

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

Ottawa, Ontario
December 15-16, 2010

Sisters and Brothers:

The year end is always a time for reflection. As we close out 2010, our union has much to be proud of and much to anticipate in the coming year. I am particularly proud to be presenting a budget proposal for the tenth time since being elected in 2001.

These are challenging times, but the plan I proposed back then is serving us well. We are closing out this year in sound financial health. We are in a position to consider a sober budget proposal but one that still moves us forward both in the fight to protect and improve our members' conditions of work and in the struggle to improve the lives of all people at home and abroad.

At the end of our third quarter, we are in a strong financial position, which we expect to continue through to year end. The Fund Balance in the General Fund at the end of the first nine months of 2010 was \$46.6 million with a ratio of total assets to total liabilities of 1.65:1.

While some budget lines are underspent to date, this is primarily a matter of timing. Our union has been busy at every level campaigning against privatization and building our capacity for the challenges ahead. The evidence is in the National Defence Fund. As of the September National Executive Board meeting, the board had approved cost-share programs totaling \$2.2 million or 96% of the annual budgeted amount.

We have been grappling with provincial governments' intent on trying to deal with the recession on the backs of our members. To date we have been successful in pushing back so that no government has brought in legislation to force a wage freeze. With at least eight provincial elections coming next year, we know we have more of those fights ahead of us.

Through the Year of the Steward, we have been building our capacity at the local level. In this report, you will read that more than 5,000 members have participated in our Steward Learning Series. What a fantastic accomplishment!

We are also developing our capacity as a national union. Last month, we held our first Senior Management Retreat with managing, branch, regional and assistant regional directors from across the country where we worked toward a common vision on staff recruitment and retention, succession planning and many other matters. This is teamwork.

I am especially proud of the leadership we have been able to show in helping sisters and brothers in other unions build their capacity through our international solidarity work. In Haiti, we are moving forward through Public Services International to help our sister union with construction of a building following the devastating earthquake earlier this year. As well, I recently travelled with our delegation to Cancun, Mexico to once again participate in the UN Climate Change discussions and pushing for a legally binding agreement to take global action on climate change.

With the outcomes of municipal elections in many parts of the country this year and provincial elections in most of the country next year, we know there are many challenges ahead. The good news is that our union at every level is ready to take them on.

FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2010

General Fund

The total assets in the General Fund at September 30, 2010 were \$119.2 million compared to \$115.5 million at June 30, 2010. The bank balance at September 30, 2010 was \$9.9 million compared to \$10.8 million at June 30, 2010. Included in our cash position is \$7.1 million of funds reserved for specific purposes such as the Regional Building Fund, retirement payouts, employee future benefit funding, the 2011 convention, retroactive wages and replacement of furniture and technology equipment. This quarter saw our investment in properties continue with the finalization of the interior retrofit of the new office building in Halifax that was purchased last year and opened in September.

The total liabilities in the General Fund were \$72.6 million at September 30, 2010 compared to \$72.7 million at June 30, 2010.

The Fund Balance in the General Fund as of September 30, 2010 was \$46.6 million, compared to \$42.8 million as of June 30, 2010. Of this, \$6.6 million represents funds restricted to a specific usage (Convention and National Events Assistance, Fightback, Anti-Privatization and Regional Building Fund) and \$36.4 million is invested in capital assets. We continue to post a strong financial position as indicated in the Balance Sheet which shows we have a ratio of total assets to total liabilities of 1.65:1.

The surplus from normal operations for the first nine months of 2010 is just over \$1.0 million. Per Capita revenue is under budget by \$365,000. Our initial analysis indicated that the first quarter revenues were lower than expected due to a number of large protracted negotiations even though wage increases were close to our projections. In the second and third quarters of 2010, revenue has come back into the expected range and was on budget. However, due to the lag in the first three months, our per capita revenue is still running slightly behind the budget.

At the same time, expenditures for the period were under budget by \$3.2 million (2.7%). Many of the categories that are under budget are mostly timing differences and at this point, we do not expect that expenditures will continue to come in under budget as the year progresses.

Below are some of the significant variances in expenditures:

1. Fixed Travel is **underspent** by \$1.0 million. This budget line largely represents staff benefits that are collective agreement driven such as vehicle expenses, car and transportation allowances, per diem, etc. Historical analysis shows this budget line has been underspent in each of the past four years. We will be taking a closer look at this during the 2011 budget process to ensure the budgeted amount for next year more closely reflects what we believe we will spend.
2. The Anti-Privatization budget is **underspent** for the nine months in the amount of \$795,000. In addition to the \$2.5 million 2010 budget, we also have \$254,000 from prior years available to be spent.
3. Election spending is \$316,000 **under** budget. A provision for a potential federal election was built in. We freed up this amount recently for possible other uses.
4. Strengthening Provincial Divisions is **underspent** by \$218,000 which is simply a timing difference between when the expense was budgeted compared to when payments are made.

Unusual Item – Ottawa Carleton Mortgage Inc.

I have been reporting updates on the legal action with our former technology supplier, Ottawa Carleton Mortgage Inc. and Bridgetech Systems for almost ten years now. You will recall a lawsuit was commenced by them against us in 2002 for unpaid lease payments for the rental of computer hardware. It has been a long and drawn out process but we can now report that their latest legal suit against us has been dismissed and we no longer owe them anything for these invoices. We have been carrying an accounts payable on our books since 2001 equal to the amount they had invoiced us waiting for settlement of this claim. Now that the lawsuit has been dismissed we can write off the amount we were showing as payable as it will not ever

be paid to them. In accounting, this is treated as an unusual item and is shown at the bottom of our Statement of Income and Expenses. Because it is in our favour, it is shown as an addition to the surplus of \$2,307,786.

Unfunded Liability

We continue to make headway on recording the unfunded liability for Employee Future Benefits on the face of our Balance Sheet. The recorded liability stood at \$40.9 million at September 30, 2010 compared to \$39.8 million as of June 30, 2010 and \$37.9 million at December 31, 2009. Based on the December 31, 2009 audited financial statements, the actual liability stands at \$204 million which means we now have 20.0% of the liability provided for in our financial statements.

Six years ago, the National Executive Board established a “road map” that laid out this slow but steady pace that will get us to our objective. We look forward to measuring our progress against the 2010 audited financial statements when they are completed.

National Defence Fund

Assets in the National Defence Fund as of September 30, 2010 totaled \$8.3 million, compared to \$7.6 million at June 30, 2010. Liabilities totaled \$5.1 million, leaving a Fund Balance of \$3.2 million. To date in 2010, revenue has outpaced spending leaving a surplus for the first nine months of \$1.3 million.

Cost-share programs approved by the National Executive Board in the first nine months of the year totaled \$2.2 million which is 96% of the annual budget amount of \$2.3 million. Major Organizing expenses were \$1.6 million, while National Strategic Initiatives totaled \$905,000. Spending on Regional Strategic Initiatives also totaled \$444,000.

National Strike Fund

Total Assets in the Strike Fund as of September 30, 2010 were \$40.2 million, compared to \$36.9 million at June 30, 2010. These assets consisted of \$8.1 million in cash, \$1.8 million in per capita and accounts receivable, \$109,000 receivable from the General Fund and \$30.3 million in investments. Under Liabilities, there were accounts payable and accrued liabilities of \$124,000, and payables to the Defence Fund of \$44,000. Therefore, at September 30, 2010 the Fund Balance was \$40.0 million, compared to \$36.8 million at June 30, 2010.

Revenue into the Strike Fund, including investment income, was \$9.3 million. Expenditures in the period totalled \$317,000, resulting in a surplus for the first nine months of \$8.9 million.

STRIKES, LOCKOUTS AND SETTLEMENTS

In New Brunswick, 3 members of Local 4576, Sainte-Anne-de-Madawaska Municipal Employees have been locked out by the village council since June 16. The municipality wants to freeze salaries, reduce benefits, and eliminate jobs, in addition to going after the seniority and guaranteed hours of work clause in the collective agreement. The collective agreement of Local 4576 expired in December 2009.

PER CAPITA ARREARS

The September 2010 arrears total at November 15 was \$6,728,829.22 which was a decrease of \$795,764.51 or 10.58% over the August 2010 arrears report.

TECHNOLOGY REPORT

Technology enters the last quarter of the year with a significant number of projects underway. Focus has been directed towards initiatives within both the operations and development teams in our branch.

Within development, work continues on the first phase of revamping the Local Union Information System (LUIS). The requirements and design are almost complete with initial development underway. This will fix lingering issues with the database and bring many new features to the system including linking with its companion system (Maurice) in Quebec. The new Human Resources Information System (HRIS) project also continues to progress with effort focused on the data extraction from the old HR system and ongoing testing of the new systems configuration. May 2011 continues to be the targeted cut-over date to the new system.

Work is now complete on the video-conferencing system in the British Columbia Regional Office, the second system in use within CUPE. In September, the third and fourth systems were installed in Montréal and Rouyn-Noranda to facilitate training for members between those two locations. All systems are fully operational and allow us to place calls between all four locations.

Finally, work on the first phase of our network expansion is complete. This retires the old network linking all of our regional offices to National as well as relocating our security systems back into the data centre at National. This has been a labour intensive project and sets the stage to allow us to link the remaining area offices into our network starting in 2011.

PROPERTIES AND LEASEHOLDS

Properties

Construction of the new Atlantic Regional Office in Dartmouth, Nova Scotia has been completed. Staff took occupancy September 11 with the official opening held September 27. The feedback from both staff and the locals serviced from the Atlantic Regional Office has been extremely positive. In addition, CUPE Local 1867 has been secured as a tenant for the 1,310 square feet of surplus space within the building on a 10-year term.

A project team has been assembled for the fit-up capital project for the new Ontario Regional Office on Commerce Valley Drive in Markham, Ontario. Four teams of architects and interior designers were interviewed. The architectural team of Edward Wojs Architect Taylor Smyth Architects was selected. This team stood out among the four with their excellent presentation, enthusiasm for the project and competitive pricing. Their credentials and experience are well suited for a project of this size and we are excited to be moving forward with them.

Next steps include the development of specifications for IT for the new building, which will include emergency back-up capacity for CUPE's main servers at National Office in Ottawa. A preliminary spatial program has been developed and the design team is engaged in further researching CUPE's needs and standards. Consultations are underway to fine-tune space requirements and develop a preliminary LEED scorecard. The fit-up is intended to meet LEED standards for commercial interiors (LEED-CI program). We are also proceeding with a process to select a construction management firm and plan to add the Construction Manager to the team by the end of December.

At meeting of the co-owners of the land in Victoria in late summer, HEU advised the group that it would not be participating in a development on the lands. Instructions were subsequently provided to a realtor to actively seek a replacement owner for HEU. It has become apparent that a developer/construction manager is needed to take the project from undeveloped raw land through to a completed office structure available for occupancy by the users. To that end, the realtor advised us to list the property for sale to prospective developers. We were also advised to include certain caveats to ensure that the current co-owners would continue to have design input while giving the developer the ability to market the remaining square feet and make the project financially viable. A listing agreement has been received and a memo circulated to the existing ownership group to seek their concurrence with this next step. A motion to approve this transaction will be brought to this Board meeting.

Leaseholds

The Bathurst Area Office relocated to new premises in Beresford, New Brunswick on December 1, 2010.

Tenant improvements in the Hamilton Area Office in Ontario were completed and staff moved into the new office on November 10, 2010.

The lease for the Lakehead Area Office in Thunder Bay, Ontario has been renewed for an additional five-year period, ending February 2016.

In London, Ontario, lease negotiations for a five-year renewal of the existing lease have been finalized with the landlord, renewing our tenancy in these premises for an additional five-year period expiring May 31, 2016.

Although the lease for the Kitchener Area Office in Ontario does not expire until 2015, concerns in respect to the functionality and condition of the space have been raised by the staff. Site visits have been conducted and the concerns have been brought to the attention of the landlord. Resolution to the issues raised is imminent.

Although the lease for the St. John's Area Office in Newfoundland does not expire until April 30, 2012 we are currently addressing numerous complaints from the staff in that location. Options to effectively address the functionality and conditions of the space are being investigated and discussed with both staff and landlord. Such options could include relocation should a satisfactory resolution of the issues raised not be concluded with the landlord.

The lease in the Peel Area Office in Ontario expires April 30, 2011. A reconfiguration of the existing space is proposed as a condition of renewal to better suit our spatial requirements.

The lease on the current space in Sault Ste-Marie, Ontario is scheduled to expire May 31, 2011. We have identified a potential site for relocation and are in negotiations with the landlord for retrofit contribution toward the required remodeling of the space to accommodate our specific needs. Assuming successful lease negotiations, we can anticipate completion of tenant improvements and opening May 2011.

In Sudbury, Ontario, we are awaiting a lease renewal from our existing landlord which will renew our tenancy in these premises through to June 30, 2016. Minor renovations to incorporate a vestibule prohibiting unauthorized access to our premises will be undertaken early 2011.

Similarly, In Terrace, British Columbia, we are awaiting a lease renewal from our current landlord, renewing our tenancy in the existing premises until the end of July 2016. We will acquire additional square footage by taking a small portion of the premises adjacent to our current location to create an expanded storage area.

The lease for the Kelowna Area Office in British Columbia has been renewed for an additional two-year term, expiring September 30, 2012.

We are exploring lease renewal or relocation opportunities for the following offices: Carling Avenue, Ottawa, Ontario (lease for the space occupied by National staff assigned to Locals 503 and 5500 and expiring September 30, 2011); Oshawa, Ontario (December 31, 2011 expiry); Red Deer, Alberta (lease on overhold); and Calgary, Alberta (October 31, 2011 expiry).

NATIONAL CONVENTION AND OTHER CONFERENCES

We have slowly begun to prepare for the 2011 convention in the West building of the new Vancouver Convention Centre. Dates for 2011 are October 31 to November 4.

We have signed the contract with the Metro Toronto Convention Centre for our 2017 Convention – convention dates will be October 2-6, 2017.

Also, we are in the process of booking the space with the Vancouver Convention centre for 2015 – November 2-6, 2015.

TRAINING AND DEVELOPMENT

Steward Learning Series – 5,000 and Counting!

This area of education activity has exploded in every region. We just passed the 5,000 participant count and more requests come in every day. Clearly, this program has tapped into a need in Locals that we are very excited to be able to meet. As we pilot each workshop, the facilitators and participants provide feedback, which then gets considered for the final product. We are expecting to have all workshops in this series finalized by early January. The Learning Passport and new Steward Handbook will follow shortly after that.

Member Facilitators

A cornerstone of CUPE's education program is the high quality and diversity of Member Facilitators who deliver the workshops. The recruitment and selection process adopted by the National Executive Board in 2004 has proven to be a key to our success in this area. The Education Representatives support the Member Facilitators with training and personal development opportunities.

Training for 35 new Member Facilitators was held in early December in Ontario. British Columbia, the Atlantic and the Prairies all have plans to recruit and train facilitators early in 2011.

Regional Work

Our work continues with Divisions, District Councils and Locals on many fronts. This fall, we were able to assist a number of Divisions to organize conferences on Occupational Health and Safety, Anti-Racism, Human Rights and Political Action.

In some provinces, “Leadership Days” brought together Local leaders in regions to discuss hot topics and plan strategic responses. We are working with a number of National Representatives assigned to Locals who are facing internal difficulties. Many locals just need some help to find a respectful way to resolve their differences and focus on the work of the Local. These are all excellent opportunities to engage many members in the work of the union.

National Executive Board Training

Plans are underway to canvass each of the NEB members to renew the training program for individual and group training.

Canadian Labour Congress

Over the last few years, the CLC has embarked on a more collaborative approach to union education. They offer opportunities to share materials and experiences with other affiliates on a wide range of educational topics. For example, part of the agenda of a recent CLC Education Advisory Committee meeting was devoted to showcasing the conflict resolution workshops of CUPE, United Steelworkers, Postal Workers and Canadian Media Guild. We are also part of a working group that is creating a training program for developers of labour education.

Sister Yolanda McLean joined five CUPE staff at the CLC Learning Circle in Port Elgin in October. The Learning Circle provided training opportunities in popular adult education as well as a chance to connect with fifty other trade union educators from unions who are all facing similar challenges in protecting members’ rights in the face of tough economic and political climates.

Union Development Staff

We thanked Sister Maureen Michaud for her work in the Maritimes Region and wished her well as she moves into retirement.

On December 6, we welcomed Sister Corina Crawley back to CUPE National from maternity leave and to her new role as a Senior Officer in Union Development.

We continue to recruit to the bilingual positions in the Maritimes and at CUPE National.

PENSION ADMINISTRATION

As mentioned in my previous reports in 2010, the Trustees are continuously monitoring closely the CUPE Pension Fund Investment Performance. The investment returns rebounded sharply in the third quarter of 2010, but unfortunately the performance of our plan is still below the benchmark (*standard set by the market against performances of other funds*) and the median (*middle value*) pension fund in Canada during the third quarter of 2010. The solvency ratio of 92.7% as at January 1, 2010 is estimated to have decreased to 91.6% as at November 1, 2010.

The Joint Board of Trustees held its last meeting of the year in early December. The trustees will focus on meeting with the Investment Managers to discuss both their performance results and a review of their strategies over the last year as well as expectations and strategies for the upcoming year.

Effective September 2010, Sister Judy Henley, Regional Vice President of Saskatchewan, is replacing Sister Maria Wahl, as CUPE Alternate trustee.

The Pension Administration staff are currently preparing for the 2010 year-end.

The severance enhancement benefit (reallocation of contributions) for pension plan members, who have retired in 2010, is currently in process. The total amount payable is \$100,800.

Deaths

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

Brother Frederick Lloyd Taylor, former staff representative, former CUPE Ontario Division President – November 14, 2010
Mr. Keith Howden, spouse of retiree Lynne Howden –September 25, 2010

Retirement

Brother Guy Gohier, Québec Regional Office – November 1, 2010
Sister Gisèle Dupuis, National Office – December 1, 2010
Sister Barbara Brown, Lethbridge Area Office – December 1, 2010
Sister Maureen Michaud, Maritimes Regional Office – January 1, 2011
Brother Peter Tartsch, Saskatoon Area Office – January 1, 2011
Brother Michel Fontaine, Québec Regional Office – February 1, 2011
Brother Georges Landry, Rouyn-Noranda Area Office – February 1, 2011
Sister Suzanne Péladeau, National Office – February 1, 2011
Sister Gloria Forward, Peterborough Area Office – March 1, 2011
Sister Diane Jolly, B.C. Regional Office – March 1, 2011
Sister Jocelyne Bergeron, Québec Regional Office – May 1, 2011

Sister Dianne Wyntjes, Alberta Regional Office – January 1, 2012

CONCLUSION

Board members will spend much of this meeting deliberating over the proposed budget that will be put before you. Even as we face challenges, we know we are on a sound footing as outlined in this report. This will allow us to address some increased demands on our resources such as the large number of elections expected in 2011.

I would like to thank each of you for your participation in our consultation calls with each region as part of the budget planning process. As always your input has been extremely valuable in forecasting and determining priorities.

We will continue to grow, at a more modest pace, continue to campaign as vigorously as ever and continue to make gains for our members.

Best wishes to you all for a Happy Holiday.

Respectfully submitted,

CLAUDE GÉNÉREUX
National Secretary-Treasurer

:pmc/ceu