

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

Ottawa, Ontario  
March 17-18, 2010

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Sisters and Brothers:

March is upon us once again, and while all Canadians look forward to spring, we in CUPE are looking forward to another round of productive, invigorating and inspiring division conventions. We began with Saskatchewan where our health care workers are in a pitched battle for a new collective agreement. In bargaining for almost two years, the Saskatchewan Health Care Workers' Bargaining Council faces an employer refusing to bargain, under the cloak of the Saskatchewan government's essential services legislation which has effectively denied our members the right to strike. The employer has placed numerous concessions on the table. Well, CUPE members are fighting back, and CUPE's National Strike Fund is at the ready to support this important and pivotal battle. To date, we have supported their strike averting campaign with \$263,270. This money is being used to run advertising, stage rallies and provide written and promotional material to build membership solidarity and garner public support as we move toward a conclusion. I am looking forward to meeting with all the members in Saskatchewan at the upcoming convention where there will be a strong show of solidarity and determination to beat back the concessions and get these workers a decent collective agreement that reflects their hard work and the critical role they play in our health care system.

Unfortunately, there is a similar story in almost every province. Provincial governments in many provinces seem bent on fighting their deficits on the backs of public sector workers with spending restraints and a renewed agenda of privatization. The threat to our collective agreements is very real. The threat to public services, equitable access, accountability and costs to the public is also very real. But the good news is CUPE is more focused than ever. Our renewed Strategic Directions policy sets the agenda for us with plans to strengthen our membership with "The Year of the Steward", fighting for pensions, renewed activism in the political arena, fighting privatization and bargaining smart. And as our determination is reflected in our strategic plans, so is our readiness reflected in our finances.

We begin 2010 in a very healthy position. As I reported to you previously, the same economy that presents us with these challenges to fight for public services, presents us also with challenges to CUPE's revenue. We do not expect that revenues will continue to grow at the same pace as we have enjoyed over the last number of years. The recession will impact growth of public services, thereby affecting the growth in our numbers, and it will impact wages, thereby affecting per capita increases. This does not mean we will lose revenues, it means we predict that our growth will slow down somewhat. However, there is a lag between the peak of the recession and the impact on CUPE's revenue stream which is very difficult to predict. All of this to say our unaudited financial statements for 2009 reveal a small surplus of \$2.6 million.

To some this may come as a surprise because I reported in December that at the conclusion of our third quarter, we were facing a slight deficit. At the time, we thought that this was the beginning of the recession showing its effects on CUPE's finances. At the time, we were predicting that our year end result would leave us with a surplus of approximately \$1 million. However, this was not the case. Detailed analysis of the year end result shows that there are a number of contributing factors, both from the revenue and the expenditure side, that have combined to create the swing between the third quarter results and the year end results. The highlights of the variance in revenue and expenditure are presented below and the detail presented in the financial statements themselves. However, to summarize, per capita revenues are slightly over budget owing to market adjustments in some regions. Expenditures are under budget with the largest variance in salaries. This is due to both vacancies and unfilled positions, mainly at National Office.

The swing from third quarter to year end, in which we went from a small deficit to a surplus of \$2.6 million, is largely due to two small accounting issues that turn out to have a large effect. The first is the recording of costs for temporary reps which is done manually. An error in this manual process created a swing of over \$500,000 from the third quarter statements. Our new computerized human resources system will alleviate this kind of oversight in the future and we expect to have that system fully in operation this year. Secondly, the posting of revenues from locals defunct after five years accounts for a further gain of \$500,000. We have traditionally posted these revenues at year end and are looking at revising our accounting of these revenues to track them throughout the year.

Finally, of the \$2.6 million surplus over budget, we are left with a Fund Balance showing a \$1.9 million surplus at the close of 2009. The Fund Balance is the total of all surpluses and deficits over the life of CUPE and takes into account monies that are earmarked for structural purposes such as capital projects, fightback fund and national convention. What this means is that we remain in a healthy financial situation as we face the challenges of the recession ahead. With that, I report to you the detail of our finances and operations to date.

## **FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2009**

Note that all three Fund Financial Statements have not yet been audited and will change due to the fact that we are continuing to receive invoices for 2009 which will be reflected in the final audited financial statements

### ***General Fund***

The total assets in the General Fund at December 31, 2009 were \$112.1 million, up \$1.3 million from September 2009. The bank balance at December 31, 2009 was \$5.9 million compared to \$9.1 million at September 30, 2009. The investment balance at December 31, 2009 was \$4.1 million in general investments and \$21.3 million invested for Future Benefit Expenses for a total of \$25.4 million, a decrease of \$0.9 million from the previous quarter. These investments generated income of \$260,000 in the fourth quarter and \$816,000 for the year of which \$643,000 has been reinvested toward our future employee benefit liability.

We have invested a further \$1.0 million in fixed assets since September 30, 2009. The major additions continue to be in land and buildings. Construction in Saint John, New Brunswick is virtually complete with a cost to date on the project of \$836,000. Work on the interior refit for the new Halifax office is now underway. In Brandon, Manitoba in early 2010, we will be purchasing the other half of the building we now occupy and the fit up of the space has begun. We have also undertaken a new capital lease initiative for our office space in Trois-Rivières on the same basis as the other owned properties in Quebec. This new asset of \$504,000 is now added to our Capital Leases.

The total liabilities in the General Fund were \$70.4 million at December 31, 2009, down \$2.7 million from September 30, 2009.

The Fund Balance in the General Fund as of December 31, 2009 was \$42.0 million, compared to \$38.0 million as of September 30, 2009. Of this, \$5.6 million represents funds restricted to a specific usage (Convention and National Events Assistance, Fightback, Anti-Privatization and Regional Building Fund) and \$34.2 million is invested in Capital Assets, leaving an unrestricted surplus of \$1.9 million.

Per capita revenue, including projected per capita receivable, was over budget by \$1.9 million (1.3%) compared to 1.0% over budget at the end of September 2009. Miscellaneous revenues came in over budget by \$476,644 largely due to the deposit of monies in trust from defunct locals that had passed the five year mark as per the National Constitution. At the same time, total expenditures for the period were under budget by \$216,000.

As a result of these variances, the preliminary operating surplus is \$2.9 million. Total revenue is over budget by \$2.4 million and expenses are under budget by \$531,000.

Note that as of the writing of this report, invoices for 2009 are still coming in so this

surplus figure will change on the final audited financial statements. It is not unusual to receive half a million dollars worth of late invoices to process before we do the final close of the year for the auditors.

Below are some of the significant variances in expenditures:

- Legal and Arbitration expenditures are \$911,000 **over budget** and reflect the financial requests that have been approved by the National Executive Board to the end of September.
- The 2009 allotment for the Anti-Privatization budget has been **fully spent**. In addition, \$633,000 of the \$904,000 unused from last year's budget has also been spent. As I write this report, invoices are still being received and therefore the audited statements will reflect spending more in line with the full two-year anti-privatization budget.
- Trainee Rep Program in Organizing and Regional Services is **underspent** by \$192,594 because no sessions were held in 2009. The costs shown are late invoices from 2008. We have revamped the entire trainee rep program to enable us to train more activists out of the allotted monies. The new program is being rolled out this year and with the changes we will be able to triple, at a minimum, the number of trainee reps this year.
- NEB/NEC costs are **underspent** by an aggregate amount of \$353,876.
- Fixed Travel is \$1.0 million **underspent** for the year. This is partly due to lower spending on gas and oil compared to the prior year as our fuel costs are running approximately 20% lower than in 2008.
- Salaries are **underspent** by \$1.1 million due in large part to the fact that we have not yet filled the budgeted human resources positions added in 2008. This is because we are developing a long term human resource plan prior to creating the department, however, the positions were budgeted for prudent financial planning. At the same time, we experienced some unforeseen vacancies at National Office over the past few months, a situation which has been rectified.

### ***National Defence Fund***

Assets in the National Defence Fund as of December 31, 2009 totaled \$7.1 million, compared to \$7.2 million at September 30, 2009. Liabilities totaled \$5.0 million, leaving a Fund Balance of \$2.1 million.

Overall spending for National Defence Fund programs is marginally under budget as reflected in these preliminary financial statements. Cost-share programs approved by

the National Executive Board for the year totaled \$1.8 million which is 78% of the annual budget amount of \$2.3 million.

Major Organizing expenses were \$2.5 million which is \$330,000 over the annual budget of \$2.2 million. National Strategic Initiatives totaled \$1.2 million in spending from the annual budget of \$1.32 million. Spending on Regional Strategic Initiatives totaled \$1.3 million from the budget allocation of \$1.42 million.

### ***National Strike Fund***

This year, the draw on the Strike Fund to support our members has been higher than last year. Revenue into the Strike Fund, including investment income, was \$12.6 million while expenditures for the period were \$17 million.

The preliminary results to December 31, 2009 show the Fund Balance at \$30.3 million. Although this is an increase of \$1.5 million in the fourth quarter of 2009, it represents a net decrease of \$3.7 million for the year.

Total Assets in the Strike Fund as of December 31, 2009 were \$30.5 million, compared to \$29.2 million at September 30, 2009. These assets consisted of \$4.0 million in cash, \$1.8 million in per capita receivable, and \$24.7 million in investments.

Under Liabilities, there were accounts payable and accrued liabilities of \$146,000, and a payable to the Defence Fund of \$44,000.

### **STRIKES, LOCKOUTS AND SETTLEMENTS**

The strike by 81 members of Local 1009 in Ville de Terrebonne, Quebec, came to an end on December 5, 2009. The 81 members had been on strike since October 5 for better wages.

The members of Local 301 have launched strike action with a series of rotating strikes to take place from January 25 to March 5 across the 19 boroughs of Montréal. Each of the boroughs, as well as city central services, will end up with workers having been on strike for two days. The 5,500 members of Local 301 have been without a contract since August 31, 2007. They are fighting for wages and against contracting out with a job action plan to put pressure on the City government with minimal disruption to services.

### **PER CAPITA ARREARS**

We continue to closely track our per capita arrears. The December 2009 arrears total at February 16 was \$6,152,805, was an increase of \$1,078,304 or 21.25% over the

September 2009 arrears report. However, we expect this to improve as we move through 2010.

## **TECHNOLOGY REPORT**

Technology starts 2010 off with a number of projects carried forward from 2009 and several new ones beginning this year.

The expansion of our national network to include all offices and all users continues. Installation and configuration of equipment for this project is well underway. All major sites should be moved onto the expanded network by summer with work underway to connect our smaller local area offices. The expansion of this network is a key step in ensuring access to all technology applications and services for CUPE staff regardless of where they may be performing their duties.

Development of the Human Resources system got underway in 2009 and work continues on it with completion due this year. This project is a cooperative effort between HR, Accounting, Technology and our vendor of choice Avanti. We have also begun work on revamping the Local Union Information System (LUIS) to bring it up to date with the recently completed Per Capita System and the Collective Agreement Information System (CAIS).

Other major initiatives this year include updating and expanding the CUPE Web and building an Intranet site for employees.

## **PROPERTIES AND LEASEHOLDS**

### ***Properties***

Our renovation project for the new Atlantic Regional Office in Dartmouth, Nova Scotia is progressing right on schedule. Interior demolition has been completed and the plans for the interior renovations are finalized. The construction began March 1 with a completion date targeted to coincide with the expiry of the lease on the current regional office. We are advised that the project will qualify under the LEED CI (Commercial Interiors) program and a gold level has been targeted as being achievable. Montrose Mortgage Corp. is canvassing the lending market in respect to sourcing a first mortgage lender, a process that should be concluded within the month.

Our recently completed new Saint John Area Office in New Brunswick was opened with an official ceremony on February 11. Staff had moved into the new building on December 15, 2009. The building has been submitted for qualification under the LEED New Construction program and while we are confident the design and features incorporated into it will meet a certified level, we are hopeful that we will achieve a silver level once the final testing is submitted to LEED for approval.

We continue to explore options for the relocation of the Ontario Regional Office (current lease expiry August 31, 2012). We implemented an RFP process to seek out suitable lands for development, buildings for sale and spaces for lease.

As reported previously, in Sherbrooke, Quebec, the AIFTQ will be constructing a new three-storey building of approximately 19,197 square feet which will house several unions. CUPE will be a participant in the project, acquiring approximately 2,635 square feet in the building, on a lease-to-own basis. Occupancy in the new building is targeted for June 2010, concurrent with the expiry of the lease on the existing space. A motion will be presented at this Board meeting to complete the transaction.

### ***Leaseholds***

The lease for the Sydney Area Office in Nova Scotia will be renewed for an additional five-year period ending August 31, 2015.

In Kenora, Ontario, we are awaiting a lease renewal from our existing landlord which will renew our tenancy in these premises until the end of January 2015.

The lease for the Prince George Area Office in British Columbia was renewed for an additional five years, expiring May 31, 2015.

In Windsor and Hamilton, Ontario, we continue to conduct our diligence by exploring options for the relocation of the existing office, upon expiry of the current leases (August 31, 2010 and January 31, 2011 respectively). We are also exploring lease renewal or relocation opportunities for the following offices: Grande Prairie, Alberta (August 31, 2010 expiry), Red Deer, Alberta (lease on overhold), and Kelowna, British Columbia (September 30, 2010 expiry).

## **NATIONAL CONVENTION**

As we close the administrative files on the 2009 National Convention and work to implement convention decisions, we are beginning preparations for our next National Convention. We are currently working on finding delegate hotels to ensure we have sufficient rooms for the 2011 convention in Vancouver scheduled for October 31-November 4.

## **TRAINING AND DEVELOPMENT**

### ***Year of the Steward***

Union Development met in January 2010 and further developed plans for the Year of the Steward and our Steward Learning Series. The steward pin has been designed and will soon be ready for distribution. A 2010 Year of the Steward poster has also

been designed and will be available at division conventions and distributed through a general mailing.

The Introduction to Stewarding workshop has been revised and was piloted in February. It is expected a final version will be ready in the spring.

All regions are offering seven modules from the Steward Learning Series at their weeklong schools. A learning passport has been developed that members will use to keep track of the modules they have taken. An electronic tracking system is also being worked on with Technology.

### ***Persons with Disabilities National Working Group***

The following two modules of the Steward Learning Series were developed while working with the Persons with Disabilities National Working Group:

- What if our Workplaces Accommodated All of Us?
- Disability Awareness and Creating Accommodation Friendly Workplaces.

The two modules were piloted at the Ontario Division School in February.

### ***Pension Education***

The sixth annual pension trustee training was held January 24-29 in Ottawa. Twenty-five participants honed their skills as trustees and advisory committee members while strategizing about workplace pension plans as well as the Canada Pension Plan.

### ***Activist Education***

We are developing a weeklong Activist Training workshop to be piloted in Ontario in March 2010 where members will develop a better understanding of the political economy; learn how the political economy affects us as the working class; understand CUPE's structure the labour movement and how it fits into the political economy; and form a base of activists with expanded leadership and campaign-related knowledge.

### ***Greening the Department***

Along with equality and literacy lenses, we apply an environmental lens to all our new and revised workshops. We are pleased to say that the new Introduction to Stewarding facilitator notes were reduced to 28 pages from 134 pages by removing duplicate handouts and materials. The participant activities are now in a workbook and all the handouts are included in the Steward Handbook.

We are reviewing our existing workshops with the view to packaging participant materials as workbooks. This should greatly reduce the need for boxes or folders to hold the materials.

## ***2010 Labour College***

The first session of the 2010 Labour College took place from January 3-15 at the NavCan Center in Ontario. Sixteen CUPE members attended and by all accounts, it was a very challenging but rewarding experience for everyone. The Labour College students are all busy working on their inter-session learning projects in order to submit their learning project report by early April. The next session will take place at the CAW Education Center in Ontario from May 3-15.

## ***Literacy***

Our Literacy Program is celebrating its 10<sup>th</sup> anniversary in 2010. Our Literacy Coordinator and the Literacy Working Group are working on ways to mark this milestone.

## **PENSION ADMINISTRATION**

As of January 1, 2010, I resume the Chair for the Joint Board of Trustees of the CUPE Employees' Pension Plan and Brother Brian Edgecombe will assume the position of Vice-Chair.

The Joint Board of Trustees will have its first meeting of the year at the end of March. At this meeting, the plan's actuary will present the CUPE Pension Fund investment performance results for the year 2009 and the preliminary results of the January 1, 2010 solvency valuation. It is important for the trustees to continuously monitor the financial position of the plan, particularly as we recover from the market downturn of 2008/09.

As mentioned in the last report, the three-year term for the retiree trustee and alternate retiree trustee positions ended on December 31, 2009. Brother Russ Whitney was re-elected for the retiree trustee position, and Brother Gary Johnson has been elected as the new alternate retiree trustee. Congratulations to both!

There will be many changes again on the Joint Board of Trustees effective 2010. Brother Andy Mele is replacing Brother Gary Johnson as union trustee, Sister Patty Brockman is replacing Brother Raymond Léger as union trustee and Brother Ian Clysdale is replacing Sister Diane Ouimet, as union alternate trustee.

Preparations are underway for the 2009 Annual Report and Pension Fund Audit.

## ***Deaths***

It is with sadness that we report the passing of the following of Brother Frederick Pyke, retiree, on March 3 and Brother Jacques Bouchard, retiree, on March 16, 2010.

### **Retirements**

Sister Gloria Nicholls, Comox Valley Area Office – January 1, 2010  
Brother Germain Boudreau, Quebec Regional Office – February 1, 2010  
Sister Louise Thibodeau, Bathurst Area Office – February 1, 2010  
Sister Cynthia (Lee) Driver, BC Regional Office – March 1, 2010  
Brother Clive Dyson, Kelowna Area Office – March 1, 2010  
Brother Mark Charboneau, Kitchener Area Office – April 1, 2010  
Sister Carmen Henry, Ontario Regional Office – May 1, 2010  
Brother Julien Lapointe, Quebec Regional Office – May 1, 2010  
Brother Gilles Mathieu, Quebec Regional Office – July 1, 2010

### **CONCLUSION**

As stated at the top of my report, we end 2009 with a small surplus demonstrating the continued health of CUPE's finances. That is good news as it provides us with the flexibility we need over the coming year to face challenges and live up to our core values. Beyond having the fiscal strength to fund our activism and meet our operational needs, this flexibility allowed us to provide relief to the victims of Haiti with a \$100,000 donation through Oxfam Quebec. This donation was crucial in the early days of the aftermath of the earthquake, when the people of Haiti needed clean water, food, and medical care to deal with injuries and prevent disease. Oxfam-Quebec, the Red Cross, and their partners are providing those supplies and medical services. It was important for us as Canada's largest and strongest union to have been able to make this donation immediately upon learning of the crisis. But it does not stop there. The situation in Haiti reminds us of the importance of our international solidarity work. We need to continue to support and focus on how we can help with the long-term reconstruction of Haiti, and a foundation for true democracy. CUPE will also lobby for an ambitious plan for rebuilding not only the physical infrastructure of the country, but also the social infrastructure (health care, education, and other public services) with full respect for the autonomy and self-determination of the Haitian people.

While our financial strength is crucial to defending our own collective agreements and building stronger communities across Canada, our work around the globe is also crucial to our success. The close of 2009 leaves us in a strong position to face the many challenges of 2010 and beyond. While we have achieved a small surplus, we need to be ever vigilant and aware of the impact the recession will have on our operations. Doing so will enable us to be ready for whatever employers, governments and the corporate lobby throw our way.

Respectfully submitted,

CLAUDE GÉNÉREUX

# National Secretary-Treasurer

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