



The HFCC Adjunct Faculty Organization AFT Local 337



Fiscal Year 2016-17 Final Budget

Introduction

Article XII of the AFO Constitution¹ specifies that the annual budget for the upcoming fiscal year be submitted to the membership for approval during the Winter General Membership Meeting.

The proposed final budget for the upcoming fiscal year (July 1, 2016 – June 30, 2017) was developed by the Executive Board and the Finance Committee based on the principles of fiscal conservatism. Both the Executive Board and the Finance Committee have unanimously voted to submit it to the membership with a strong recommendation for approval.

Please plan to attend the Winter General Membership meeting on Friday, April at 3:30 p.m., in the Faculty Lounge (L-11) in the basement of the Reuther Liberal Arts building. During the meeting, the membership will be given an opportunity to discuss, question and possibly amend the budget before being asked to entertain a motion to approve the budget.

If you have any questions, concerns, or if you want to submit your vote on this proposed budget by proxy, please contact Lynn Boza at AFO@hfcc.org.

Thank you,

Mary R. Beck

Mary Beck, President

Cedric Knott, Treasurer

¹ For the full text of the Constitution, or any other AFO document referred to herein, please visit the AFO Home Page, www.hfcc-afu.org.

Overview

The AFO receives its income primarily from dues paid by members and fees paid by non-members covered by our contract. The income is used to cover operating expenses and per capita fees and to generate an operating surplus. By the end of our sixth fiscal year of operations, June 30, 2016, the AFO will have generated a cumulative surplus of approximately \$80,000. As will be explained more fully below, it is expected that the AFO's expenses relative to income will rise significantly in the near term and the organization will see smaller operating surpluses in the future.

The surplus is needed for both unexpected expenses such as legal expenses and periodic major expenses such as an outside audit. Our stated goal was to have a general operating surplus equal to or greater than three months of operating income (about \$50,000) plus \$25,000 for legal expenses and other emergencies and a possible additional \$10,000 for an outside audit (once every five years) or a fund grand total of at least \$85,000. Our expected year-end surplus of \$80,000 means that we have almost reached that goal and can approve future budgets that have very little margin built into them.

In the Fall of 2013, the membership voted to allow the Executive Board and the Finance Committee to invest in U.S. Treasuries, Municipal Bonds, and conservative stocks, the last two only after recommendations from a qualified investment advisor. Prior to this change in permitted investments, the Executive Board and the Finance Committee had adopted a policy of investing the surplus in rotating five-year certificates of deposit. The plan was to have about 20% of the organization's investable assets invested in a CD that will mature in 60 months, another 20% invested in a CD that will mature in 48 months, a third 20% invested in a CD that will mature in 36 months, a fourth 20% invested in a CD that will mature in 24 months and the fifth and final 20% invested in a CD that will mature in 12 months. When any given instrument matures, it will be reinvested in a 60 month CD. By rotating the funds in this way, 20% of the organization's assets would be relatively liquid at any given point in time, but all would be earning the higher five-year rates. Currently, the AFO has two CDs, one of which will mature this summer. At this point, the Executive Board and Finance Committee have not acted on the new policy approved by the membership last fall. When the CD matures this summer a decision will be made whether to renew it or purchase another investment. At that time, we will also invest an additional \$10,000 in one of the approved investments.

Over the next fiscal year we cautiously expect income to remain steady. The expectation is based on two factors: 1) We raised membership dues and agency fees for September 2014, then again for January 2015 in anticipation of the per cap structure that went into effect in September 2015. We need to point out, however, if continued enrollment declines, and therefore a contraction in the numbers of adjuncts at HFCC, income could be flat or even decline even with higher dues and fees.

While income will probably increase, so will expenses.

We anticipate that per capita payments will go up by several thousand dollars annually due to projected, but unknown increases in the per cap rate after the conventions this spring (AFT-MI) and summer (AFT national). Typically, in a convention year, dues will be raised for the state affiliate in September, and in the following September, national per cap rates will go up.

Our payroll costs have modestly decreased from the budgeted amounts in the last fiscal year.

FY 2016-17 Income Estimate

Under By-law I of the AFO Constitution (as amended), membership dues are currently set at 2.05% of income and agency fees at 1.73% of income.

The anticipated income shown in the chart that follows is based on the following assumptions: (1) we will have a split between agency fee payers and dues paying members similar to the ratios in FY 14-15; (2) the size of our bargaining unit during FY 16-17 will correspond to our bargaining unit size during FY 15-16; (3) our income from dues and fees will total about \$158,012; (4) interest income will come to \$30 per month; (5) Local 1650 will make contributions of approximately \$856 toward community service expenses of the AFO

(see below); and (6) refunds in dues payments of approximately \$1156 in January will be made to AFO members who serve on standing committees of the AFO.

As shown in the attached chart, the AFO's income is projected to be lower in months of the summer and spring terms (July, August, and June) than in months of the fall and winter terms. This lower spring-summer income, of course, is explained by the reduced number of adjuncts working during those terms.

The contributions line reflects dues or fees received by the AFO on behalf of temporary part-time members of the HFCC Federation of Teachers, Local 1650. Under current practice, the College deducts dues or fees from the earnings of such temporary part-time employees and remits them to the AFO. Local 1650 changed their dues and fees structure in January, 2012 for temporary part-time employees to match those paid by individuals covered by the AFO contract (i.e. 1.75% for membership dues or 1.60% of agency fees). The dues and fees collected by the AFO on behalf of such temporary part-time employees belongs to Local 1650, but has been gifted back to the AFO in recent semesters and is expected to be gifted back in the next academic/fiscal year as shown on the contributions line. The total amount of these contributions varies from semester to semester. These estimates are based on the actual amount contributed to the AFO by Local 1650 for the first half of FY 2014-15. As mentioned, this amount actually comes to us in dues and fees and is included in that total. We show it separately because this gift from Local 1650 is the foundation of the AFO's contributions to charities, scholarships and other community service projects. That amount is then deducted in the Refunds line so the income isn't counted twice.

Based on the assumptions listed above, the projected total AFO income for FY 2016-17 is estimated to be \$158,012. This budgeted income for the coming fiscal year is about \$14,000 more than the actual income (projected for March through June by necessity) for FY 2015-16 which is expected to be about \$143,000. These, of course, are assumptions.

Expense Explanations

As an examination of the Estimated Expenses table will show, AFO expenses fall into five major categories: (1) Per Capita Payments, (2) Contract Services, (3) Operations, (4) Payroll, and (5) Travel and Meetings. For each category, two lines are shown. "Last Year" is the actual (or projected) expenditure for the category in the current fiscal year (FY 2015-2016). "Budget" is the amount being recommended for the upcoming fiscal year budget. A category-by-category² explanation of the estimated expensed, with particular attention to deviations from current year spending, for each of the five categories follows:

- **Per Capita Payments:** Per capita payments are one of our two biggest expenses. The AFO is affiliated with the American Federation of Teachers (AFT) and with AFT-Michigan (AFT-M). We are also affiliated with the state and local councils of the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO). We make per capita payments to each of these affiliated organizations to support the work they do that benefits us in both direct and indirect ways. These organizations supported the AFO during our organizing drive and first contract campaign, assist us with bargaining, and generally provide us with resources that make us a stronger local union and more than justify the affiliation per capita dues and fees.
 - In addition, the AFO purchases accidental death and dismemberment and occupational liability insurance for AFO members through the AFT.
 - The cost of these per capita payments and insurances varies each month because the number of individuals in the AFO bargaining unit varies considerably from month-to-month. The size of the AFO bargaining unit is greatly reduced during the spring-summer terms in comparison to the fall and winter semesters. Per capita payments are a fixed amount per member and in the case of the American Federation of Teachers and AFT-Michigan the amount of the payment varies according to the member's income.

² Each major category is made up of two or more sub-categories. Individuals covered by the AFO contract who would like to see the line-by-line detail and/or who would like an explanation of the budget by sub-category are encouraged to contact the AFO Treasurer.

- For example, depending upon an individual member’s annual income, we pay either half dues, quarter dues, or eighth dues to the AFT monthly for each member. To AFT-MI we pay for half dues and quarter dues, AFT-MI has no eighth dues category.
- The AFO does not make per capita payments on behalf of agency fee payers to either the Metro Detroit Council or the State Council of the AFL-CIO. In addition, the AFO makes reduced per capita payments to the AFT and to AFT-Michigan on behalf of fee payers based on the “chargeable” percentage as determined by each organization. The AFO files a Statement of Total Expenses and Allocation of Chargeable and Non-Chargeable Expenses Report each year with our annual financial statement.
- The expense estimates in this category are based on the same assumptions regarding size and make-up of the bargaining unit as were used to produce the income estimate. If income is over- or under-estimated, per capita and insurance payments expenses will be over- or under-estimated by the same factor.
 - However, it should be understood that expenses go both up, and down, faster than income.
- As shown in the table, it is estimated that per capita and insurance payments will total \$68,422 for FY 2014-15. We project next year’s per capita payments will rise to \$70,000.
- **Contract Services:** This category includes two sub-categories – accounting fees and legal fees. Actual expenses in 2015-2016 were \$0.
 - We have budgeted \$25 monthly for contract services for FY 2016-2017.
- **Operations:** This category includes expenses related to operating the AFO and includes nine sub-categories: (1) Banking Fees; (2) Contributions; (3) Fidelity Bond; (4) Hospitality; (5) Miscellaneous; (6) Office Supplies; (7) Postage, Mailing; (8) Printing, Copying; and (9) Rent.
 - The largest expense in this category by far is for “contributions.” The Executive Board and the Finance Committee are recommending that close to 60% of the total operations budget be set aside for certain community service purposes. Approved purposes include (but are not necessarily limited to) contributions made to the Adray Golf Tournament (proceeds of which benefits HFCC students), the HFCC Foundation, the HFCC Student Aid Fund, the Rollie Hopgood Memorial Golf Tournament (sponsored by AFT-Michigan) and the HFCC-AFO Founders’ Scholarship Fund. In addition the AFO generally makes \$25 contributions in the memories of deceased loved ones of members. The actual amount in the current fiscal year is expected to be \$3,000.
 - The AFO purchases a fidelity bond through the AFT to protect the membership from any mistakes made or crimes committed by AFO fiduciaries that result in financial loss to the AFO membership. The cost of this bond is \$95 per year and is paid in November.
 - There is a “miscellaneous” line item in this category which intended as a place holder for any unanticipated expense that does not fit into an existing category. If any such expenses occur, the Treasurer will make a decision as to the need for adding a new line item to future year budgets. Recurring items should not be charged to “miscellaneous.” In 2015-2016 this expense was under \$100.
 - The AFO does not anticipate any significant change for costs related to banking fees, office supplies, hospitality, postage and mailing, or printing and copying in FY 2016-2017.
- The current rent for our office (A-004 of the Learning Technology Building) is \$273 per month. This amount covers expenses for utilities (including internet access) and our contract with the HFCC Board of Trustees provides us with access to meeting rooms, copy machines, etc.
- As shown in the table, it is expected that Operations expenses will total about \$7,200 in FY 2016-2017, with \$8500 projected for this fiscal year.
- **Payroll:** After per capita payments, the next biggest expense for the AFO is payroll. It takes a lot of time and effort and a certain amount of expertise to run a local union, especially one the size of the AFO (in January 2016) , about 620 members in our bargaining unit and experiences the turn-over we do. We have always relied on the spirit of volunteerism to get much of our work done and the AFO could not operate if it wasn’t for the hundreds of hours (cumulative) contributed by dozens of

members who have served on committees or in some other way contributed their time to the AFO. Likewise, the AFO could not continue to operate in the absence of some paid staff.

- The plan approved last spring called for the creation of two half-time (20 hours per week) positions: a half-time Executive Director and a half-time Staff Mobilizer.
 - The Executive Director (quarter-time) is primarily responsible for administrative duties ranging from managing meetings by scheduling them, setting the agenda, and taking minutes to tracking employee issues to supporting the Treasurer with monthly, periodic, and annual financial processes.
 - The Staff Mobilizer (quarter-time) would be responsible for internal and external communications and for the ongoing and as-necessary mobilization of the membership. The Staff Mobilizer will also represent the AFO on various College committees and forums.
- After the elections in the fall of 2012, the Executive Board offered personal services agreements to AFO President Mary Beck and AFO Chief Grievance Officer and Internal Vice President Thomas Anderson, Mary became Staff Mobilizer and Tom became Executive Director. Their personal services agreements call for working more than 20 hours per week, but will consider any hours above 20 per week to be voluntary hours. They will also continue to serve as Executive Board members, but they will no longer be eligible for Officer Stipends. Tom Anderson resigned from HFC and was replaced by Lynn Boza.
- The personal services agreements stipulated that both positions (Staff Mobilizer and Executive Director) be compensated at the rate of \$12,500 per year. The annualized cost of the two positions is reduced and will be approximately \$28,000 per year. This figure includes payroll taxes paid by the employer. Both are expected to volunteer additional time of 2 hours weekly.
- Since Executive Board positions are required to expend a considerable amount of time in fulfillment of their responsibilities, the AFO membership approved a by-law to provide a modest stipend to Executive Board members both as some compensation for the work involved and as an incentive to future leaders of the AFO.
 - In September 2015, Board members began receiving their stipends as regular compensation paid through AFT Michigan. The AFO is billed twice a year for these expenses.
 - Officers will be expected to pay AFO union dues on any earnings from stipends or to donate an equivalent amount to either the AFO Founders' Scholarship Fund or the AFT-MI Political Action Committee Fund.
 - The amount of the stipend pool will be equal to four times the amount an employee at step four of the Ph.D. lane is entitled to be paid for teaching a three-credit hour course at current rates. If the president is eligible for a stipend, the president's stipend (not to exceed the amount of compensation received by an employee at step four of the Ph.D. lane for teaching a three-credit hour course) will be determined by a consensus decision of the rest of the Executive Board. The actual amount of each remaining officer's individual stipend will be determined by the president.
- To cover these costs, the Executive Board and the Finance Committee are recommending that \$55,900 be budgeted for payroll and stipend expenses in FY 2013-14 compared to the \$66,200 budgeted this fiscal year.
- **Travel and Meetings:** This category records expenses related to conferences and meetings and to reimbursements for travel expenses while on AFO business. Registration fees for conferences and training sessions offered by AFT and AFT-Michigan as well as costs related to travel while on AFO business are included in this category. AFO officers, members, and staff will be reimbursed for out-of-pocket expenses incurred while conducting union business according to the provisions of the AFO's Travel and Entertainment policy (available through our website). The Executive Board and Finance Committee are recommending that \$14,400 be budgeted for such expenses which include the AFT Higher Education Conference (March, \$2000) and the AFT Convention (bi-annual, June, \$10,000).
 - The proposed budgeted amount for travel and expenses is greater in 2016-2017 due to the timing of the nation convention (every two years) and increased air fare.

Bottom Line: Based on this proposed budget, total income for the fiscal year July 1, 2016 – June 30, 2017 will be \$158,012 compared to expenses of \$156,793. If both income and expense projections are right on target, the AFO may expect a deficit for the upcoming fiscal year. With the uncertainties of enrollment and the size of the AFO bargaining unit.

Thank you for your consideration of our final budget proposal!