

**Membership Budget Meeting
Thursday, June 28, 2018
Sheraton Hotel (*Rideau Room*)
150 Albert Street, Ottawa, Ontario**

DRAFT SUMMARY

President's Report /Opening Remarks

CAPE President, Mr. Greg Phillips, welcomed members and guest in attendance and thanked them for making time in their schedules. The National Office staff was acknowledged for their overall contributions and efforts. The President relayed the objective of the Membership Budget Meeting (MBM), which was to provide a brief synopsis of budget-related activities undertaken by the Association since the beginning of the year.

An overview of the recent re-structuring at CAPE was presented and the following points were highlighted:

- Two additional Labour Relations Officers have been hired (*for a total of 11*), which represents a 22% increase in labour relations assistance.
- A Manager of Communications, Mr. Kurt Stoodley, was recently hired to oversee communications for the Association and to provide overall direction and guidance.
- A Chartered Professional Accountant, Ms. Deborah Therien, was also recruited.
- In an effort to save on legal costs and to create further efficiencies, in-house General Counsel, Ms. Debbie Cooper, has been retained.
- A Director of Policy, Mr. Claude Danik, was recently hired on a part-time basis (*3 days a week*) whose mandate is to lead all the collective bargaining negotiations and act as the Chief Negotiator for the EC bargaining table.

It was also stated that all of these vacancies filled were already budgeted for in the previous budget.

Budget Review

A copy of the 3-page Budget document was made available to members prior to the meeting.

The Chair of the Finance Committee, Mr. Nick Giannakoulis, introduced the members of the Finance Committee: André Picotte, Howard Delnick, Anthony Coles, Greg Philips, Andreas Trau, Hailin Collins, Kelly Mansfield and Brendan Tate. On the staff side there is Deborah Therien, Claude Vézina, Mark Courty and Liana Griffin.

N. Giannakoulis provided a high level overview of the two-year proposed Budget (2018/19 and 2019/20) outlining each of the respective budget line items, along with a detailed breakdown of budget sub-lines for every particular item. Additionally, particular attention was drawn to the unaudited forecast as of April 30, 2018, where he stated that CAPE operates on a fiscal calendar of May 1st to April 30th and is currently undergoing an audit process.

The Association is currently tabling a balanced budget with a slight projected deficit of approximately \$27,000 (0.35%) for fiscal year 2018/19, as well as a deficit of approximately \$13, 000 (0.16%) for fiscal year 2019/20.

Questions and comments on the Budget were deferred until the end of the presentations.

National Office Lease Agreement

The Association is currently 5 years into its ongoing lease agreement. In the spirit of transparency, the President invited the real estate broker who represented CAPE during the last round of office lease negotiations, Mr. Alan Doak, of Proveras Commercial Realty, to make a brief presentation and provide the membership with an opportunity to raise questions or concerns related to rental expenses.

Following a brief self-introduction, Mr. Doak described the events that led to CAPE renewing the lease for 100 Queen Street, and how it compared to other options that were available to the Association at the time. The following key points were highlighted during this presentation:

- Market conditions in Ottawa in 2010/11 were tight in B class buildings.
- CAPE was already a tenant of 100 Queen Street. and had already made a significant investment in retro-fitting the space, such as offices, meeting rooms, etc. That investment still had great value in light of the space being designed around the Association's needs to allow privacy for individuals to meet with members. In addition, the large boardrooms were equipped with translation booths.
- In an effort to address concerns related to the interaction between employees and members, the Association decided it would be best suited to be centrally located in the city, to not only allow convenient access for employees, but also to benefit members who want to be able to access appointments via public transportation.
- When assessing the financial implications of remaining in the existing building versus relocating, it was determined to be less expensive to remain and make use of the improvements achieved, rather than relocate and build the space from scratch to accommodation standards. The financial ramifications in the event the Association decided to purchase a building were also considered.
- Various options to potentially purchase properties were examined; however, at the time and still to this day, no buildings with an appropriate size near the downtown core are available, leaving only options in suburban markets.

- After running an open process and looking at B class and A class buildings, as well as undertaking a fairly extensive financial analysis and assessment of the non-financial components, the decision was made to renew the tenancy at 100 Queen Street.

The President stated that a timeline for the next round, when the lease contract expires has already been set, and his goal will be to engage in extensive consultation with the membership and embrace membership input.

Question and Answer Session

Rental Space

- 1) *The planning period for the next lease of office space shouldn't be a year or two, it should be a little longer.***

A: We're 5 years out from the end of our current lease and planning has already begun. The longer you can take for a needs assessment at the beginning, the better the process will go. We're already talking about it today, a full 5 years in advance.

- 2) *Do we necessarily have to be in the downtown core to effectively serve members? What about owning versus renting?***

A: There are not many buildings in Ottawa that are large enough to accommodate 15 to 17 thousand square feet. Often, you would have to look at a building that is larger than you want. When all factors are taken into consideration, ownership of a building can be quite a challenge.

A: A lease expiry is an opportunity to refresh what you're doing and to think about the type of people who are going to work in this Association for the next 10 to 15 year period. It could be satellite offices, one downtown office, or it could be a purchase. You can consider all of the options and determine what is the best financial and non-financial option.

- 3) *Has consideration been given to co-locating and perhaps renting space from either PIPSC or PSAC?***

A: Although PSAC has had roving vacancy throughout their building, at the time we were working with CAPE, there wasn't adequate vacancy to accommodate this Association.

A: We are planning on conducting extensive consultation with the membership, trying to get as many people involved as possible for our long-term planning. That's why we're starting now. I believe we need that extensive consultation. We're not allowed to sublet our current space, so we'll stay where we are for now.

Unsupported Expenses

- 1) *In light of the unsupported expenses, CAPE should have brought in a balanced budget.***

A: Essentially, this is a balanced budget. In reality, our membership continues to grow – we're bringing on approximately 450 new civilian members from the RCMP, and we'll start

collecting dues from them soon. That alone will put us in a surplus situation. In all likelihood, we'll have a surplus next year.

2) *How much will the recovery process cost?*

A: Recovering the unsupported expenses is a high priority and on every Executive's mind. We are weighing the costs – we want to make sure we're not having good money chase after bad. It's an evolving situation –the National Executive Committee will be discussing this in a robust manner.

3) *What steps will you take to ensure you communicate adequately with members on this file going forward?*

A: At the moment, the membership basically has all of the information that the Executive has – there's really nothing of substance that the membership is not aware of. Once we have more information and our legal counsel has had a chance to work with us, we will update the membership as the situation evolves. Unless something of substance occurs, the next expected update is at the AGM in the fall.

4) *When did the President and the Executive find out about the unsupported expenses? Why did you not inform the membership? Why did it take a CBC reporter prodding around for some sort of message to come through?*

A: I was a member of the NEC last year, so I personally found out about the situation in April 2017. Some members of the new NEC were informed by me in January when I took office, which was two months after the previous NEC had tried to communicate to the membership.

We've also been dealing with other extremely challenging issues such as Phoenix, collective bargaining, membership issues and getting the new NEC up to speed. And as I've mentioned previously, there is a delicate balance between being transparent with the membership and protecting the membership's best interests.

5) *Wouldn't the fact that it was made public actually make it easier to deal with and perhaps raise the profile of the issue?*

A: We are working with lawyers closely and under their guidance. I had decided to provide the membership with the latest information at this MBM, but unfortunately, the CBC story pre-empted that by about 3 weeks. Having an internal issue being discussed in National News does not make our job any easier.

6) *Are the financial statements of the organization released on an annual basis? If so, is it a new auditor that found the unsupported expenses, and do we have any recourse against the former auditor?*

A: Financial statements are audited every year. During the period in question, it was a former auditor looking after finances. We now have new auditors, McCay Duff LLP. We are currently exploring all options at recovery.

7) *Since we're hiring legal counsel, perhaps they can brief the membership directly via email and at the AGM?*

A: You now have the very latest information, so there's really nothing our legal counsel can add at this point. Again, we expect to update the membership at the AGM in December.

8) *Was the forensic audit done on the entire organizations accounts, or only on select accounts?*

A: The forensic audit looked at every electronic fund transfer that occurred during the time period in question.

General Budget Questions:

1) *Can you clarify the status of the defence fund?*

A: In the second column of the first sheet (of the budget information provided), you will find that there was a contribution of nearly \$800,000 to the defence fund. So, there was a net increase to the defence fund. It is growing.

2) *Would you be able to go through the lines in the budget on the defence fund and explain the numbers? I don't see the current balance.*

A: We had a surplus of \$672,000 which you can see in the second column. We were over budget in terms of legal expenditures, so \$370,000 had been allocated from the defence fund to cover that shortfall. As a result, we ended up (in pre-audit numbers) with a surplus of roughly \$1M, 75% of which would be allocated to the defence fund. Previously, we had \$387,000, therefore the net increase to the defence fund will be \$400,000. The defence fund will be roughly in the \$2.9M range, which is a substantial increase.

3) *Why did the current NEC decide to depart from the practice of providing full information to the membership before the MBM – providing the budget document and accompanying context document to explain?*

A: The Executive had planned to distribute the budget material at the MBM, and then proceed with the electronic ballots for the budget vote – that's when all the material is available to the membership. Moving forward, we will send the complete budget material to the membership and afford them an opportunity for further consultation. Please see the document outlining the whole process. We believe this process affords the membership with the greatest opportunity to provide input.

4) *How is the budget approved and what modifications can be made to it? How can the Member's Budget Committee make changes going forward, and how is it approved by the membership?*

A: The Finance Committee meets on several occasions in the spring to analyze, review, and work on the budget. The draft is then presented to the NEC to get input. Then, the budget is discussed at Local Leadership Council Meeting. The input received is then taken back to the NEC, who then votes on approving and recommending the budget to the general membership. Following that, the budget is presented at the MBM. Beyond the MBM, we will

provide an additional opportunity for members to review the budget material over the summer and to provide further input. The final proposed budget is then sent out to the membership to vote on it – it will either be approved or rejected. Before the deadline for voting, the Finance Committee presents the budget to the membership at the Annual General Membership Meeting. Two weeks later when the voting period ends, if rejected, we resort to the contingent second-year budget that was approved the previous year by a vote of the membership. If we can't work with that budget, we'll potentially provide another option to bring to the membership.

5) *Can you explain the differences between the unaudited and adjusted figures? Can you provide a breakdown on what consultants' fees would represent?*

A: There are unaudited, pre-adjusted and adjusted figures. This is intended to reflect two items: There is a contingency fund of \$352,000, the same as the previous year, that can be used to offset any overages and spending accounts. In this case, there was a little more money spent on computer expenses and collective bargaining. Of the \$352,000, the budget shows where the contingency was used – then the defence fund also covered \$370,000 for the expenses over and above the allotted budget. That's how we arrive at the adjusted unaudited figures, which we hope will be final.

From the consulting standpoint, the items included a governance assessment that was presented to the NEC, as well as a placement fee for filling the Finance Officer role, and a minor amount for casual labour.

6) *What about the difference in legal fees versus consultant fees, can you explain?*

A: Most of the expenditures were for legal fees, not consultant fees. Some of those fees were for the forensic audit – they fall under professional fees because the forensic audit is very specialized. We certainly hope not to see any of those expenses recur in the future.

7) *How much is in the defence fund right now, and what is the accumulated surplus of the Association?*

A: The total is \$6.2M, of which \$2.9M is the defence fund, the other \$3.3M represents the unallocated surplus. A balance sheet will be included in the future so the membership will have insight into the budget as well as a budgeted balance sheet.

8) *You mentioned that you are hiring internal legal counsel to bring efficiencies and reduce costs. I don't see a decrease in legal fees – in fact, they seem to be going up.*

A: On page 2 you can see the legal fees in the 4th column. The budget for legal fees for 2017/2018 were \$400,000, \$300,000 and \$80,000 – the decrease is almost two-fold in terms of what was budgeted in the last fiscal year – it was \$1.039M – we are currently budgeted at \$795,000. If you look at what was actually spent, the unaudited number was \$1.6M. With in-house general counsel, I believe moving forward we will realize significant savings.

9) *There is \$160,000 allocated for computer maintenance. It seems like a lot of money to be spending on computer related items for such a small office. Why not hire an internal IT person, which might be cheaper.*

A: While the numbers do appear high, they have actually been reduced and the amount has gone down through aggressive renegotiation from previous years. Careworx is the service provider for our IM/IT services, and finding one individual to do all of that would be difficult. They also have the infrastructure necessary to support our operations, that we would need to purchase and maintain if we were to do it in-house.

10) Line item 9.3 indicates \$25,000 for computers and equipment, which seems like a lot of money.

A: The plan is to get on a 4 year cycle – right now some of the computers are very old, so it may take a few years to get on that cycle. Now, we're faced with more computer related expenses in the first couple of years, but then it should level out. If you look at last year, the budget was \$55,000, and its now down to \$25,000.

11) Has Phoenix impacted receiving union dues on time? Are there other costs that are impacted by Phoenix? Have you seen any improvement over time dealing with Phoenix issues?

A: Every union has been impacted by Phoenix in relation to collecting dues. Through the National Joint Council (NJC), we are dealing with this issue. The NJC can negotiate items that affect every public servant regardless of which union they belong to. There is also a technical sub-committee that deals with Treasury Board on the dues issue.

A: Because of Phoenix, we are not getting all of our dues revenue – and we're possibly getting dues that we shouldn't be getting as well. There have been changes recently that have improved the situation, which is helpful. Reconciling dues for nearly 15,000 members will pose a challenge, however, we are excited and encouraged as it looks like the union dues is being seriously looked at now.

12) Are dues based on the level of the employee, or do all members pay the same amount?

A: We have a flat rate for membership dues, at \$48 per member per month.

13) Would the union consider a mechanism to allow members to feed into the budget before they are presented with a YES/NO option?

A: The process we follow to get a budget approved is in the Constitution. In our union, every member gets a vote on the budget, financial statements, and dues restructuring. I would encourage anyone who wants to get more involved and have more say to volunteer with their local and/or become a Steward. We will also be providing an additional opportunity to members to comment on the budget over the summer.

14) Line item 17 involves contributions – does any of that money go toward political causes?

A: We have contributed to such things as Ottawa Pride and Indigenous activities – as far as I know, contributions have never gone to a political cause. We are a vast organization with many political views – I don't believe dues should support any political party.

15) Is the budget for LRO's intended to support 11 full time LRO's?

A: In the coming weeks, we'll have a full complement of LRO's. Previously, we had to hire people on short term contracts, however, in the interim will have a full complement of LROs.

16) Are you committed to sharing details of this meeting with the entire membership prior to the budget vote, and to sharing these detailed statements in advance of that vote?

A: We are taking notes of the questions being asked here...it is my intention to review the questions and answers and look into putting that information on our website. Moving forward, we will provide members an opportunity to comment on the budget, over the summer, before the budget vote following the AGM.

17) The line item for salary reimbursement for meetings at 13.6 indicates that the figure has increased from \$20,000 last year to \$100,000 this year, and then the reduction on mobilization and engagement from \$60,000 to \$30,000. It seems like it's a drawing in of the Executive committee and a reduction in the reaching out to new public servants or people who have not traditionally been involved.

A: The increase in costs for salary reimbursements is a result of moving the NEC meeting to a day time meeting as opposed to a night time meeting. Traditionally, the NEC meetings went quite late into the evening, from my point of view, this was not conducive to be making fundamental decisions that would affect the Association. As a result, we have to reimburse the salary of those attending NEC meetings for union-related leave. I think the cost savings of good decision making is crucial.

In regard to mobilization and engagement, it's very difficult for the National Office to mobilize and engage people from across the country, while including all of the regional Locals. To counter balance that, I put forth a motion last year to increase funds available to locals so they can engage themselves. Increasing the locals ability to have access and manager their own funds was paramount to them being able to mobilize.

Moving forward, I would like to set up regional councils for the locals, the 4 Atlantic provinces as an example. Regional councils would allow the Executive to hear what issues the locals are facing and what needs to be done better in the National Office. I'm trying to give the locals more responsibility to reach out – that's why we've increased funds that a local can access.

18) On line item 17 – I assume the low number there means the union has not budgeted to join the Canadian Labour Congress, as was proposed by the previous administration?

A: There are currently no plans to join the CLC.

19) On the line item for the defence fund, are there no longer contributions to the defence fund, or is that just a budgeting item that is no longer to be listed?

A: When we are projecting a deficit, we don't project any contributions to the defence fund because there's no surplus to be allocated. We're obligated to put in 75% of any surplus into the defence fund.