

As approved by the UAUO Representative Assembly on 5/28/2015:

**UAUO Finance Committee Financial Report for the 2014-15 Fiscal Year
and
Proposed Budget for 2015-16.**

The UAUO Constitution requires that the Finance Committee prepare and recommend an annual budget to the Executive Council for approval, and that the EC submit this budget to the Representative Assembly for approval. The FC approved this report on May 12, 2015, and recommends that the EC submit it and the proposed budget to the Representative Assembly.

This report explains the financial operations of UAUO from June 30, 2014 to April 30, 2015 and gives forecasts to the end of this FY. It also explains the proposed FY 2015-16 budget which the FC and EC are recommending to the Representative Assembly for adoption. The budget spreadsheet is attached. This report will be posted along with prior budgets, quarterly budget reports, and annual external audits at <http://www.uauoregon.org/documents/budget/>.

The budget spreadsheet has 4 columns, showing:

- 1) the 2014-15 budget as adopted,
- 2) YTD revenue and expenditure as of April 30, 2015,
- 3) a projection to the end of the 2015 fiscal year, and
- 4) the proposed 2015-16 budget.

It begins with a summary, followed by a detailed budget. We now provide explanations of revenue, expenditures, and then a summary of the overall financial situation, and finally our recommendations.

Revenues:

Union revenue comes from dues from union members and "fair share" payments from people in the bargaining unit who have not signed union membership cards. The fair share payments reimburse the union for activities undertaken in support of all bargaining unit members. Dues and FS are deducted monthly from paychecks and apply to all taxable income including stipends and summer pay.

At the October 8th 2013 contract ratification meeting the membership voted to set the dues rate at 1.1% of pay. Union members and fair share payers pay the same 1.1%. However, fair share payers can object to the portion of their payments that go to non-bargaining and enforcement uses, and become "objectors". The union is obligated to make payments equivalent to the estimated expenditures on non-bargaining/enforcement costs to these objectors, prior to the deduction of their fair share payments. We estimate that we will have about 120 objectors for the coming year. We will pay 28% of their fair share payments to these objectors, at a cost of about \$32K.

We predict revenue for 2015-16 FY, net of these objector payments, and including a subsidy we get from AFT-Oregon for office costs, to be ~\$1,154K. Actual revenue will depend on UO hiring decisions and negotiated pay increases.

Expenses:

UAUO's largest expenses are the "per cap" or representation and affiliation payments to the national and state organizations of our affiliate organizations, the American Federation of Teachers and the American Association of University Professors.

In return, the affiliates provide some subsidies for conferences and training, some support for bargaining and arbitration, and pay for some of UAUO's legal costs. AFT - Oregon also pays a portion of our office costs and salary for our office support staff person, and they use the office part-time for an AFT organizer. AAUP and AFT also use per cap payments to lobby the state and national government in support of education and public employees.

Because of our joint affiliation with the AAUP and AFT we get a discount on per caps from each affiliate. We pay 2/3 of the normal rate to the AAUP, 1/2 of the normal rate to AFT-National, and 3/5 to AFT-Oregon.

For the 2015-16 FY we expect these per cap payments to be ~\$776K. This is well above the ~\$666K we forecast for the 2014-15 budget, and a modest increase from the \$740K we now expect to spend for 2014-15. The differences are attributable to varied causes, including an underestimate of AAUP per cap payments for summer employees, the CBA raises that then led to increases in some per caps that are based on salary, and increases in some per cap rates.

We categorize expenses for operating our UAUO Local into office expenses, union expenses, and staff expenses. Office expenses (rent, copier lease, internet, etc.) are expected to be ~\$35K next year, essentially unchanged from last year. Union expenses include sending union members to AAUP and AFT meetings and workshops (including meetings where we can vote on leadership and policies) and mailings, legal advice, audits, etc. We budgeted \$107k for this last year, and project spending to be \$83K. Arbitration expenses were higher than predicted, but we spent less than projected on conferences and bargaining legal advice. We have reduced the budgeted amount for Union expenses for the coming year to \$96K, but don't want to go any lower because some of these costs are lumpy, and because we do not want to discourage officers and representatives from going to meetings and training events.

Staff expenses include pay and benefits for our Executive Director (David Cecil) and office support person (Kristy Hammond). Salary, benefits and related costs were budgeted at \$167K and we project actual costs for 2014-15 to be \$172K.

For 2015-16 the Executive Committee is considering adding an additional staff person to work on organizing and grievances. If full time and full year, this position would cost roughly \$85K with salary and benefits. These costs are included in the proposed budget, making staff expenses of ~\$263K.

Note that budgeted staff expenses do not include the cost of salary increases, just as the UO administration does with its faculty. This does not mean that there will be no raises for staff!

Summary:

FY 2014-15 was the union's first full FY of operation. We are on track to complete this FY with \$1,122K in revenue and \$1,031K in expenses, which will increase reserves from the \$186K we entered the FY with, to \$277K as of June 30, 2015.

For FY 2015-16 we forecast revenue of \$1,154K. On the expense side, the Executive Committee is considering adding an additional staff person to work on organizing and grievances. This position would cost roughly \$85K with salary and benefits as a full time full year position. We have included this new staff position in the budget, so that it shows the costs and estimated impact on reserves of a full-time full-year hire. However note that we do not include the cost of raises for current staff in our cost forecast.

With those provisos, we forecast total costs of \$1,170K, a deficit of \$17K, and a reduction of the union's reserves from \$277K to \$260K over the course of the coming fiscal year.

Recommendations:

- 1) Given the possibility of legislation or court decisions that might eliminate fair share payments from bargaining unit members who have not joined the union, it seems prudent for the union to hold adequate reserves. On the other hand, it also seems prudent to strengthen the services the union provides and increase membership. The Finance Committee leaves this tradeoff to the Executive Committee, while noting some FC members would prefer not to draw down reserves at this point, and advise the EC to attempt to find per-cap savings or other cost-savings steps to keep reserves constant, if this is to be a full-time permanent hire.
- 2) At the October 8th 2013 meeting at which the union membership voted to ratify the CBA, we also voted to set dues and fair share payments of 1.1% of pay. At this time the Finance Committee sees no reason to recommend changing this.
- 3) The Finance Committee is concerned about the fact that per cap payments for the 2014-15 FY exceed forecasts. We are reasonably confident the new forecasts are more accurate, and we will prepare a report on the per cap situation in time for the fall Representative Assembly meeting.

Approved on May 12, 2015 by the UAUO Finance Committee:

Bill Harbaugh (Economics, UAUO Treasurer and Finance Committee Chair)

Alex Dracoby (History)

Michael Dreiling (Sociology, UAUO President, ex-officio)

Kira Homo (Library, UAUO Secretary)

Deborah Green (Judaic Studies)

Larry Wayte (Music)