-2018 Finance Committee would like to thank President Christopher Shelton, Secretary-Treasurer Sara Steffens, Assistant to the Secretary-Treasurer Elizabeth Wilks, 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 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 2017-2019 budget.

In Solidarity,

Evelyn Smith, Secretary-Treasurer, CWA Local 6222 (Chair)  
Lisa Avila, President, CWA Local 7704  
Dante Harris, President, CWA Local 29012  
Mike Cabanatuan, TNG Region IV Vice President, CWA Local 39521

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**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, 2016. A copy of the report has been reviewed by the Executive Board and Finance 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 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, and victims of collective bargaining strategies and for other approved mobilization actions. The opening balance of the RLMRF on June 1, 2016, was \$399,694,736. In the year from June 1, 2016, to May 31, 2017, there were earnings of \$18,350,000 or 4.6%. As well, there were \$5,377,235 paid in strike advances, COBRA payments, strike line maintenance and fees. This resulted in a balance of \$418,058,365 in the RLMRF on May 31, 2017.

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 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 being credited to the Strategic Industry Fund unless the RLMRF fund balance falls below the established floor created by 2006 Convention action. The RLMRF floor is \$377,484,108. 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, 2017, was \$71,643,495.

### **Growth Fund**

At the 74<sup>th</sup> 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 our union movement. 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 this new fund. The market value of the fund as of May 31, 2017, was \$15,418,932.

The Defense Fund Oversight Committee's responsibilities were 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, 2017, the unrestricted net assets were \$89,970,635.

### **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 CWA obligations. Like several other pension plans, the plan's investments suffered losses as a result of the overall decline in the economy and the 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, 2017, the market value of the plan was \$168,658,874.

### **Financial State of the Union**

This committee realizes that with ever increasing financial burdens and with causes needing the union's attention, coupled with a continued uncertain economy, we must be continuously vigilant of cost overruns. This year each administrative unit must operate not only within its authorized budget, but also within the dues income it generates, 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 currently filled or have received approval are 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 2017 – 2019 Budget**

The committee reviewed and considered the Report of the Budget Committee as adopted by the Executive Board of the Union. The 2017- 2019 fiscal year budget used the following projections in calculating the income decrease of .50% in membership and an increase 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 2017-2019 CWA Operating Budget used is \$93,029,398 for 2017-2018, and \$93,529,398 for 2018-2019.

As in the past, we recommend that 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 10-13.

**Communications Workers of America - Operating Budget  
2017-2019**

		<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
<b>Income</b>				
	Dues - Members and Agency Fee Payers	\$ 88,195,624	\$ 88,129,398	\$ 88,129,398
	HQ Building	3,550,000	4,000,000	4,500,000
	Other Income	1,500,000	900,000	900,000
	<b>Total Income</b>	<b>\$93,245,624</b>	<b>\$93,029,398</b>	<b>\$93,529,398</b>
<b>Expenses</b>				
<b>National Programs</b>				
029	Organizing Fund	4,925,000	4,925,000	4,925,000
030	Community Action	150,000	150,000	150,000
031	Legal Admin Unit Litigation & Misc.	625,000	625,000	625,000
032	Convention	200,000	600,000	200,000
034	Committees, Conf, Human Rights & Board Mtgs	440,000	440,000	440,000
038	Taxes	500,000	500,000	500,000
039	Affiliation Dues - AFL-CIO & Other	3,588,406	3,588,406	3,588,406
040	Contingency	2,012,557	262,016	78,395
043	Information Systems	700,000	700,000	700,000
045	Communications (CWA News & PR)	1,400,000	1,400,000	1,400,000
145	Digital Media Operations	235,000	235,000	235,000
046	Professional Services	570,000	570,000	570,000
047	International	30,000	30,000	30,000
048	Education	170,000	170,000	170,000
061A	Retiree Benefits (Health Care, Insurance)	7,000,000	6,500,000	6,500,000
061B	Insurance - Other (Workers Comp., etc)	997,500	997,500	997,500
064	Staff Moves	150,000	150,000	150,000
066	CWANET Training	100,000	100,000	100,000
225	MRF Loan	1,527,156	1,527,156	1,527,156
	<b>Total General Budget</b>	<b>\$ 25,320,619</b>	<b>\$ 23,470,078</b>	<b>\$ 22,886,457</b>
<b>Administrative Units</b>				
A1	Salaries - Officer & Staff	24,056,835	24,102,814	24,651,153
A2	Salaries - Full Time/Other	9,985,057	9,380,455	9,593,861
A3	Employee Benefits (Non-Pension)	8,512,973	8,373,317	8,561,254
A4	Employee Taxes	3,098,722	3,042,747	3,116,296
A5	Employee Pension	3,405,189	5,693,856	5,754,247
B1	Office Occupancy	5,516,297	5,658,660	5,658,660
B2	Staff Expenses	4,062,182	3,921,562	3,921,562
B3	Administrative Operations	4,830,834	4,884,422	4,884,422
B4	Legal	4,456,917	4,501,486	4,501,486
	<b>Total Administrative Units</b>	<b>\$ 67,925,005</b>	<b>\$ 69,559,320</b>	<b>\$ 70,642,941</b>
	<b>Total Budgeted Expenses</b>	<b>\$ 93,245,624</b>	<b>\$ 93,029,398</b>	<b>\$ 93,529,398</b>
	<b>Total Income</b>	<b>\$ 93,245,624</b>	<b>\$ 93,029,398</b>	<b>\$ 93,529,398</b>
	<b>Surplus/(Deficit)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>



## Administrative Units Budget

2017-2018

	Updated					Updated				Total Office Admin. Expenses	Total Admin Unit Expenses	
	A-1	A-2	A-3	A-4	A-5	B-1	B-2	B-3	B-4			
District & National Units	Salaries: O&S	Salaries: FT & Other	Emp Benefits: 25%	Emp Taxes: 9.1%	Emp Pension: 17%	Total Personnel Expenses	Office Occupancy	Staff Expenses	Administrative Operations	Legal		
District 1	3,656,547	790,964	1,111,878	404,724	756,077	6,720,190	1,144,275	533,920	808,484	2,025,903	4,512,583	11,232,772
District 2-13	1,592,217	477,196	517,353	188,317	351,800	3,126,884	347,615	237,240	209,447	496,056	1,290,359	4,417,243
District 3	2,003,867	569,118	643,246	234,142	437,407	3,887,780	251,434	306,680	367,366	308,601	1,234,082	5,121,862
District 4	1,851,923	355,947	551,968	200,916	375,338	3,336,092	291,402	271,960	264,562	10,100	838,024	4,174,116
District 6	1,960,643	462,532	605,794	220,509	411,940	3,661,417	569,514	281,420	273,168	764,289	1,888,392	5,549,809
District 7	1,799,958	462,532	565,623	205,887	384,623	3,418,623	158,062	271,960	200,489	249,421	879,932	4,298,554
District 9	1,541,418	462,532	500,988	182,360	340,672	3,027,970	540,664	219,880	293,746	119,776	1,174,066	4,202,035
PPMWS-CWA	337,766	56,485	98,563	30,737	67,023	590,573	20,694	68,380	14,443	77,199	180,717	771,290
IUE-CWA	3,027,974	388,974	854,237	310,942	580,881	5,163,008	49,307	559,420	242,179	100,000	950,906	6,113,914
TNG-CWA	1,173,393	252,945	356,585	129,797	242,478	2,155,197	162,533	226,750	168,118	265,451	822,852	2,978,049
MADET-CWA	621,422	109,561	182,746	66,519	124,267	1,104,516	60,613	117,880	139,381	83,451	401,324	1,505,840
T&T	637,813	122,055	189,967	69,148	153,705	1,172,688	132,015	88,900	107,040	1,237	329,192	1,501,881
Public Works	370,024	67,274	109,325	39,794	74,341	660,757	62,855	64,330	24,952	-	152,137	812,894
Total	20,574,966	4,578,117	6,288,271	2,283,790	4,300,551	38,025,695	3,790,982	3,248,720	3,113,376	4,501,486	14,654,564	52,680,260
Headquarters	3,527,849	4,802,339	2,065,047	758,957	1,417,832	12,592,023	1,867,678	672,842	1,771,046	-	4,311,565	16,903,588
Grand Total	24,102,814	9,380,455	8,373,317	3,042,747	5,718,383	50,617,718	5,658,660	3,921,562	4,884,422	4,501,486	19,966,130	69,583,848

## **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.

#### **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.

**Digital Media Operations (145)**

This allocation will pay for ongoing recurring expenses related to our digital media operations, such as hosting fees for our online communications systems, Action Network, 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:

<b>POSITION</b>	<b>SALARY</b>
PRESIDENT	\$203,487
SECRETARY-TREASURER	\$182,209
DISTRICT VICE PRESIDENTS, TNG-CWA VICE PRESIDENT, NABET-CWA VICE PRESIDENT, IUE-CWA VICE PRESIDENT, T&T VICE PRESIDENT AND PUBLIC WORKERS VICE PRESIDENT	\$158,899
AFA-CWA VICE PRESIDENT	\$151,013
PPMWS EXECUTIVE OFFICER	\$130,849

**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 2016-2017 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**

Despite all of the upheaval and anti-union attacks in our country today, CWA still remains united. But we can be better.

With all of the difficult challenges ahead, we believe CWA should plan to take the actions necessary to make our locals stronger and to better prepare us against ongoing attacks on labor. To do this, we need to promote CWA STRONG. This will not only benefit the union financially, but it will also improve the conditions of our members and grow our union. Through this program, our membership will become more educated on the values and benefits of belonging to a union. Where there's unity we will find the strength to rekindle the labor movement.

The CWA Finance Committee will be meeting in 2018 to review the finances and make adjustments to the proposed 2017-2019 operating budget as necessary.

