

NATIONAL SECRETARY-TREASURER'S REPORT TO THE NATIONAL EXECUTIVE BOARD

Ottawa, Ontario
December 16 - 18, 2008

Sisters and Brothers:

As the cold weather turns our thoughts to year's end and plans for the New Year, I am proud to report to you the financial and operational results for the first nine months of 2008. It is also that time of year when we in the National Secretary-Treasurer's Office and the staff in Finance and Administration, are busily preparing for the 2009 budget year. Our budget process involved consultation and input from each region and department at National Office. As our union continues to grow, responding to the changing needs of our complex organization is at the forefront of our budget discussions for our operating fund, the General Fund. We also continue to be focused on the priorities set at our 2007 National Convention and our Strategic Directions, including our new \$5 million anti-privatization initiative, spread over two years. This, together with our \$2 million cost-share envelope in the National Defense Fund for 2008, means we have been campaigning on behalf of our members like never before, defending good collective agreements, fighting against privatization and contracting-out, and protecting jobs. And the outlook for 2009 is promising.

As was the case during our budget discussions last year, CUPE's finances remain strong. While our investment balance in the General Fund is virtually unchanged from December 31, 2007, sitting at \$20.8 million, the economic crisis gripping much of the world means we have experienced approximately a \$1 million decline in the market value of our investments. With total assets in the General Fund at September 30, 2008 totaling \$97.9 million, we are in a good position to ride out this storm. And while the crisis will eventually have an impact on our revenue and membership, the projections for 2009 position us well for meeting our operational and campaign requirements next year. This includes meeting our staffing needs across regions and at CUPE National, as we act on a long standing goal of creating a more robust human resources capacity for CUPE that will assist our staff across all regions. The growth we have experienced over the past decade in particular, has made this investment all the more necessary. We are Canada's largest trade union,

and an activist union with a strong servicing model. Along with that distinction comes one of the largest and widely dispersed unionized staff in North America. I am proud to be introducing a budget that strengthens our staff complement, with the addition of 17.5 positions, 11.5 in the regions, and 6 at CUPE National. With new budget requests from regions and departments totaling more than \$7.7 million this year, it was a challenge to meet every request, and we needed to consult widely about priorities, but in the end we have accomplished a great deal and in a balanced fashion.

Once again this year, I am happy to report that we will set aside \$1 million in our Regional Office Building Fund, to further enable us to move forward with the acquisition of office space or construction on new buildings in major markets, such as Toronto and Halifax.

Our increase in revenues also provides an opportunity to strengthen our National Defence Fund. In addition to the implementation of new anti-privatization campaigns in all divisions and regions, financed through our new \$2.5 million anti-privatization initiative, demand for cost-share campaigns from locals and divisions continued to increase in 2008. Even before this NEB considers the cost-shared campaign requests before us, cost-share programs approved in the first nine months of the year came to \$2.1 million, just over the annual budgeted amount of \$2 million for all of 2008. I am therefore recommending we increase this budget by \$300,000 in 2009, bringing it to \$2.3 million. This is a record for cost-shared campaigns supported by the Defence Fund, and one we can all be proud of.

The Strike Fund is also in strong shape, despite solid support for strikes and lockouts, including our three locals at Journal de Québec, where support totaled over \$6.5 million spread out over two calendar/financial years, and our more than three thousand members at York University, Local 3903, who are entering their 6th week of strike as I deliver this report. As of September 30, the Strike Fund was at \$33 million, money in the bank.

The details of each fund results are explained below.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2008

General Fund

The total assets in the General Fund at September 30, 2008 were \$97.9 million compared to \$97.8 million at June 30, 2008. The bank balance at September 30 was \$3.8 million as compared to \$5.0 million at June 30. The investment balance is virtually unchanged from December 31, 2007, and sits at \$20.8 million. It is worthy to note that with the turbulent economy, we have suffered approximately a \$1.0 million decline in the market value of our investments this year. Our

investments are not in securities on the stock market rather, they are conservatively invested in bonds. Bonds too, in a ripple effect, were affected by the stock market's meltdown. We continued to invest in capital assets over the last quarter with property payment for Kingston, Comox and National as well as computer equipment purchases all totaling \$568,000.

The total liabilities in the General Fund were \$65.3 million at September 30, 2008 compared to \$65.7 million at June 30, 2008.

The Fund Balance in the General Fund as of September 30, 2008 was \$32.6 million, compared to \$32.1 million as of June 30, 2008 and \$28.6 million one year earlier (September 30, 2007).

The operating surplus for the first nine months of the year was \$2,147,000. This compares to \$5.6 million at the same point last year.

Per capita revenue, including projected per capita receivable, was over budget by \$2,495,000 (2.4%).

As always, the recording of per capita revenue involves making estimates for unpaid per capita at the end of the quarter. Our computer system generates these estimates based on the amounts actually paid for the same month in the prior year for each local. We have been comparing the estimates generated by the system to the actual amounts ultimately collected and have concluded that in a period of general economic growth such as we have seen for the last number of years, this approach can significantly underestimate the money we ultimately collect. Effective with these financial statements, we have updated our per capita revenue estimates for unpaid months to reflect actual payments received in October 2008 pertaining to per capita for September 2008 and prior. We believe this method will more accurately reflect the revenue we will ultimately collect for those outstanding months. This new estimation method has added \$714,242 to the per capita revenue figure in the General Fund for these quarterly financial statements. This method of updating the revenue estimate will continue to be used in the quarterly financial statements going forward until such time as a more robust estimation method can be written into the code of the new per capita system to be implemented in 2009.

Total expenditures for the period were under budget by \$1.4 million (1.3%).

Below are some of the significant variances in expenditures:

- The Anti-Privatization budget is still **underspent** at this point in the year due to timing of receiving invoices. At September 30, our recorded spending is \$1.4 million below budget, while invoices continue to come in from divisions.

- Election spending is running \$362,000 **under** budget at this point. It is likely this budget line will be spent by the end of the year as costs for the recent federal election and community elections in B.C. have not yet all been received.
- Rent is \$279,000 or \$4.6% **under** budget. This represents real savings as the property tax assessment on the new National Headquarters property has now been received and was significantly less than the amount expected.
- Overall salaries and benefits are **under** budget by \$187,000 or 0.3%. Salaries are under budget by \$450,000 or 1.0% and benefits are over budget by \$263,000 or 1.7%. Actual experience in 2008 is continuing to show that the changes we made in the 2008 salary budgets for the amount of sick leave are now in line with our actual experience.
- Operational Travel was **over** budget by \$254,000 (5.4%) for the period. This is being followed up in detail with the regional directors over the course of the next quarter.
- National Programs were \$202,000 **over** budget to the end of September 2008. At this point in the year, we expect that Union Development programs as well as the Legal and Arbitration budgets will be overspent by year-end.

National Defence Fund

Assets in the National Defence Fund as of September 30, 2008 totaled \$6.4 million, compared to \$6.0 million at June 30, 2008. Liabilities totaled \$5.4 million, leaving a Fund Balance of \$1.0 million.

Cost-share programs approved by the NEB for the first nine months of the year came to \$2.1 million which is just over the annual budget amount of \$2.0 million. This was partially offset by a recovery of funds unused from cost-share campaigns in prior years totaling \$291,000. With the financial requests being presented for approval at this Board, we will be over budget on this line item for 2008. Major Organizing expenses were \$1.6 million, while National Strategic Initiatives totaled \$981,000. Spending on Regional Strategic Initiatives also totaled \$796,000.

National Strike Fund

Total Assets in the Strike Fund as of September 30, 2008 were \$34.7 million, compared to \$33.1 million at June 30, 2008. These assets consisted of \$2.0 million in cash, \$1.7 million in per capita and accounts receivable, and \$31.0 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of \$213,000, and payables to the General Fund of \$173,000 and to the Defence Fund of \$41,000. Therefore, at September 30, 2008, the Fund Balance was \$34.3 million, compared to \$31.0 million at December 31, 2007.

Revenue into the Strike Fund, including investment income, was \$8.8 million. Expenditures in the period were \$5.2 million, resulting in a surplus for the first nine months of the year of \$3.6 million. Although final reconciliations are still to be completed, the support provided to our three locals at Journal de Quebec over 2007 and 2008 has totalled \$6.5 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 501, representing five Charlottetown, PEI wastewater workers, reached a settlement on November 12, ending a 27-day strike. The members achieved all their contract objectives.

At the time of writing, Local 3903, representing 3,400 contract faculty, teaching assistants and graduate assistants at York University in Toronto, have been on strike since November 6, fighting for better wages and job security.

PER CAPITA ARREARS

The September 2008 arrears total at November 17 was \$6,195,113, which was a decrease of \$565,144 or 8.36% over the August 2008 arrears report. Thanks go to directors and staff for their continued efforts to reduce per capita arrears.

TECHNOLOGY REPORT

Technology enters the last quarter of the year having made significant advances both in the development of two key applications as well as with our systems and networks.

Redevelopment of the Per Capita system is continuing with the development to be completed December 31 at which point we will begin testing. The target delivery date for the system is late February 2009.

The development of the Just Pay application is completed and is now undergoing user acceptance testing. The new program will be deployed to all pay equity staff as soon as the testing expected by year-end has been completed.

Negotiations are underway on a contract with Avanti to provide the new Human Resources Information System. Once they are finalized, the project plan will be completed and a delivery date determined.

Operations continue to work on improving our systems and have completed a number of important improvements in the last few months. All production servers have been migrated into a design comprised of specialized hardware and software

that ensures all systems will continue to be available for use by CUPE staff even in the event of a hardware failure. In addition, we successfully migrated all of CUPE's mail to a new version of Microsoft Exchange mail and introduced a new anti-spam system.

These changes have increased the amount of time that our mail system is available and ensure that we do not lose access due to hardware failures or maintenance. The new spam system has had a very positive impact with many comments from staff pleased at the dramatic reduction in offensive messages being received.

We are currently rolling out the new Office 2007 Suite to staff. Training material has been completed and Technology is working with the Union Development department to schedule advance training for staff prior to delivering the new software.

TRAINING AND DEVELOPMENT

Planning for next year's staff training and development program is underway. This includes booking the facilities and deciding the agenda for the annual staff training sessions for national representatives. As well, CUPE's Managing Directors are working together to develop a special IT training program to enhance the computer skills of CUPE's clerical employees. This initiative will be followed by one that focuses on developing the IT skills of technical and servicing staff so that they can benefit fully from the hardware and software that is now available to them. In 2009, we are also planning to launch a new leadership development program for CUPE's staff directors to assist them in carrying out their increasingly complex roles.

PROPERTIES AND LEASEHOLDS

Properties

In Halifax, Nova Scotia, we have outgrown the premises we currently occupy. The preliminary space plans prepared for this office reflect a requirement for an office of approximately 10,000 square feet. We are currently indentifying potential sites with a view to finding something suitable to construct a building similar in design and finish as the new Maritimes Regional Office. Our goal will be to obtain LEED certification at the end of this project.

Construction of the new Maritimes Regional Office in Fredericton is well underway with occupancy targeted for early spring 2009. Our existing building remains listed for sale.

In Saint John, New Brunswick, our offer to purchase the land adjacent to our existing office was accepted by the vendor. The design and preliminary cost estimates of a new building are currently being developed and will be available for review toward

the end of the year. The design will incorporate many of the features of the Maritimes Regional Office with respect to energy efficiencies and will target LEED certification.

Preliminary work has begun on spatial requirements for the Ontario Regional Office in Toronto. We have begun working with realtors to identify suitable sites for our needs.

In Victoria, British Columbia, we are still in the planning stages with regard to the overall feasibility of the project. We have engaged an architect to prepare a schematic design of the proposed building together with cost estimates. Once we have that information, a meeting will be convened with all participants and the consultants to review the plan and costing.

Because we don't have a real sense of the timeline for future owned accommodation in Victoria at this point, we secured the space we are currently in by renewing the lease for an additional three years, with an exit option at the end of the second year. The lease for the Victoria office has therefore been renewed for three years, from February 1, 2009 to January 31, 2012.

Leaseholds

The lease for the Prince Albert Area Office in Saskatchewan expires October 31, 2009. Our current space is too small and needs significant improvements. We are exploring the possibility of expanding the current office to occupy the entire ground floor of the building we are currently leasing.

The lease for the Yarmouth Area Office in Nova Scotia was renewed for a five-year period, to July 31, 2013.

In Hamilton, Ontario, we are currently investigating two potential lease situations, one in a heritage building which will be undergoing an extensive renovation within the next couple of years and the other in a retail centre adjacent the heritage building, the construction of which appears to be more imminent.

In Niagara, Ontario, we are reviewing the possibility of expanding our offices to meet our spatial requirements by occupying space in an adjacent building. Space plans have been prepared and reviewed and negotiations have commenced with the landlord to ascertain the revised occupancy costs for the larger premises.

In Peterborough, Ontario, we have signed a five-year lease for space in a building located in the downtown core. The lease term will commence once the building renovations are completed (anticipated completion end of May 2009) and contains an option to purchase our space, should the owner subdivide the space into condominiums.

The lease for the Nanaimo Area Office in British Columbia has been renewed for a five-year period to December 31, 2013. We will be undergoing renovations to the space to expand our current premises by including approximately 600 square feet of space adjacent and contiguous to the current premises.

We will be meeting with our insurance carrier, The Co-operators, in December to work out the details of the 2009 insurance renewals of our policies. They cover CUPE's office and equipment, data processing, Realty Holdings Inc., bonding for staff and members of the National Executive Board, and commercial bonding for chartered organizations.

PENSION ADMINISTRATION

As you all know, recent events in the financial markets have a direct impact on pension funds, including the CUPE Employees' Pension Plan (CEPP). Despite this period of negative returns, the financial position of the CEPP plan remains healthy. The Joint Board of Trustees will continue to closely monitor the investment performance of the Fund and any changes in the financial position of the Plan.

The Trustees filed the January 1, 2008 Actuarial Valuation in September, showing we were then over 100% funded for solvency purposes. There is no requirement to file for another three years. Therefore, CUPE will not be affected, directly or indirectly, until 2011 by any and all solvency issues and concerns currently in the public eye. By then, we also hope we'll be in a different financial environment:

Effective October 2008, Sister Patty Brockman resigned from her position as COPE Trustee on the Joint Board of Trustees. A COPE Trustee will be appointed at a later date.

The Pension Administration staff are currently preparing for the 2008 year-end.

The severance enhancement benefit (reallocation of contributions) for pension plan members who have retired in 2008, is currently in process. The total amount payable is \$209,000.

The pre-retirement seminars for 2008 are now completed. Three seminars were held in Ottawa, Toronto and Montreal with a total of 53 participants, including spouses.

Deaths

It is with sadness that we report the passing of the following:

Brother Hubert Elkin, retiree, September 5, 2008

Ms. Frances Burns, partner of Brother Kealey Cummings, retiree and former
National Secretary-Treasurer, October 20, 2008

Brother Leonard Stair, retiree, December 8, 2008

Brother John King, retiree, December 10, 2008

Sister Linda Dumbleton, retiree, December 12, 2008

Retirements

Brother Jamie McPherson, British Columbia Regional Office – July 1, 2008
Brother Gilles Laplante, Quebec Regional Office – January 1, 2009
Brother Donn Stanley, British Columbia Regional Office – January 1, 2009
Sister Suzanne Monier, Quebec Regional Office – January 1, 2009
Sister Diane Veilleux, Quebec Regional Office – March 1, 2009
Sister Odette Martel, Quebec Regional Office – March 1, 2009

CONCLUSION

Building for the future

Sisters and brothers, I am confident that our 2009 budget will be adopted. It responds in a balanced way to the needs expressed by our regions, and our national office, within the limits of our capacity. We continue to make progress on our office real estate holdings, preparing the way for a more solid future for CUPE. We continue to pursue green building opportunities, as we did with the construction of our new national office, which was recently awarded Gold LEED certification. And we continue to fulfill the goals of our 2007 convention, as expressed by our delegates, with the cooperation of all our divisions and regions. I thank all NEB members for your support. The collaborative approach we have taken to these endeavors will continue to strengthen the solidarity of our great union.

The cooperation you have given Paul and I in consolidating our finances and building the strength of CUPE will position us well to navigate the uncharted waters ahead, as we overcome the global financial and economic crisis, and stand strong in the face of right-wing governments who will want to use the economic downturn as an excuse to attack the working conditions and livelihoods of our members. There will no doubt be challenges in the months and years ahead, but I am confident that together, we will meet those challenges and succeed on the basis of our collective strength, to further advance the goals and aspirations of our membership.

Everything old is new again

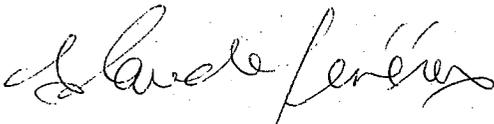
Again, the times they are a changing. After over a year of valued service as my Executive Assistant, Robert Lamoureux, will be returning to Toronto to be with his family and to take up his position as bilingual communications representative in the Ontario Regional Office. At the same time, I want to welcome back Pam Beattie. Pam is returning to Ottawa after a year in the Manitoba Regional Office to resume the job as my Executive Assistant. And that's not all...

Monique Joly, also my Executive Assistant, has announced her intention to retire next year after she takes some much deserved vacation. Monique will be leaving my office in March 2009 at which time Michael Butler will also return to my office and resume the position of Executive Assistant. Michael will start back at CUPE in January working on preparations for our 2009 National Convention and our new electronic registration system before coming back to my office. Welcome back Pam and Michael.

But before all of that takes place I owe much thanks to Monique and Robert. We have had a great year. I will congratulate Monique on her retirement and thank her for all of her valued service in CUPE over many years at a more appropriate time. For now, I want to thank this team, Robert and Monique, for their hard work, professionalism and friendship over the past year. I will miss you both.

Also on the horizon, CUPE must say good-bye to a long-time staff member who we all know as one of our true innovators and leaders, Morna Ballantyne. After 31 years of dedicated service to social justice and progressive change, Morna is moving on to new challenges with the Public Service Alliance of Canada. We will all miss Morna at CUPE, but I know that we will continue to work together in the interests of public sector workers, building public services and a more progressive world. Thank you Morna.

Respectfully submitted,



CLAUDE GÉNÉREUX
National Secretary-Treasurer

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