

Secretary-Treasurer's

Report to Convention – April 2017

2016 was my first full year as Secretary-Treasurer of CUPE BC. This is a unique position with a mixture of financial, administrative and political responsibilities, and a position with unique history as both our Provincial President and National President have previously held this position.

The role of the Secretary-Treasurer has evolved over the years often depending on the officer in the role. In the short time I have been in the role, I have focused greatly on what I believe are the two primary responsibilities of the position: financial management and administrative oversight.

I feel it is paramount for the position to be the financial steward for our provincial resources, ensuring we operate in the best possible way, and speaking out politically on financial issues which impact our members. The awareness of inequality between the rich and poor in the world is growing rapidly and issues such as pension investments, pay equity, workers capital, corporate tax avoidance, and world economics require specific attention and are relevant topics for the Secretary-Treasurer to speak about on a regular basis.

In the area of operations: every event, conference, convention, resolution, donation and meeting only happens because of the work our office staff does every day. The tools and processes we have determine how we complete this work. Reviewing and modernizing our office so we are able to respond to the issues of 2017 has been a constant and ongoing focus of mine.

CUPE BC Finances

CUPE BC's financial operations exist in three separate funds. The General Fund, which covers operation and governance items, the Defence Fund which is responsible for campaigns, donations and strike pay, and the Colleen Jordan Humanity Fund which is responsible for both international and domestic humanity and solidarity projects.

These three funds are regularly monitored and quarterly reports are provided to the CUPE BC Executive Board and Trustees. Our finances are cared for by our accounting staff of CUPE BC – Ron Stewart, Wendy Monkhouse and Jolanta Osowska. We have had three employees in the accounting department in order to have a smooth transition with the retirement of Ron Stewart after this convention. The accounting structure moving forward will see Wendy as the Senior Accountant and Jolanta in the Accountant position.

General Fund

Our total income in 2016 was \$2,605,276, of which \$2,388,942 comes from per capita. Our total spending was \$2,513,503 which resulted in a year end surplus of \$91,773. This improved our asset position in the General Fund from \$530,915 in 2015 to \$622,688.

Some additional points on the expenditures:

Administrative Committee and Executive Board expenses have decreased from a total spending of \$220,688 in 2015 to \$133,719, a total decrease of \$86,969. This decrease was in large part because we did not hold a 'One Big Committee Meeting' in 2016 because this is a biennial event. An additional cost saving initiative includes holding our administrative and executive board meeting in New Westminster which reduces the need for many members of the executive board to have a hotel room.

Seminar and conference expenses of \$153,614 in 2016 were significantly more than the 2015 spending of \$71,240. The Education Sector Conference is by far the most

expensive conference to organize and host as it includes three sectors – K-12, Colleges and Universities. While this is an expensive conference, it is by far one of our best conferences and was well received by members who attended.

We have updated how we track expenses related to conferences. Starting this year we will separate the cost of hosting a conference and the expenses related to sending executive or committee members to training courses and conferences. This new method will ensure the executive board has a clear understanding of the costs for both, and should ensure we have all the information needed to stay on budget.

Committee expenses from the General Fund came in at \$196,659 which is slightly down from 2015 spending of \$200,795. I would like to thank all members who participated on committees over the past term and I look forward to the great work the committees will do once they are re-formed following convention.

General Operating and Administrative Expenses for the Division in 2016 were under budget by 5% at \$1,592,888. This is a result of making cautious estimates on the expenses related to the hiring our new accountant early in the year to ensure an overlap and smooth transition of accounting work with the upcoming retirement of Ron Stewart. Since Ron is retiring after our convention we will likely see a similar situation for next year's audit.

Another item of note is we will see an increase in our rent costs when we move into our new office space. The office move into the Modello building will take a great deal of time and resources this year and as a result we will be unable to hold any conferences this year.

Defence Fund

Our total income for 2016 was \$1,808,506, of which \$1,771,871 comes from per capita. Our total spending was \$974,253 which resulted in a year end surplus of \$834,253. This improved our asset position in the Defence Fund from \$1,001,862 in 2015 to \$1,836,115.

The total of \$1,836,115 might look good in a personal bank account, but for an organization the size of CUPE BC it is reason for caution. The last two large scale job actions were the 2007 Lower Mainland Municipal Strikes and the 2014 Teachers/K-12 lockout. In both cases CUPE BC ran out of money and took on debt from CUPE National to pay strike pay. In fact CUPE BC still owed money to CUPE National from the 2007 loan when it took a second loan. This is clear evidence that the design of the Defence Fund is not built to handle large scale job actions.

There has never been an identified target for how much money should be in the Defence Fund, but in order for CUPE BC to be able to bear the weight of a large scale job action such as K-12 sector, Lower Mainland or Greater Victoria area municipalities, nearly six million dollars would be needed in the Defence Fund. Building our Defence Fund assets to six million is a substantial challenge and can only be achieved with dedicated commitments from all levels of CUPE.

Whether the Defence Fund should even be designed to handle large scale job action has been debated in the past and likely needs to be debated again with 2019 K-12 and 2020 BC Teachers Federation bargaining on the horizon. I hope to start these discussions at the next CUPE BC Think Tank.

At last years convention I reported that CUPE BC had two debts to CUPE National from the 2007 and 2014 job actions.

- 2007 – \$155,000
- 2014 – \$1,000,000

I approved a repayment of \$155,000 in 2016 to resolve our 2007 debt early. We will now begin to repay the \$1,000,000 loan at a minimum of \$100,000 per year.

Funds in the Defence Fund are held in both cash and equity investments. Investments are managed by Seamark Asset Management in a diversified portfolio reviewed by myself, and the CUPE BC Trustees. The averaged 2016 rate of return for Defence Fund investments was 6.33%, this includes a reduction of unrealized market value of

\$3,452, but an offsetting realized investment income of \$95,854, for an increase of \$92,402.

I have made small adjustments to investment holdings to make sure they are in line with CUPE BC and member's values while ensuring our returns stay positive. To better position myself to monitor our investments I applied and was approved by the BC Municipal Pension Plan to attend the Wharton Business School course on Portfolio Concepts and Investments. I hope this education serves me well in my role as Trustee for the Municipal Pension Plan and as an additional benefit that it will increase my ability to ensure our investments reflect our union's principles.

The Defence Fund is responsible for a variety of programs and is much more than savings for strike support. Below are some of the 2016 yearly costs which fall under in the Defence Fund, strike pay is not listed as it is a true unknown.

- \$100,000 Repay loan from National
- \$100,000 Repay investments
- \$450,000 Action Plan Spending
- \$100,000 Committee Spending
- \$65,000 Events Trailer and Programs
- \$63,000 Administrative Costs
- \$878,000 Total estimate of annual expenses of Defence Fund

Please note these costs can vary year to year.

This shows that on an average year, roughly 48% of funds in the Defence Fund are committed to programs, and about 52% is available for other programs including either paying strike support, or saving for it. In 2016 our surplus of \$834,253 represents a savings of 46.13% out of a maximum 52% of potential savings towards building our assets in the Defence Fund.

Action Plan

The Action Plan is supported by the Defence Fund and represents countless campaigns, communications support for our convention and promotional goods to promote our union. The 2016 Action Plan was adopted by convention delegates and outlined spending of up to \$450,000 towards supporting a variety of projects. In the last three years we have run over budget on spending on Action Plan related projects.

- 2014: \$676,333
- 2015: \$476,336
- 2016: \$493,559

Since Action Plan projects represents the largest financial commitment in the Defence Fund outside of strike support, it is critical we work closely with the Executive Board and CUPE National to ensure our spending supports our need to significantly build the assets in the Defence Fund. There are numerous campaigns and projects which are coded to the Action Plan and in order to better control spending I plan to work closer with our accounting staff to monitor activities in the Action Plan in 2017.

Community Events Trailer

During 2016 the CUPE BC Community Events Trailer (CET) travelled almost 10,500 kilometers throughout the Province in support of BC local's initiatives and events including parades, promotion of CUPE workers, strike/lock-out support, local union picnics, festivals and other outdoor functions endorsed by the Division and its affiliates. The CET is offered to and transported to these events at no cost to the CUPE locals.

Our CET is equipped with a fold down stage, a large awning, a propane fueled generator, a full sound system, an advanced first aid station with an Automated External Defibrillator (AED) and a full kitchen (including a stove, microwave, fridge and sink with hot and cold running water). The CET also has a large BBQ, a large cooler and a water filtration and sanitization capability. The CET has four sources of power; 110v power from a land source, 12v battery power (limited application), the onboard generator and propane. It is supplied with three fire extinguishers. This year, we added a portable podium equipped with a microphone to assist speakers when they are making

presentations and to provide a more polished and professional look to our events. There are still plenty of open dates in 2017 to take advantage of the CET, simply send your request to CUPE BC at info@cupe.bc.ca.

The CET is operated primarily by rank and file CUPE members who are booked off the job if necessary.

2016 COMMUNITY EVENTS TRAILER ACTIVITY SUMMARY

- April 27-30: CUPE BC Convention, Victoria
- May 1: May Day celebration, Victoria, Local 50
- May 7: May Day event, Penticton, Local 608 and Okanagan Mainland District Council
- May 14: Public Works Day Open House, Port Moody, Local 825
- June 11: Pride Parade, Quesnel, Local 1050
- June 15-16: Member Engagement, Delta, Local 454
- June 18: CUPE Families Give Back public picnic, Port Coquitlam, Tri-City locals and Local 1760
- June 22: City Staff BBQ, Port Coquitlam, Local 498
- June 23: Local event, Pitt Meadows, Local 703
- June 24-26: Fishing Derby, Kamloops, Local 3500
- July 9: Pride Parade, Prince George, Prince George locals
- July 15: Member BBQ, Burnaby, Local 1760
- July 21: Public BBQ, Duncan, Local 338 and the Vancouver Island District Council
- July 22-24: Island Music Festival, Duncan, Local 338 and Vancouver Island District Council
- July 30: NDP BBQ, Burnaby, Local 409
- August 1: Sun Fest Parade, Delta, Local 454
- August 13: Pride Celebration, New Westminster, Locals 409 and 387
- August 21: Member BBQ, Nanaimo, Local 1858
- Sept. 2: Dispute support, MoveUP rally & BBQ at BC Nurses Office
- Sept. 5: Labour Day event, Burnaby, CUPE BC

- Sept. 9-11: Fall Fair, Creston, Local 4775
- Sept. 13: Member Picnic, Langley, Local 403
- Sept. 17: Toy Run, Port Alberni, Local 118
- Sept. 25: Word on the Street, Vancouver, Local 391
- Oct. 6: Welcome Back to School event, Pitt Meadows, Local 703
- Dec. 2: Santa Clause Parade, Squamish, Local 2269

Colleen Jordan Humanity Fund

The Colleen Jordan Humanity Fund (CJ Fund) was created by delegates at the 2005 CUPE BC Convention. Looking back over the years and seeing the many ways the CJ Fund has helped people, here at home and across the globe, there is no doubt that the delegates 2005 made the right decision. CUPE BC is a leader within CUPE, and the Colleen Jordan Humanity Fund is just one of the many ways we demonstrate this.

Our total income in 2016 was \$250,606, of which \$207,877 came from per capita. Our total spending was \$124,965 which resulted in a year end surplus of \$125,641. This improved our asset position in the CJ Fund from \$1,197,961 in 2015 to \$1,323,602.

As of December 31, 2016 the balance of the net assets is \$73,602 above the constitution trigger of \$1,250,000 found in Article 8. This has triggered the constitutional requirement to divert 50% of the funds going in the CJ fund; the other 50% is diverted to the Defence Fund. My goal is to use the funds going into the Defence Fund to pay down our debt to CUPE National, and build our assets so we can handle large scale job actions.

Since we have historically spent less or near the 50% mark this reduction in dues does not result in any program cuts to our international solidarity partners. It does reduce our capacity to engage in new partnerships and international exchanges. I hope to utilize investment returns to ensure we have the resources available for any new projects that come up in 2017.

CUPE BC is required to administer the CJ fund in accordance with the Humanity Fund Guidelines (Appendix B of the CUPE BC constitution). These guidelines outline a formula for spending summarized as:

- **20%** of revenue to be reinvested to build the fund
- Up to **50%** for International humanity and development work
- Up to **30%** for Canadian Anti-Poverty Work

Some of the projects which we supported in 2016 include:

1. **Codevelopment Canada** - \$65,000 in support of a variety projects in CUBA, Nicaragua, Honduras, Colombia and direct organization support.
2. **Pivot Legal** - \$15,000 towards their work on a number of issues including missing and murdered indigenous women, homelessness, and equality.
3. **Hope in Shadows** - \$10,000 towards the production of calendars which low wage members of the public can buy for a discounted price, then sell to raise income for themselves.
4. **Protein for People** - \$7,000 towards ensuring food banks in BC has protein options like canned salmon.

A final note is the funds in the Colleen Jordan Humanity Fund are held in cash, term deposits and equity investments. Investments are managed by Seamark Asset Management in a pooled low volatility fund which averaged a 2016 rate of return of 8.08%.

Financial Statements & Auditors Report

Following this report are the audited financial statements for 2016 and the Auditor's Report prepared by the firm of Matthews Campbell, Chartered Professional Accountants.

The Division has utilized Matthews Campbell for the last twelve years and is very satisfied with their high level of detailed work and professionalism. They continue to

provide guidance to us on how to improve the controls on the Division's financial operation.

CUPE BC Trustees

The work of our CUPE BC Trustees is very important, and too often overlooked. I appreciate the attentive and thoughtful approach that Sisters Laurie Whyte, José Van Berkel and Alex Youngberg have brought to their work. In the short time I have worked in the Secretary-Treasurer's office they have all been very supportive and an excellent resource. Their report can be found in the convention binder and will be delivered following my report.

Administration/Operations

The second pillar of CUPE BC that the Secretary Treasurer is responsible for is the oversight of the administrative services of the office and staff. First I will review the membership of CUPE BC and second the internal operations of our union.

Membership

According to statistics from CUPE National there was a total of 85,557 CUPE members in British Columbia as of January 1, 2017. This is further broken down with 50,840 members being defined as fulltime employees, and 34,717 as part-time employees. These statistics come from CUPE National, and include the 9 non affiliated locals in BC. My desire to build a new, modern per capita program will include a membership database which will be able to provide CUPE BC with monthly statistics, and should even provide the ability to track trends and monitor growth or decline in memberships by sector, region of the province, fulltime, part-time and even auxiliary or precarious employment. This data can help drive our future decisions which I hope will lead to a growth in CUPE membership in BC.

Internal Operations

CUPE BC has a small office of dedicated individuals. Paul and I are the two fulltime elected officers. Sharon Prescott is the Executive Assistant to the President and we have 4 administrative staff: Lori Watt, Darci Schmid, Shirley Loftus and Kristi Bounegru. The accounting department has undergone a change in personnel with the announcement of long time accountant Ron Stewart's retirement. To ensure a smooth transition we planned for significant overlap with our new staff member. Wendy Monkhouse is now the Senior Accountant, and we have hired Jolanta Osowska into the Accountant position.

I am grateful that Sharon Prescott is up to the challenge of coordinating schedules and activities for Paul and myself in addition to her many other responsibilities, all of which she executes so well. Sharon has worked through many changes in CUPE BC over the years, from working with Barry O'Neill and Colleen Jordan, to now making sure Paul and I stay on the right track.

All of our staff members are truly dedicated to our union and their contribution is integral to our political work.

Other Duties

Just like many of our members' jobs, the Secretary-Treasurer role comes with some "other related duties". Some of these additional duties and activities are:

- Representing CUPE BC on the Executive Council of the BC Federation of Labour.
- Serving as a CUPE representative on the BC Municipal Pension Plan as the Alternate Trustee (Sister Patti Price is Primary Trustee).
- Serving on the BC Municipal Pension Plan Communications and Advocacy Committee.
- Serving on the Board of Directors of the Working Opportunity Fund.

Planning for the Future

It is paramount that we look at what is coming ahead, and prepare for it. No one has a crystal ball and can give you 100% certainty, but it's critical we consider trends and the best information that we have available so that we can plan for our future.

The four primary challenges our Division faces are building a strong base of financial stability, the modernization of our Division operations, focus on "big money" and mitigating impacts from technological change on our membership.

Financial Security

Since being elected to this position December 2015, I have undertaken an in-depth review of our spending with the goal of developing a strategy to rebuild our Defence Fund, repay our debts to CUPE National and our investment holdings, and to prevent spending deficits in the General and Colleen Jordan Funds.

Since our General Fund acts as an operating fund and the Colleen Jordan Fund is for humanitarian spending with its own guidelines, the Defence Fund bears the pressure of campaigns, cost shares, and projects. This, in addition to paying strike pay means we must carefully monitor spending in the Defence Fund to make sure we are able to run the surpluses needed to build the assets in the fund.

Moving forward, we need to establish targeted savings plan and exercise restraint in areas such as the number of conferences we hold, non-profit sponsorships, donations, Admin and Executive Board spending, and special events if we want to build our Defence Fund to the level it needs to be to handle a large scale job action.

Finally, we may also want to consider reviewing our per capita formula between the three funds to make certain the appropriate amount of resources are properly allocated to each fund to meet its individual needs. These formulas were established long ago and enough has changed in our operations that a review is certainly in order.

Modernization of Operations

While we have been keenly focused on supporting our members and locals, our internal operations have fallen behind. This results in constant challenges to respond quickly to locals and members. Our current processes are functional, but antiquated, and need to be modernized or we will struggle to meet the evolving expectations for support from locals.

Big data and analytics are not just tools for big business, but tools we can readily use today to ensure we are making the best decisions, running successful campaigns and doing this all in the most efficient and cost effective way possible.

The first task is an update of our per capita system to allow for the use of an electronic per capita form. We will be conducting a trial run with a few locals after convention that were gracious enough to volunteer. I do not view this as a long-term solution, but a temporary one which will allow us the time to develop an entirely new system which will be much easier for local treasurers to use, and will vastly improve the efficiency and ease of reporting.

We will also be starting a trial run of a new executive board meeting software system. We have signed on for a two-year trial with a BC based company – Aprio. This will improve information distribution for executive board members which will improve access to necessary documents and resources for our meetings.

At convention, we are also looking to modernize our work. Our convention app debuted at our last convention and even though we used your feedback to improve it, we still are just scratching the surface of what we could do with it. *I want to encourage all delegates if they have not done so yet, to try it out.* I encourage locals and delegates to continue to provide feedback to us on this step forward.

I have also recently launched a new app based discount program for CUPE members in BC. This replaces the previous discount program with Marks Work Warehouse. Endless Savings and More is a BC based company offering a variety of discounts for users. All

you need to do is go to the app store on your mobile phone, download the Endless Savings and More app, use the coupon code “cupebc” and you are ready to go. This program is currently being used by CUPE Alberta, the BC Teachers' Federation, the BC Government Employees' Union and CUPE Local 728 (who first brought this new program to my attention). For those who are partial to the old program please know that Marks Work Warehouse participates in this new program as well.

Lastly, this is the first convention where we will use electronic voting technology. Although it costs roughly \$30,000, it will reduce the amount of time dedicated to voting counts during convention and will allow for more resolutions and debate at convention.

Focus on “Big Money”

The responsibility of speaking on big money issues should fall on the shoulders of the CUPE BC Secretary-Treasurer. Big Money includes pension assets and global wealth of trade unions. It is overdue for CUPE BC to have a voice on issues of workers capital and responsible investments of union assets. This is an incredibly difficult area to make change, but this is no reason to avoid taking action. The transfer of public wealth to private investors is directly contributing to the growing inequality in society. As pension plans take on private investment and privatize public services, we face the reality that our wealth is sometimes working against us. We must do more than take on the fight in the community. We must fight in the financial community as well. We represent enough capital to have a seat at the table - it's time we took it and added our voice as well. I recommend CUPE BC begin to participate in the Committee on Workers Capital, and on issues related to the Principle of Responsible Investment.

Mitigating Effect of Technology Change on Our Members

Increasing automation will likely impact our members significantly in the future and we must start preparing today to protect our members. According to a June 2016 report from the Brookfield Institute of Innovation and Entrepreneurship at Ryerson University they predict that 42% of the Canadian Labour Force is at high risk to be affected by automation. Whether a job is eliminated or changed dramatically, the impact on our members will be profound.

I recommend that we conduct a risk analysis on automation of jobs of CUPE members to determine what level of risk we may be exposed to. We also may want to consider creating a special Defence Fund to deal with disruption arising out of automation. This special fund could operate like an endowment fund which provides income return by way of investments, this type of fund would carry a different set of risks than our per capita dues. Having two different sources of income with different risk profiles is a good fiscal strategy which can provide long term peace of mind.

Whether or not any of these predictions become reality it's critical we act in some way. The Canadian Federal Government and various pension plan boards are all taking automation and technology disruption in the workplace very seriously. To ensure our long term strength we need to be risk aware, and risk intelligent.

Conclusion

Over the last year our Division has done some remarkable work and met with some tough challenges. Without the collective efforts of our CUPE family, we would not have had such a successful year. I honestly believe that, today, CUPE BC remains a strong and healthy provincial CUPE Division.

I would like to acknowledge each of the members of our Executive Board who have worked hard to strengthen our Division and our union in every corner of the province. I especially want to acknowledge our four General Vice-Presidents: Cindy McQueen, Karen Ranalletta, John Hall and Alison Pringle for being available to take on a task whenever called upon and I thank them for their solidarity and work.

I also want to express my sincere appreciation to local presidents and executive members from every CUPE local across BC. The work you do with and for your members every day is vital to the continued strength of our union. I know first hand what it takes to run a local union, as both a volunteer president and also as a fulltime officer, and you should be recognized and applauded for your efforts.

The same is true for CUPE National servicing representatives, specialists and support staff who do incredible work supporting our locals and representing our members. I would like to give a special shout out to the Strong Communities Working Group who works closely with the Division to fight for CUPE members in British Columbia. I thank them for their dedication to you, and for the additional support they provide to CUPE BC.

I would like to thank Regional Director Robin Jones and Assistant Regional Director Meena Brisard, for their leadership and support of CUPE BC. I very much appreciate our working relationship, and know that it makes the Division stronger.

It is a privilege to work with our National Union, especially under the leadership of Brothers Mark Hancock, National President and Charles Fleury, National Secretary-Treasurer. Charles Fleury continues to be incredibly helpful and supportive of our programs, and Mark Hancock has always been a strong and dedicated activist for CUPE members in British Columbia, and now we share him with CUPE members all across this great country.

My friend and our President Paul Faoro deserves a great deal of my thanks and appreciation. He is a strategic, determined and principled leader who always has CUPE members top of mind. He works an incredible amount of hours and spends countless weekends traveling to meet with members across our province. His dedication to our union shows every day.

We all know how much our work and volunteerism takes us away from our family. I want to thank my wife Kathryn for her love and support. She encourages me to be my best every day. I want to thank my parents Jim and Diane who were members of the Telecommunications Workers' Union and Hospital Employees' Union for instilling their labour values and encouraging me to work to make the world a better place. I thank my sister and brother-in-law Alison and Dwight, their kids Mason and Ainsley. I am often obsessed with our financial position and policies and without my friends and family to ground me, I would have burnt out long ago.

Outside of my personal family, and the CUPE family I want to thank and acknowledge the support from Aaron Ekman, Treasurer of the BC Federation of Labour, Donisa Bernardo, Treasurer of the Hospital Employees Union and Paul Finch, Treasurer of the BC Government and Service Employees' Union for their mentorship and advice. A strong relationship between affiliate treasurers makes this job much easier, and I'm proud to work alongside these strong, dedicated and financially astute activists.

We know that our work as trade unionists and labour activists will never end. There will always be another employer or government trying to take away the collective rights we have fought for over many years. Unions are more important now than ever. We must continue to renew our union, and to organize within our membership so we can face the challenges ahead and win.

I am proud to be a CUPE member, and equally proud to be a member of CUPE Local 374. It has been an honour to serve as Secretary-Treasurer for CUPE British Columbia and to work on behalf of 85,000 CUPE members across the province. I strongly believe long term financial planning will help rebuild our Defence Fund and ensure a strong provincial division. This is a major challenge which can only be achieved by working together, and I look forward to facing these challenges by working with all of you.

In solidarity,

Trevor Davies
Secretary-Treasurer
CUPE BC Division

April 2017

