



BC FERRY & MARINE WORKERS' UNION

2018 CONSTITUTIONAL CONVENTION

April 10 – 12, 2018

Sheraton Vancouver Airport Hotel, Vancouver, BC

Finance Committee Report to Convention 2018

Financial Position

On June 1, 2015 we had a total contingency fund dollar value of \$3,497,712. On March 1, 2018 we had a total contingency fund dollar value of \$4,046,085 and Convention fund value of \$600,000.

At the start of the term we had an operating **deficit** of \$594,794. On March 1, 2018 we had an operating **surplus** of \$529,543. That is a difference of \$1,124,337 in a term over term analysis. The figure for March 1, 2018 is only to that date and it is estimated that we will be on or under budget for the following three months. As a result we should end the term with an operating surplus in excess of \$600,000.

Our Investment portfolio is balanced with medium risk factors, and a time horizon of 5 - 10 years. This means that we are evenly split between income and growth, and because we do not require the funds in our contingency to cover operating costs, we have the ability to take on a little more risk. It is important to note that although we have room for increased risk we have opted to remain cautious in this market, relying on bond growth and dividends for most of our returns, while also working diligently to protect against our downsize exposure.

The Financial reports for the fiscal years 2015, 2016 and 2017 all show operating surpluses for the various years covered.

Operation and Philosophy

In recent years, BCFMWU had to be careful not to run deficits if they were at all avoidable, because there wasn't any fall back cushion. This term we have carefully and deliberately built upon our financial cushion so that there is some more flexibility in operations. Operating deficits should be avoided by all means necessary; however we are in a situation where we have a contingency fund so it is no longer a financial crisis to have a small operating deficit.

Our general philosophies on expenses are:

- a) Deficits are to be avoided by any means necessary. Only in the event of an emergency situation should a deficit be considered.
- b) All expenses are tested by asking, are they necessary, can the costs be reduced in any way, and how does this positively affect the lives of our members?
- c) Capital expenditures are strictly reviewed to minimize loss of value to our assets or to minimize operating costs in other areas of the budget.
- d) Budget lines are fluid and we need to be very cognizant of the overall budget so that extra expenses in one area can be offset elsewhere, without causing undue damage to our activity level or the levels of service our members receive.

Finance Committee

Each year the budget is initially prepared by the Provincial Office but then extensively and carefully reviewed by the Finance Committee. This Committee is made up of members from the different components and regularly reviews the financial picture on a detailed ongoing basis and considers financial policies to mitigate any potential situation that arises.

The Finance Committee members for the last three years have been Brian Lalli (chair), Provincial Secretary-Treasurer; unlicensed member Kumud Prasad (retired); Jeff Lee as appointed by the Ships' Officers' Component; Russ Neil (retired); Tony Dujmovic as appointed by the Deas Dock Component; and Stuart Pelly as appointed by the Provincial Executive.

Priorities

Coming out of Convention 2015 there was a consensus to bargain a collective agreement, a desire for more transparency in our Finances, executive exposure, Logo Wear and a need for further education for our members and our Executives.

In terms of bargaining, we retained the services of professionals including lawyers and actuaries to assist us in bargaining the best collective agreement possible. We retained the services of Victory Law, and PBI Actuarial, both of which provided valuable information during bargaining. The complexity in health and welfare benefit bargaining, as well as the associated costing requirements made actuaries a necessity. To accurately cost a collective agreement takes hundreds of hours to complete and missing information can derail negotiations at the table. Having a second set of eyes looking over the information gave us added credibility at the negotiating table. Further, it allowed us to successfully argue that simple words may not always have permanent definitions. There were increased costs as the Provincial Executive increased the

number of people on the Negotiating Committee to include more Departments and Locals at the table.

Financial transparency and conservative investing were the key items that I campaigned on during the last election season. Since then the audit report letter is sent out by bulletin, and posted to our website, our audit will be available on the website as well under the Finance Committee page, and the month to month expense details are posted as part of our Minutes. For conservative investing, we moved from a more growth-heavy portfolio to a balanced portfolio where our income and growth assets split fairly evenly. Due to the turn in the economy at the end of last term into the beginning of this one, our portfolio changes were put on hold until more desirable market conditions prevailed. We can report that we have taken the initial steps in remaking our portfolio and are starting to see the net proceeds.

Executive exposure was one of the concerns originally brought up at Convention, and further reiterated during the campaign period and at Local meetings. One of the constant themes is that members don't see their elected officials unless its campaign time. As a result the Provincial Executive made a determination that the Presidents would spend more time travelling, and that the Executive Officers would be invited to Locals for meetings, social functions and to meet with the membership. As a result we had Local Presidents travelling to different POA's and Local meetings and Executive Officers in each Local and at Local meetings answering questions from the membership. The hope here was that members with concerns who weren't able to attend meetings would have additional opportunities to speak with their elected officials. Furthermore, Local Presidents would have an opportunity to learn what is working in our more active Locals and incorporate some of that back in their own Local. In order to offset the costs associated with the increased travel, we performed a comprehensive review of our travel costs and priorities and reduced the out of province travel schedule of our Presidents. We were able to accomplish this due to the strength of our relationships with both BCGEU and Longshore.

Our Logo Wear initiative was one of the more innovative things we did with our finances this term. Engagement was something that was brought up time and time again. As a result we launched our Logo Wear initiative, which is loosely based off of the ILWU model, where members are given items to proudly wear at events. We expanded this from simply just events to any member who wanted a shirt was given a shirt. The thought here was that by giving members t-shirts, pins and lanyards we could build a sense of ownership, where members look at the Union as theirs. One of the incredible things about this initiative is when members had issues or they were voicing concerns they were wearing their Union t-shirt, toque or hoodie, and the pride they took in our organization was on full display. Further to that we also invested in quality Steward Binders, collared shirts so that our Stewards looked like professionals in FFI's, or meetings. Finally we looked at providing uniform items that the Company doesn't provide. Black socks with the Union branding are being investigated, and we hope to roll those out at the start of next term.

Our members in every geographical area had concerns that we train Shop Stewards and then provide very little follow up. As a result we hosted our first and second annual Steward Conference, our first ever Women's Conference, sent a record number of people to Winter school, and saw various Locals put on training for their Local Executives and Shop Stewards. We also took meaningful steps in developing our

Labour Relations training curriculum, and are working on developing a comprehensive education plan which includes all levels of our Union, but encourages grass roots unionism, and puts the focus on developing stewards and activists at the local level. We also participated in the BCGEU Young Workers Conference, the CLC Rise Up Conference and various training sessions put on by BCFED. Looking forward to the next term there should be even more focus given to Mental Health, Site Safety training, and Worker Rights. Currently the Provincial Office is revamping the New Hire Orientation packages, to provide more information to our members in a more easily digestible format. This should help our members stay informed about their rights under OHS and WCB as well as give them useful information in navigating our Union.

Fiscal 2015 Overview – June 1, 2015 – May 31, 2016

Our budget for 2015-2016 showed an anticipated breakeven, before audit, adjustments for non-cash items like depreciation, and amortization. There were some significant considerations to make in developing the budget as one of the mandates from 2015 Convention was to budget for 2018 Convention. We also had to consider Logo Wear, Local remittances, Education, CMAC, Bargaining, Committees and our Fixed Expenses like Staff and Building costs.

Income

We had budgeted for dues income of \$3,519,500. Our actual unadjusted dues revenue for the year was \$3,751,228. We had investment income of \$108,391 during this period. Initiation fees and other income brought our total income to \$3,904,816.

Expenses

In Fiscal 2015 there were a number of expenses that were considered out of the ordinary including those for Bargaining. We also included \$130,000 in Education, \$160,000 in Convention 2018 costs, \$500,000 for our Bargaining Committee and a \$55,000 new server to track and store our digital information. Expenses totaled \$3,830,256 for that period which represents a net income of \$74,561. Our \$130,000 Education budget was the smallest of the three years, but represented a clearing out of the majority of the Shop Steward list, as well as our annual delegates to Winter School. The first order of business for the Finance Committee was saving for Convention. As a result we determined that we could put \$160,000 away, while we got acquainted with our system. Part of the consideration is that we did not want to constrain the Bargaining Committee's ability to negotiate an agreement.

Fiscal 2016 Overview – June 1, 2016 – May 31, 2017

Our budget for 2016-2017 showed an anticipated breakeven, before audit, adjustments for non-cash items like depreciation, and amortization. There were some significant considerations to make in developing the budget. We had to consider Education, CMAC, Internal Education (Steward Conference), BCFED Convention delegates, Logo Wear, Convention, Local remittances, Strategic Planning, Committees and our Fixed Expenses like Staff and Building costs.

Income

We had budgeted for dues income of \$3,539,500. Our actual unadjusted dues revenue for the year was \$3,885,963. We had investment income of \$414,258 during this period. Initiation fees and other income brought our total income to \$4,353,719. This increase was in part due to the efforts of the Local Presidents in the Workforce Planning process, and getting more of our members Regular jobs and working on increasing the amount of Casuals in our pools. The Workforce Planning process has given the opportunity for our Union to provide input to the Company on everything from work schedules, regularization of Casuals to Casual and Seasonal numbers. As for investment income, we had an increase of nearly \$275,000 over what we budgeted. This was in part due to the changes we made to our portfolio design and in part due to the general condition of the economy.

Expenses

Expenses for Fiscal 2016 included \$240,000 for Convention 2018, \$237,000 for external education which included the Shop Steward Conference, \$50,000 for delegates to the BCFED Convention, \$130,000 in legal fees, among other variable and fixed expenses. Expenses totaled \$4,053,388 for that period which represents a net income of \$300,331. Based on the feedback from participants, the Shop Steward Conference was very well received and provided our Stewards with crucial education in the areas of Mental Health, Facing Management, Strategic Planning and Dealing with High Conflict Personalities. The choice of venue was determined so that the Conference was contained and members could socialize with each other in the off hours. What we found is that there are very similar stories around the Fleet and the opportunity to share was a very valuable experience. The BCFed Convention had a couple of significant items on the agenda for Ferry Workers. As a result the Provincial Executive determined that it was prudent to send a full delegation to achieve the changes. We were successful in getting the Pacific Coast Maritime Council a seat at the Officers' Table, and thus a direct line for our issues. Legal fees in 2016 were quite high due to the nature of the arbitrations that were taken forward. While most have privacy implications, the significant win for us was around the MLB form and the EMA forms.

Fiscal 2017 Overview – June 1, 2017 – May 31, 2018

Our budget for 2017-2018 showed an anticipated breakeven, before audit, adjustments for non-cash items like depreciation, and amortization. There were some significant considerations to make in developing the budget. We had to consider Education, CMAC, Internal Education (Steward Conference), Women's Conference, Convention, Logo Wear, 40th Anniversary, New Hire packages, website revival, Local remittances, Committees and our Fixed Expenses like Staff and Building costs. It should be noted that we operate 2 months in arrears in our bookkeeping to properly match expenses and revenues.

****Note: Income and Expenses based on 7 months of the year****

Income

We had budgeted for dues income of \$3,581,490. Our actual unadjusted dues revenue to December 31, 2017 was \$2,356,233. We had investment income of \$110,245 during this period. Initiation fees and other income brought our total income to \$2,482,529.

Expenses

Our expenses for the period June 1, 2017 – December 31, 2017 were \$2,418,464. This leaves us under budget by \$64,065. It should be noted that our fiscal year is front loaded with events including the Steward Conference, Local funding, CMAC, Women's Conference and we anticipate being in a better financial position by year's end, as many of our biggest expenses have already occurred or have already been accounted for with the set aside reserve funds (Convention). For the third consecutive year we sent a large number of members to CMAC to advocate on issues important to our members such as Cable Ferries, LNG, Marine Personnel Regulations, Seafarers Medicals, Cabotage and the Emerson Report. We also hosted our first ever Women's Conference. Our second Steward Conference taught topics such as Facing Management, Mental Health in the Workplace, Health and Safety, and topics in Human Rights. Again this Conference was well received by the delegates and continues to be the single largest investment in education we make. 2017 marked our 40th anniversary and as a result we had a celebration logo designed and put on our gear. The logo was very well received and keeping the stuff in stock was nearly impossible. This year also marks our Triennial Convention and as such we are happy to report that Convention was saved for from the opening months of this term and we are in a position where we will not have to impact our operations to pay for Convention, nor did we make arrangements to draw down our investment account.

Conclusion

We are most of the way through our final year and are in a very strong position. For the first time in more than three terms we will not have to dip into our investments to pay for Convention. Next term we will have to pay for two separate Conventions, one for Bargaining, and the Triennial. We anticipate almost \$300,000 will be left in our separate Convention fund, which should be nearly half of the total cost. We have also seen an increase in our investment accounts, in excess of what we had originally planned. At this point we feel that our next two Conventions are fully funded, without touching our principal proceeds in our investment account. Furthermore we will continue to put aside funds each month from our general revenue for both Bargaining and Convention with the goal of having Bargaining, and Convention fully funded three years in advance.

We have also topped the four million dollar mark in our combined investment accounts for only the second time in our history. This is attributed to a strong investment policy, and sound decision making. Grant Schnurr, Alex Mackay, and the Finance Committee have built an investment plan which we anticipate will provide

returns for the near future. This will work to ensure that we should have sufficient reserves should trouble arise in the future. We do NOT anticipate an operating deficit for the fiscal years to come and thus our gains will continue to be reinvested.

Our Executive and the Finance Committee also looked at changes to the Local funding formula and lieu days. As a result there are several Resolutions to increase the amount of money and days going back to the Locals. The hope is that Locals can now look towards having more events to drive engagement, education sessions for hot topic issues around their Local, or anything else the Local deems to be a priority.

Finally we would like to thank the financial prudence of the Provincial Executive members for their hard work in ensuring that our expenses met our tests, our Office Manager and the work of the Finance Staff. Together we feel like we made a formidable team and our financial position shows their hard work and dedication in putting your money to good use.

In solidarity,

Brian Lalli
Provincial Secretary Treasurer

Attached: Annual Audit for 2014, 2015, 2016