

UAUO Finance Committee Financial Report for the 2015-16 Fiscal Year

and

Budget for 2016-17 as approved by the Representative Assembly

The UAUO Constitution requires that the Finance Committee prepare and recommend an annual budget to the Executive Council for approval, and that the Executive Committee submit this budget to the Representative Assembly for approval.

This report explains the recent financial operations of UAUO and the FY 2016-17 budget which the FC and EC recommended to the Representative Assembly for adoption, and which was adopted on 5/18/16.

The union's annual audit was conducted by Jones and Roth. The audit letter was issued November 10th 2015, and noted:

The financial statement disclosures are neutral, consistent, and clear. We encountered no significant difficulties in dealing with management in performing and completing our audit.

The budget spreadsheet is attached. This budget 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 2015-16 budget as adopted last year,
- 2) YTD revenue and expenditure as of April 30, 2016,
- 3) a projection to the end of the 2016 fiscal year, and
- 4) the proposed 2016-17 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 100 objectors for the coming year. We will pre-pay 25.28% of their fair share payments to these objectors, at a cost of about \$25K.

We predict revenue for 2016-17 FY, net of these objector payments, and including a subsidy we get from AFT-Oregon for office costs, to be ~\$1,302K. This is about 9% higher than 2015-16, because of higher faculty salaries and hiring.

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 and arbitration 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 and 1/2 of the normal rate to AFT-National. We nominally pay AFT-Oregon the normal rate, but they pay us a 40% rebate, for a 60% net per-cap rate. For the 2016-17 FY we expect these per-cap payments to be ~\$812K. This is about a 10% increase from the ~\$729K we project for 2015-16. This increase is due to higher faculty salaries, and increases in some per-cap rates. While the per-cap rates are ultimately determined by decisions of the elected bodies of our affiliates, we do not expect any large changes in these rates for the next few years.

We categorize expenses for operating our UAUO local into office expenses, union expenses, and staff expenses. Office expenses (rent, copier lease, internet, etc.) are budgeted at ~\$34K next year, slightly below last. 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, arbitration costs, audits, etc. We budgeted \$96k for this last year, and project spending to be \$92K. Arbitration expenses were higher than predicted, but we spent less than projected on conferences and bargaining legal advice. Therefore we have increased the budgeted amount for Union expenses for the coming year to \$136K, to more realistically reflect potential arbitration costs while at the same time budgeting enough for conferences and trainings to not discourage officers and representatives from participating.

Staff expenses include pay and benefits for our Executive Director (David Cecil), office manager (Kristy Hammond), and our new organizer (Elizabeth Pellerito).

Salary, benefits and related costs were budgeted at \$263K last year, but we spent less than this because Elizabeth was not hired until after the FY had started. We are budgeting \$270K for 2016-17.

Faculty Development:

UO has contracted with UAUO to provide faculty development services. These predicted revenues and expenses are shown separately from the UAUO budget.

Summary and recommendations:

- 1) We expect to start the 2016-17 FY with about \$400,000 in cash reserves. Given the possibility of ballot initiatives or court decisions that might eliminate fair share revenue from bargaining unit members who have not joined the union, and the potential for unexpected legal, arbitration, or bargaining costs, the FC thinks it is prudent for the union to hold reserves. We do not think that the current reserves, which represent about four months of expenses in total or one year of expenses w/o per-cap payments are excessive and we would like to see them increase. The 2016-17 budget forecasts a modest surplus, adding about \$50,000 in reserves for a total of \$450,000.
- 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 at 1.1% of pay. At this time the Finance Committee sees no reason to recommend changing this.

Approved on June 8, 2016 by the UAUO Finance Committee:

Bill Harbaugh (Economics, UAUO Treasurer and Finance Committee Chair)
Alex Dracobly (History)
Michael Dreiling (Sociology, UAUO President, ex-officio)
Deborah Green (Judaic Studies)
Larry Wayte (Music)