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Canadian Union of Public Employees
Syndicat canadien de la fonction publique

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

Ottawa, Ontario
March 13-15, 2007

Sisters and Brothers:

It gives me a great deal of pride to have had the 2007 budget proposal approved by our National Executive Board in December.

As I reported to you in December, I proposed some significant changes to our financial management in the 2007 budget. This included moving $500,000 of election related expenses to the General Fund, reflecting the fact that our political work in federal, provincial, municipal and school board elections is core work for CUPE activists and should be a permanent feature of our operations. It also relieves some pressure on the National Defence Fund. In addition, I proposed that we add $2 million to our General Fund expenditures to pay for retiree health benefits rather than continue to pay for this from pension surpluses.

I am also quite proud that the budget proposal included adding 14 new staff, the largest single addition of staff since 2001. As I indicated in my December report, we have added a Collective Agreement Analyst at national office in order to complete the implementation of our Collective Agreement Information System, which is further elaborated in the technology update of my report. And we have continued with our commitment to re-balance our staffing complement across the regions. While we are not governed exclusively by ratios when we decide to add new staff to a region, we are mindful that the ratio of staff to members provides us with a guidepost for measuring equity in staffing among the regions. We have made a commitment to Ontario to bring the ratio of staff to members more in line with other regions at the same time as meeting needs all across the country. It is a balancing act each year. This year we have added one additional education representative and one legal representative in British Columbia; one new servicing representative in Alberta; a part-time support staff in Manitoba to staff the new Dauphin office when it is opened later this year; four new servicing representatives, one new communications

representative and one support staff position along with an additional part-time support staff position in Ontario, for a total of 6.5 positions; two new servicing representatives in Quebec; and one new servicing representative in the Maritimes.

The Defence Fund budget proposal included increasing the amount we spend on cost-shares to $1.7 million, up an additional $300,000 over last year. Since 2001, the amount allocated to cost-shares has now increased by $700,000, or 70 per cent, and the increase represents by and large, the increase in demand for campaign cost-shares from locals, bargaining councils and divisions all across the country.

My report for this National Executive Board meeting also includes the unaudited financial results for 2006. As the financial statements reveal, we have a $4.6 million surplus in our General Fund at the end of 2006. As I reported to you in December, the largest single factor for this is revenue increases over and above what we projected for 2006. Details are covered in the subsequent pages of this report.

The surplus is very good news for us as we increase our equity and continue to strengthen our financial position because we still have one very important financial challenge. I am referring to our unfunded liability, which is our liability for future staff benefits, currently costed at $189 million. We have made a great deal of progress against this problem over the past two years with $11.3 million in investments set aside to address this issue and our members' equity built to over $20 million this year, from a deficit of $4.8 million in 1997. However, we have not completely solved it yet and we are not in a position to record the full amount of the liability on our books. Were we to record the full estimate of the liability, we would be booking a large deficit every year. While this is a factor to keep in mind, I am comfortable with our present situation because we continue to make significant progress against the liability each year and with the roadmap approved by the National Executive Board, we will continue to do so.

We continue to face enormous challenges in every region across the country. We have continuing fights against privatization, contracting out and P3s. We face new challenges from inter-provincial trade agreements, presenting even more threats of privatization. Added to this, municipal governments face huge infrastructure deficits and are underfunded. Everywhere, the story is the same. The private sector wants to get its hands on the huge potential for profit it sees in delivering public services. And, we have found that governments at all levels are only too willing to be their partners. In other words, the future of public services in Canada is in grave danger. Add to this the environmental issues we all must tackle and the importance this will play in coming elections. We must ensure that solutions to climate change are driven by the public sector.

With all of this in mind, it is time to look at our strong financial situation from the perspective of our fightback resources. With 560,000 members in virtually every community in the country, our potential to impact the public discourse is enormous – if we fight together. As the National Executive Board considers options for

increasing our campaign strength, I can assure everyone that we have the financial capacity to embolden our thinking and to move forward with confidence. Paul and I believe it is time to take a hard look at our Defence Fund spending with an eye to a new national initiative.

At the same time, the National Women's Task Force has been very busy with the job delegates gave them at the 2005 Winnipeg National Convention. The Task Force members have reached out to the largest number of rank-and-file CUPE members in our history with both face-to-face consultations and survey results from over 4,000 members on the barriers facing women in CUPE. They have a number of proposals for us to consider as they were asked to do by the 2005 convention resolution. As we take a look at any recommendations for our next national convention, we can confidently assure members that our ability to fund recommendations is not in question. In the meantime, we will work at providing cost estimates on the proposals that the National Executive Board wants to bring forward.

So, in sum, we continue to be in a strong financial position and at the same time continue to work to improve the management, reporting and accountability of CUPE's finances and with the confidence and flexibility the future demands. The details of our unaudited 2006 fiscal year for each of our three funds are reported in detail below.

Staff Negotiations

As the National President's report will announce, we are pleased to advise that on Saturday, March 17 2007, we reached a tentative agreement with three of our staff unions. All parties are recommending acceptance of the proposed four-year deal, whose details will be available upon ratification by all parties.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2006

General Fund

The total assets in the General Fund at December 31, 2006 are $76.5 million compared to $73.9 million at September 30, 2006 and $65.6 million at December 31, 2005. The significant reason for the $2.6 million increase over September is the increasing value of our fixed assets as a result of our new national office building project and our real estate policy. Fixed assets increased $3.5 million over the September 30 statement. While $3 million of that is a result of the new national office building project, the remainder is the result of purchasing our new offices in Cranbrook, British Columbia and Moncton, New Brunswick. At the same time, our liabilities have increased as a result of our obligations for retroactive pay, which will be paid once we achieve a settlement with our staff unions, as well as accrued expenses for the 2007 National Convention.

As reported to you in December, we expect to achieve an operating surplus for 2006. The preliminary, unaudited surplus is $4.6 million, which is higher than our September projection. As I reported in December, the largest single reason for this is higher than anticipated revenue. Per capita revenue was up $3.1 million or 2.5 per cent over our budget projections.

A great deal of analysis goes into our revenue projections. At national office, we arrive at revenue projections through a thorough economic analysis provided by our research branch. Factors such as wage settlements across the country and growth in the public sector form part of this analysis. These projections are compared with the projections provided by the regions, based on collective agreement information and membership growth. In virtually all regions, the wage and membership growth factors were increased over and above the region's estimates for our final figures. As a result, our final estimates were less conservative than the regional analysis and while it is not an exact science, we believe our revenue projections were realistic based on our past experience. Over and above our projections for wage and membership growth, we received higher than expected revenue in three regions due to some pay equity payouts which were unknown at budget time last year.

At the same time as our revenue results were higher than budgeted, salaries came in under budget by 2.4 per cent, or $1.3 million. As previously noted to the National Executive Board, a new salary budgeting model was put in place this year to try to make the budget more accurate. The under spending in 2006 is predominantly due to normal delays in filling the new positions created in the 2006 budget, as well as significantly less use of sick leave replacements than we projected. Other details of our spending results are as follows:

- Employee Benefits are under budget by $923,000 or 4.6%. The largest variance is in the group insurance expense where the actual costs are $719,000 or 7.7% under budget. The 2006 budget, which was finalized before we had our final rates from the insurance carrier, planned for a 5% increase in benefit rates over 2005 levels. In actual fact, the 2006 rates have come in much lower than expected.

- Pension plan expenses are also under budget by 2.6% or $200,000 at December 31, compared to 2.9% or $176,000 at the end of September 2006. In 2006, we modified the budget model to try to better estimate this cost using a pension plan participation factor of 98 per cent of staff. Now that we have completed 2006, we have determined that the 98% participation assumption is still too high and so have decreased it further to 95% for the 2007 budget.

- Operational travel is running over budget by 1.8% to the end of the year compared to 4.9% over budget at September 30, 2006. We are happy to see this budget line finishing the year closer to budget but are still concerned that we need to be more closely monitoring and planning operational travel expenditures.

- Both the Equipment Leases and Maintenance and the Telecommunications budgets were significantly reduced in the 2006 operating budget, recognizing the cost savings we have been able to secure over the past few years. They are still both somewhat under budget in these preliminary year-end statements ($297,767 and $93,765 respectively). In comparison, for 2005 they were under budget by $645,889 and $236,610 respectively. The budgets for these line items were carefully reviewed again for 2007 and amounts have been further fine-tuned.

- Postage expenses were also under budget in 2006 by $223,000 due largely to an accounting error made in 2005.

- In aggregate, the programs of the various national departments are running $195,000 or 2.5% under budget. Finance & Administration is under budget $256,000, primarily due to the ongoing process involved in selecting and implementing new HR & payroll software as well as budget provisions for the new 2006 IT Strategic Plan not yet having been used.

National Defence Fund

At December 31, 2006, the National Defence Fund Balance was $956,000 compared to $1.1 million at December 31, 2005.

Assets in the National Defence Fund stand at $4.2 million compared to $3.9 million at September 30, 2006 and $5.6 million at December 31, 2005. The cash balance at December 31, 2006 is $998,000 compared to $752,000 at September 30, 2006 and $4.5 million at December 31, 2005. In addition, we have investments totalling $2.1 million at December 31 which is largely unchanged from September 30.

Accounts payable and accrued liabilities are currently $642,000, compared to $453,000 at September 30, 2006 and $2.8 million at December 31, 2005. This decrease is due to the payment of some large accrual balances in the first two quarters of this year. There is also $2.4 million accrued for cost-sharing campaigns and $218,000 due to the General Fund, for total liabilities of $3.3 million.

The National Defence Fund experienced a deficit for the year of $732,824. This was in large part due to the large demand for cost-share campaigns which went over budget in 2006 by $631,074. The overspending was funded by a transfer of equity from the 2006 General Fund Surplus. As well, there is a recovery of $165,210 representing money committed to cost-shared campaigns in previous years that we believe will not be spent. In addition, we overspent on Major Organizing by $169,038 (8%) while National Strategic Initiatives was underspent by $250,670 (19%) and Regional Strategic Initiatives was marginally underspent by $8,992. However, we do still expect a few invoices to be sent in from campaigns in the regions that will be captured in the audited financial statements for 2006.

National Strike Fund

At December 31, 2006, the Fund Balance was $37.3 million, compared to $35.3 million at September 30, 2006 and $29.1 million at December 31, 2005. In the first quarter of 2006, we implemented our new investment strategy and have invested the greater part of the Strike Fund assets. For the year ended December 31, 2006, investments earned $1.3 million compared to $713,000 for the same period in 2005.

We paid out $2.0 million in strike pay and benefits in 2006, a relatively quiet year for strike activity. The most significant strikes were in Ontario with the Thames Valley School Board, Local 4222 ($610,906) and the City of Guelph workers, Locals 241 and 973 ($156,152 combined).

We paid $389,201 in strike averting expenses in 2006, the largest of which were in the Atlantic region with the Nova Scotia hospital locals, in the Maritimes with the employees of the Workplace Health, Safety and Compensation Commission of New Brunswick (Local 1866) and with the university locals in British Columbia, all successful in averting strikes.

Legal and Arbitration expenses were $187,353 for 2006. The most significant legal and arbitration cost expenses this year were in Quebec for Local 1232, the employees of Intermont Inc. at Mont Orford.

STRIKES, LOCKOUTS AND SETTLEMENTS

Local 3207, representing 36 members at the Cheshire Homes of Regina, was on strike from January 19, 2007, until a settlement was reached through conciliation on March 3. While the government of Saskatchewan funded community agencies with an additional 17.5 per cent for wages, this employer has refused to pass on the increases to our members. In addition to offering only a 2 per cent wage increase, the employer has also tabled massive concessions to vacation, sick leave and

overtime. The members of Local 3207 are demonstrating at the legislature and sending out daily reports to the media in a concerted effort to maintain pressure on the government of Saskatchewan to force the employer at Cheshire Homes to pass on the wage increase for which they received government funding. At the time of writing, no details of the settlement or return to work protocols are known.

CUPE Local 3251, paramedics with the City of Cornwall, voted 97 per cent to reject the employer's offer and began strike action on February 26 for fair wages. Since the paramedics are an essential service, the strike means cutting service to 50 per cent of the normal coverage. While Local 3251 members sought mediation to achieve a settlement, the employer refused. The difference between the City of Cornwall's offer and Local 3251 is only 1.5 per cent.

Warehouse workers at the University of Toronto Press are on strike as of Monday, March 5. The members of Local 3261 are fighting for a wage increase to bring them up to $10 per hour. Right now, CUPE 3261 employees earn just $9.36 an hour, with no benefits. Many of them need to hold down two or three jobs, just so their families can survive.

PER CAPITA ARREARS

The December 2006 arrears total at February 15 was $6,981,352, which was a decrease of $913,384 or 11.57% over the November 2006 arrears report.

The fact that we're sending out arrears letters again is certainly a contributing factor to the decrease in the total amount of arrears this month.

TECHNOLOGY REPORT

Since my last report, our Technology Department continues to perform ongoing general systems maintenance as well as work on projects outlined in the three-year Technology Strategic Plan as approved by the National Executive Board in September, 2006.

The CAIS application development is complete and implementation is well underway. In December, training was provided to roughly 100 staff from across the country, teaching them to electronically upload collective agreements and settlement information into this centralized database. Initial reports indicate that over 800 collective agreements have been electronically received via this application and staff are very actively using the inquiry and reporting capabilities of the application. We are currently exploring ways to provide training and support of this bilingual application to staff in our Quebec region.

Documentation and needs analysis for a WSIB tracking solution have begun in earnest. A draft functional requirements document has been created and provided to CUPE's specialty representatives responsible for providing our members with assistance when denied a WSIB claim. This new application will allow better tracking and monitoring of the claims process to ensure that CUPE members in Ontario receive the injury compensation to which they are entitled. The ability to adapt this product to workers compensation insurance requirements in other regions will be a consideration when designing this product.

As part of Technology's disaster recovery plan, we have recently established a redundant email server located at an external data center. This redundant system maintains a secure and real-time copy of CUPE's email data so that it can be accessed in the event of a failure of our main email server. In the event that our main email system fails, all email traffic will be rerouted to the alternate site with minimal disruption to users and no loss of valuable data. Not only is it prudent to have this redundancy in the event of a disaster, it also allows us to deal smoothly with the physical move of the technology equipment to the new national office later this year without interruption of email services.

STAFF TRAINING AND DEVELOPMENT

Currently, in Union Development we are working with Technology to develop a plan for IT training for all CUPE staff. The initial phase of this will focus on training CUPE staff in new CUPE applications such as CAIS and LUIS. At the same time, we are busy in Union Development with preparations for the upcoming round of 2007 staff training. We have started to develop a new approach this year by developing a needs assessment tool. We have circulated a draft assessment tool to regional directors and CSU representatives in each region, to consider or adapt to specific needs in their region. Most regions will be undertaking staff training in May and June. In British Columbia, staff training will take place in November. In Alberta, we look forward to facilitating a joint staff session between CSU and COPE members aimed at working effectively together, April 30 and May 1.

We have experienced a number of staff changes in the Union Development Department since my last report. Louise Guerette successfully completed her probationary period as Maritimes education representative. Congratulations to Louise. Connie Credico was hired as the new education representative in British Columbia and commenced her new duties early in January. Patricia Callaghan-Webber has been assigned temporarily as an education representative in Ontario to replace Brother Dave Saunders while he is acting assistant regional director for Brian Atkinson who is currently on vacation. And finally, Josey Finley has been extended as temporary education representative replacing David Sarookanian.

NATIONAL OFFICE BUILDING PROJECT

As mentioned in my December 2006 report, the construction work on our new National Office headquarters building commenced in mid-September. At this point in time, all the concrete slabs of our five-storey building have been poured. Our contractor, Massicotte Construction Ltd., is now in the midst of installing all windows and work is well underway. Work is slightly behind schedule due to an extremely rainy fall and a bitter cold in January that delayed the concrete slab pouring. However, we are still on track for occupancy at the end of this summer.

And, it is important to note that as the financial statements indicate, now that the project is well underway and the asset is "concrete", the building has added substantially to the value of our fixed assets.

PROPERTIES AND LEASEHOLDS

The Moncton Area Office relocated to the new CUPE Realty Holdings building in Dieppe in late December 2006.

The construction of the Cranbrook Office is expected to be completed by April 1, 2007.

We are currently exploring the options available to us with regard to the New Glasgow Office in Nova Scotia (lease expires October 31, 2007); Dalhousie Office in New Brunswick (lease expires May 31, 2007); Cornwall Office in Ontario (lease expires October 31, 2007); Red Deer (lease expired December 31, 2006); Grande Prairie (lease expires August 31, 2007); and Medicine Hat (lease expires December 31, 2007) in Alberta; and the Comox Office in British Columbia (lease expires November 30, 2007).

We have concluded negotiations for a five-year renewal of the lease for the St. John's office in Newfoundland, which includes a small expansion and renovations of the premises.

Construction of the renovations to the Manitoba Regional Office in Winnipeg are well underway with completion anticipated by the end of March.

We are searching for suitable accommodation to house the new Dauphin Area Office in Manitoba, and will continue to review site alternatives in the spring for the area office in Prince Albert, Saskatchewan.

In Lethbridge, Alberta, we have found suitable alternate premises and are waiting for the owner's response to our correspondence expressing a keen interest in pursuing a lease of those premises. (Concerns over the air quality in the current office have compelled us to seek early termination of the lease.)

Spatial requirements in the British Columbia Regional Office in Burnaby have now exceeded the existing premises. We are reviewing the options to acquire additional space within the complex that presently houses the regional office.

PENSION ADMINISTRATION

Benefits

Once again, the CUPE employee group benefit plans were renewed effective January 1, 2007. With respect to the extended health and dental care plan, we were able to negotiate reduced administration fees with Green Shield Canada, which resulted in no change to our contribution rates for 2007. However, the extended health care premium rates for our Quebec coverage, insured by SSQ, increased by 14%, which results in an additional annual cost of approximately $112,000. With respect to life insurance coverage, our employees will enjoy reduced taxable benefits in 2007, as the premium rate for basic life insurance decreased however, the rate for retirees over age 65 increased. The net effect on life insurance is an overall reduced annual cost to CUPE of approximately $106,000. However, when compared to the increase for Quebec extended health, the overall effect is a minimal increase in cost for group benefit coverage in 2007.

Retirements

Sister Carole Renaud, Healtlh & Safety Branch, National Office, January 1, 2007
Brother Serge Leboeuf, Quebec Regional Office, February 1, 2007
Sister Nancy Roussy, Quebec Regional Office, March 1, 2007
Sister Judith Mae Quesnell, Saskatoon Area Office, April 1, 2007
Brother David Sarookanian, Ontario Regional Office, April 1, 2007
Brother Jacques Sirois, Moncton Area Office, May 1, 2007
Sister Nancy Gainsford, Brandon Area Office, May 1, 2007
Sister Ginette Kervin, Maritimes Regional Office, May 1, 2007
Sister Catherine Cheeseman, Peterborough Area Office, June 1, 2007
Sister Sandi Howell-Solc, Equality Branch, National Office, August 1, 2007
Sister Joan Peters, Charlottetown Area Office, November 1, 2007.

Deaths

Sister Mary Bent, retiree, January 2, 2007
Sister Margaret Hellard, retiree, January 11, 2007
Brother George McTaggart, former president of Local 500 and retired CUPE national representative, February 20, 2007
Brother Manning McIntyre, retiree, February 25, 2007
Sister Madeline Anderson, retiree, March 1, 2007.

CONCLUSION

The continuing challenge to fight privatization, upcoming elections at the federal and provincial level in many regions, and our important look inward at the position of women in CUPE, keep us all actively engaged looking for new strategies and new solutions. It is a busy time for us but an important time. Division conventions provide us with an opportunity to talk about our future and tackle the tough issues head on.

I reported to you in December that many of the changes we have made to our financial management represents CUPE's "coming of age." By that, I mean that we have turned the corner in meeting all of our financial obligations with appropriate planning and consistency. We are a mature and capable organization. We no longer fly by the seat of our pants. While this speaks to settling long-standing issues such as our unfunded liability, our ability to pay retiree benefits and be active in the election processes in every region, it also means that we can look to the future and plan for new initiatives with better strategies and secure resources.

I look forward to discussing these issues with many of you at the upcoming provincial division conventions.

Respectfully submitted,

CLAUDE GÉNÉREUX
National Secretary-Treasurer

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