



A Two-Pronged Logic

FNEEQ is an organization which groups together a number of unions. Thus its budgetary logic must reflect this reality, basing itself at the same time on current administrative principles and on the political priorities firmly established in the unions whose members sustain FNEEQ with their dues.

The challenge for such an organization thus rests on its ability to reconcile the wishes of its members for services, to fight for their working conditions, with a financial capacity which is also tied to the number of dues-paying members. As we know, the number of members

and their salaries, which the dues are based on, vary according to other parameters besides our collective wishes.

The paragraphs which follow try to present the essentials of the administrative principles with which FNEEQ has operated over the years; then we will examine the revenues and expenditures of past years. These should allow us then to look at the recommendation of the Federal Council of June, 1985, in a more informed fashion.

We should also consider that the information given here is the bare

minimum obtain an overall picture of FNEEQ's financial situation. Any member wanting more information can go to their executive to consult the documents published by the "Committee on the Special Dues Raise" since FNEEQ started the process to revise its financial structures. These reports are the "Preliminary Report" of November, 1984 and the "Committee Report" of June, 1985. These documents contain all of the detailed information and analyses which led the Council of June, 1985 to make its recommendation, which is cited further on, to you.

The Principles of Management at FNEEQ

In fulfilling its mandates, FNEEQ has given itself a financial structure made up of three principal elements which are currently in effect:

General Fund

The "General Fund", as its name indicates, is the operational savings fund of FNEEQ. It receives the regular dues of its member unions (the present .45%) and assumes the regular FNEEQ expenses (salaries, committees, publications, communications, meetings of the regulating bodies, travelling, rentals, etc.).

Reserve Fund for Negotiations

In addition to paying for current operations, this general fund must, at the moment, capitalize a part of its revenues to make up a "Reserve Fund for Negotiations." This is a sort of stable savings account from which FNEEQ can draw the necessary funds to conduct the negotiations for which it is responsible.

Negotiations Fund

In fact, at the moment, it is this reserve, which has been destabilized, that we are presently trying to put back on a solid footing.

See page 6 Principles

How did this financial structure develop?

1972: The Federal Council was faced with a recommendation from the Financial Audit Committee:

...the FNEEQ Congress should no longer accept budget projections containing any kind of deficit. In order to maintain the organization on a solid footing, the opposite should be true...

The significance is clear: the overall revenues of the Federation should become assets which allow both to pay for immediate services and to collect some savings for peak spending periods.

There was no question of allowing the Federation to go into debt and collect dues to pay for past expenses. The struggle is continuous and must be financed as we go along.

Even if it is customary for organizations to go into debt in order to grow, FNEEQ decided not to allow this. Not being a profit-making organization, FNEEQ adopted the principle that its revenues should be fully returned to its members in the form of services.

This condition is very important: there would be

See page 6 Structure

THE RECOMMENDATION

The Federal Council in 1985 returned to its demand for a "permanent" solution for financing negotiations and recommended the middle-term solution, proposed in the "Report of the Committee on Special Dues", to the general assemblies:

THE RECOMMENDATION:

- Raise the regular dues of the Federation from .45 to .5 as of January, 1986;
- Stop the payment of 10% of the regular revenues to the negotiations reserve and replace it with a statutory rule by which the dues are divided in the following manner:
 - .41 goes to the general fund
 - .09 goes to the negotiating fund
- Any eventual surplus in the general fund goes into the reserve for negotiations.
- Furthermore, an analysis of the Federation's financing should be done and pre-

sented at the Federal Council of June, 1987.

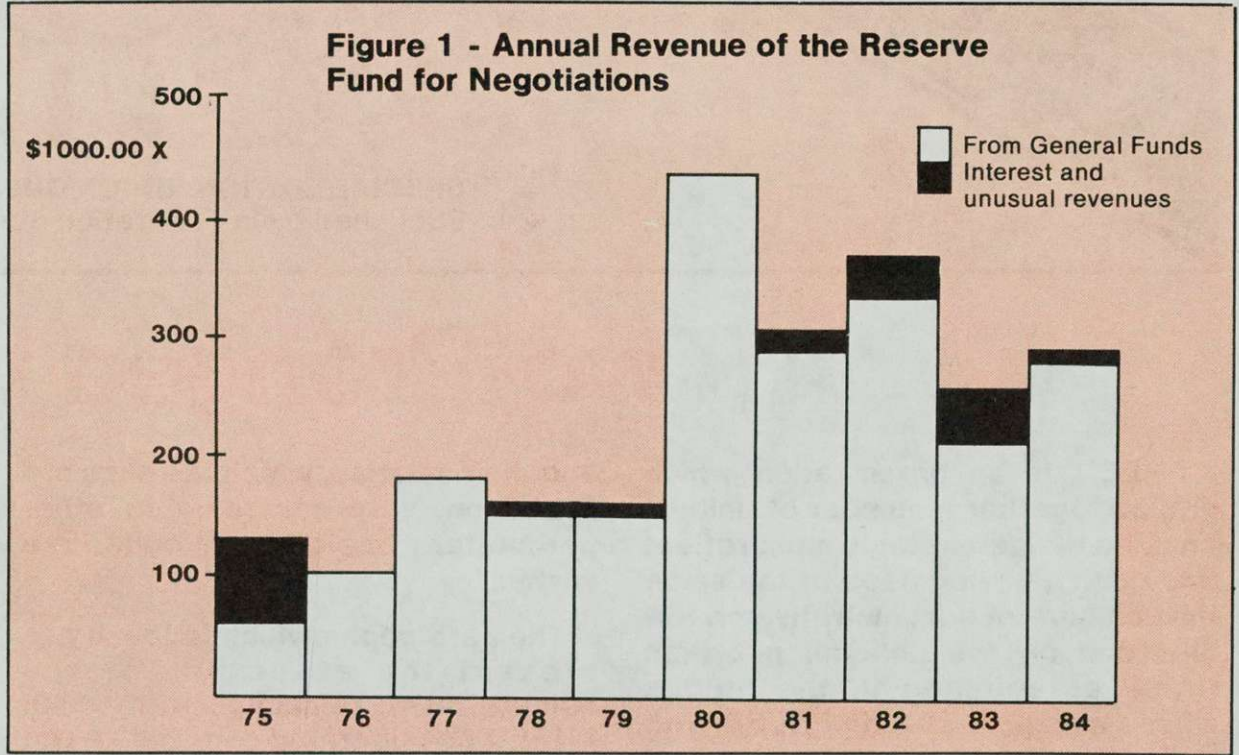
So, the recommendation aims to put the "stable savings" of the reserve on a more solid footing as of January, 1986.

What does this recommendation change? Essentially it changes two things: it raises the regular dues from .45% to .5%, by combining the old basic rate of .45% and the special dues rates which were levied to add to the regular dues in order to avoid anticipated deficits. It also changes the dynamics of financing the two funds at FNEEQ, by dividing the dues paid into two sums which are then directly put into the fund concerned. This replaces the old system where all revenues went into the general fund, which later put a part of this revenue into the reserve for negotiations.

The sections which follow are designed to make the motives for these changes clear.

... The experience with the present funds ...

As we saw above, it is the general fund which, at the moment, principally feeds the reserve for negotiations, with the regulation for turning over 10% of its revenue and any surplus to the reserve.



THE GENERAL FUND

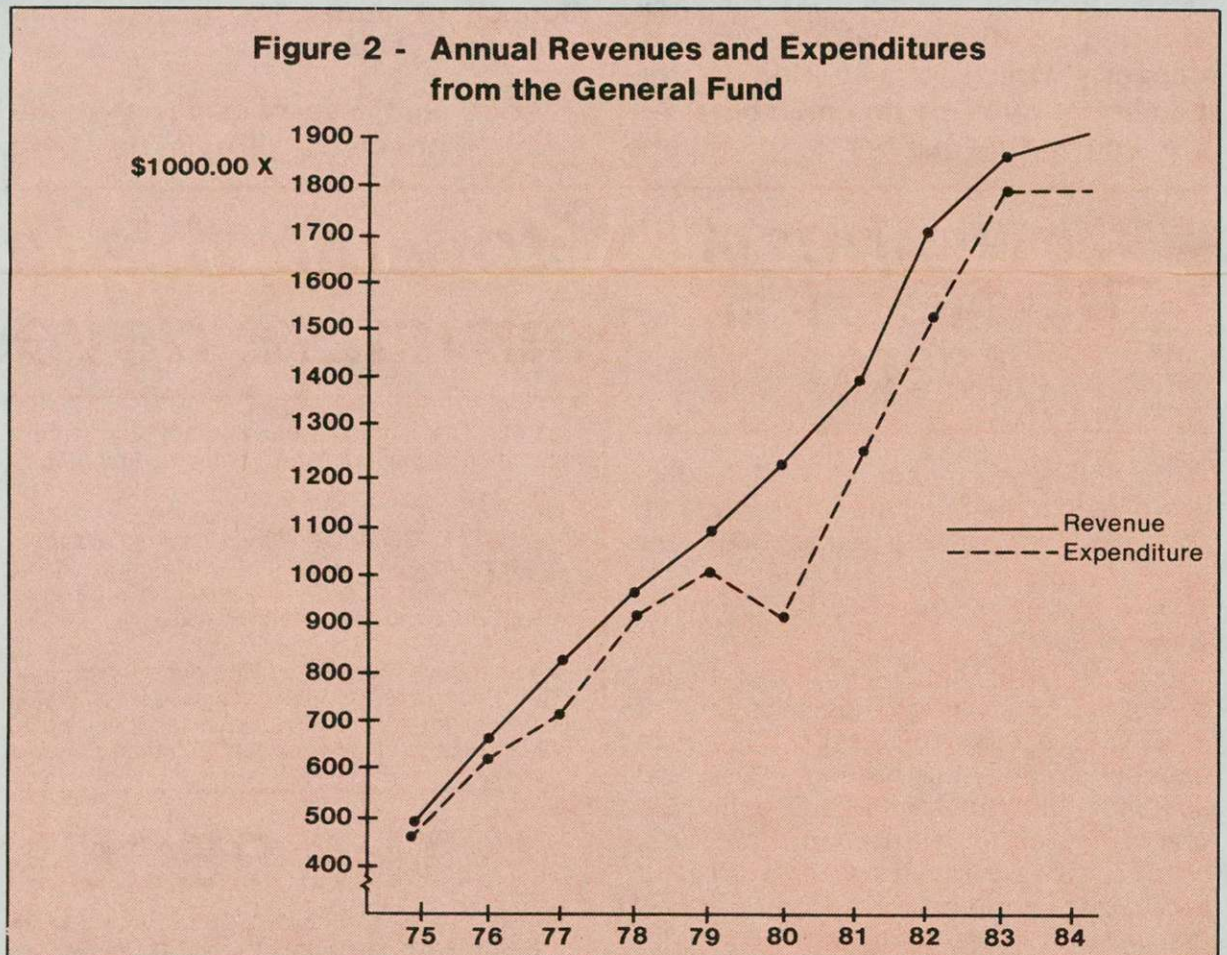
What is the dynamic of the revenues and expenditures of the general fund since 1975?

The Revenues

The revenues have always grown from year to year. However, the rate of growth has slowed down since 1982 (22% in 1982, 8% in 1983 and 2.7% in 1984). Still, the growth of global revenues masks, to some extent, the impoverishment of our collective revenues. In fact, if FNEEQ had not had some extra revenues in 1984, we would have seen a 2% drop in revenues.

The slowing in the growth of revenues is due to two factors: cuts in the salaries which dues are based on and a reduction in the number of jobs in the system, which reduced the membership of FNEEQ by 9.4% in 1983. In 1984 there was no return to growth.

Furthermore, we have to realize that, at the moment, more than half of the union

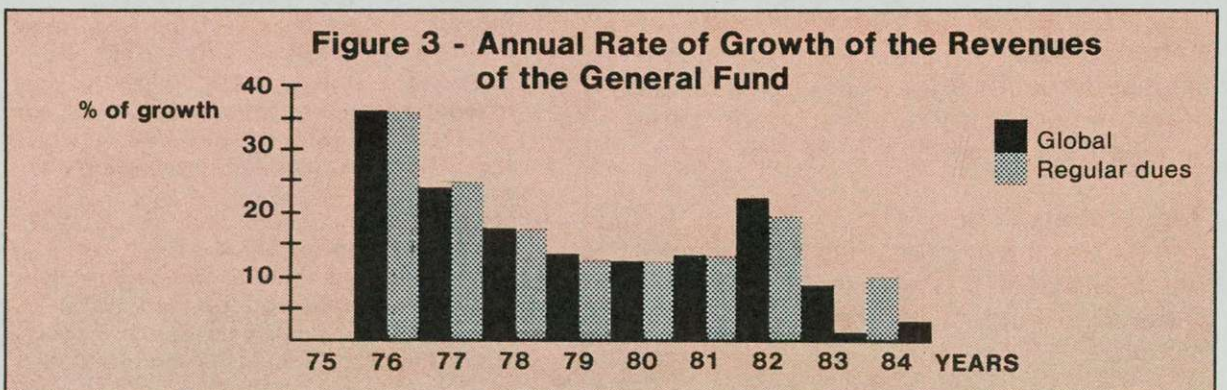


members affiliated with FNEEQ are at the top of their salary scale. A few years from now, this proportion may reach as high as 75%.

It should be understood that if there is a ceiling on the general funds, there is also a ceiling on the reserves for negotiations.

SUMMARY

A two-pronged logic	1
The principles of management at FNEEQ	1
It's financial structure	1
The recommendation	1
The experience with the present funds	2
- The general funds-revenues	2
- Expenses and Surpluses ..	3
- Dynamic of needs	3
- The negotiating funds-regular special dues	4
- The cycles of spending	5
Global financial picture	6
The present round and the reserve	7
The implications of the recommendation	8



THE GENERAL FUND

Expenses and the Surplus

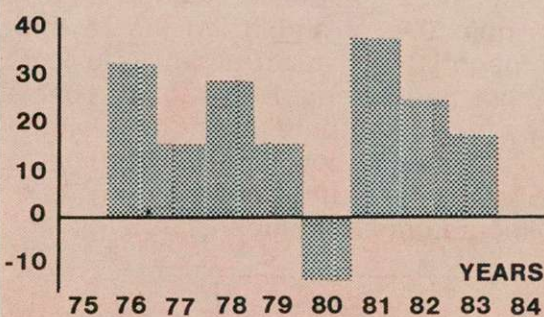
But this isn't all. The annual surpluses in the general fund have had a tendency to fall since 1981. In relation to the annual revenues, these surpluses were respectively 11% in 1981, 9% in 1982, 3% in 1983. In 1984, the surplus would only have been 1% of the revenue if it hadn't been for the unusual revenue already mentioned which brought it up to 5.4%. Of course FNEEQ cannot base its budgetary approach on the contribution of extraordinary revenues. Thus the tendency is clearly towards the reduction of the annual surplus.

We should also mention that the latest surplus, from 1984, was only possible because the regular percentage increase in expenditures, which was formerly set at a minimum of 15% a year, was put at 0% for 1984. In other words, the 1984 surplus was realized during a freeze on budgets.

There is nothing in the present circumstances which indicates that FNEEQ can maintain the general expenditures at this level forever. So any increase in expenditures may put the existence of a surplus into doubt, and thus the building up of the Reserve Fund for Negotiations.

Before continuing with the last factor of the revenue for negotiations (the special dues), let's take a look at how the expenses of the general fund are composed.

Figure 5 - Rate of Annual Growth of Expenses of General Fund

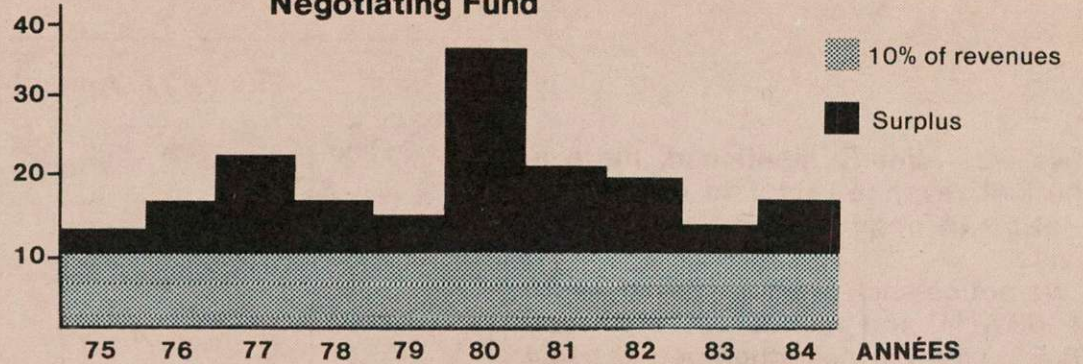


Dynamic of Needs

The increases in spending between 1975 and 1983 were always voted on in the Federal Council, which according to the rules, adopts the budget. In doing so, successive federal councils obviously tried to meet the needs expressed by the members and also tried to give unions the tools to lead specific struggles.

This situation led to fluctuations in expenditures which could appear uncertain from one budget to another. For example, in one year the Council made the Women's Committee and the Health and Safety Committee priorities and gave them both release-time which hadn't existed before. This was enough that, in a statistical table showing expenditures, the columns for "Committees"

Figure 4 - Percentages of General Fund Put into Negotiating Fund



and "Travel and Accommodations" showed a phenomenal increase. On the other hand, the next year the Council could focus on publications of the "School and Society Committee", which would have the effect of drastically dropping the expenditures in the columns mentioned above but increasing the expenditures in the "Publications" column.

However, it is still possible to group certain budget columns together to examine certain tendencies. Three headings have been identified to do this: **working time** (salaries, release-time, travelling and accommodations); **technical support** (offices, communications, publications...) and the money put into the reserve.

Using these headings, we see that from one budget to another, from 1975 to 1983, the

proportion of the budget given to each "type" of expense stayed relatively stable, although the "technical support" heading slowly took more and more money until 1984. This was then reversed since the freeze of general expenditures operated in fact from a reduction in this type of expenditure.

This shows that in its budgetary plans FNEEQ has always maintained a "preference" for maintaining direct ties with its unions and an open approach towards its planning bodies. The budget for the period that ended August 31, 1985 showed the same tendency.

To Sum Up

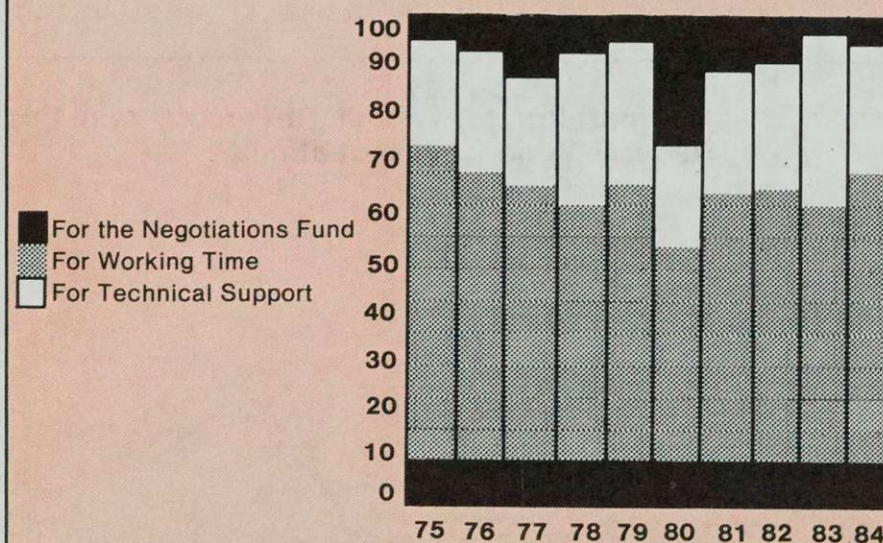
In brief, the revenues of the general funds, almost entirely made up of dues from the members, show a tendency to have reached a ceiling. The mandatory 10% that gets put into the Reserve Fund for Negotiations then also has reached a ceiling.

Even in slowing down the increase in expenditures with a total freeze on spending in 1984, the general fund no longer creates the surpluses that it used to. This also has reached a ceiling.

And FNEEQ is unlikely to get around the problem of further reducing its expenditures or even maintaining a prolonged freeze on its budgets, given the demands for services coming from the unions which themselves adopt the budgets in the Federal Council.

The financial squeeze is becoming more and more acute at the level of the general fund.

Figure 6 - Proportion of Revenue Used



In order to be clear, we have separated the statutory 10% of the General Fund, from the annual surpluses, both of which are turned over to the reserve for negotiations.

Funds for Negotiations

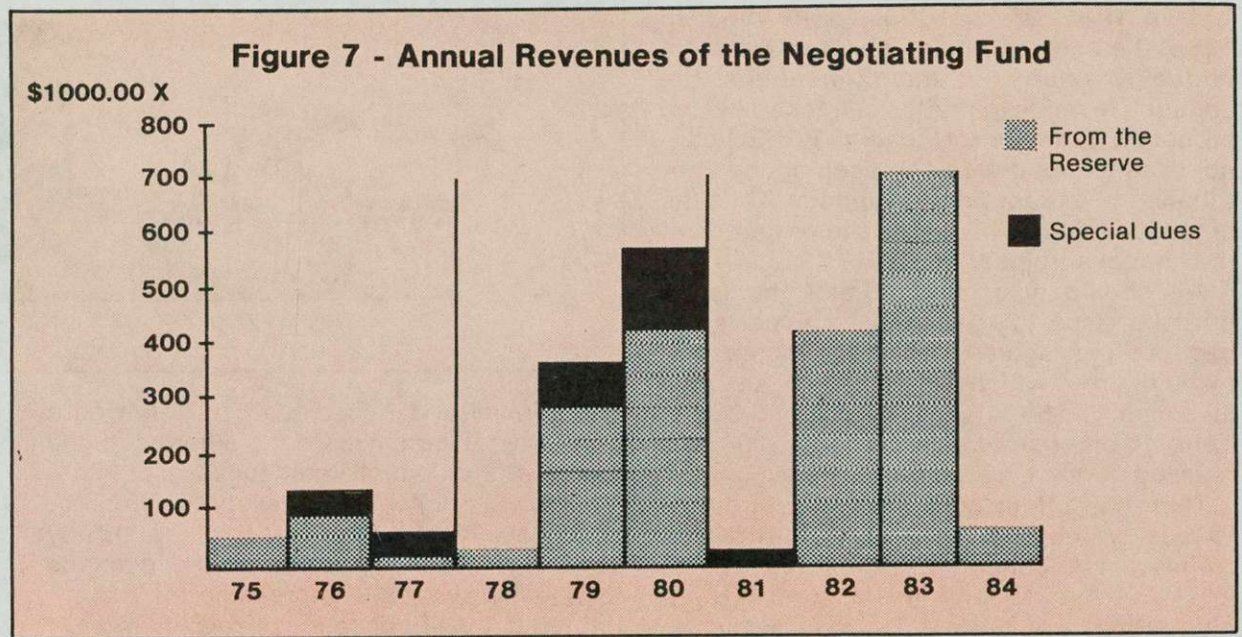
“Regular” Special Dues

As was already mentioned, there is one last revenue factor to consider in relation to negotiations-special dues levies.

We notice such special dues at a rate of .05% for the rounds of 75-77 and 78-80, with the collection period being longer for the 78-80 round and, in fact, continuing until the 81 round. The reason for this was that the increase in expenditures for the 78-80 round was about 116% from the previous round.

We should notice that during the following round, 81-83, there was no special dues increase. The Federal Councils, in consultation with the Secretary-General of the time, decided that after such a qualitative leap the revenues from the general funds, which would be used to replenish the reserve, would be sufficient for the next round. However, the increase in expenditures of 56% in this round applied to the figures of the previous round, that is \$750,000, gave us a sum of over one million dollars. This emptied the account, whose only revenue during this period was money from the general fund, which was growing at a slower and slower rate.

Thus, the Federal Council of November



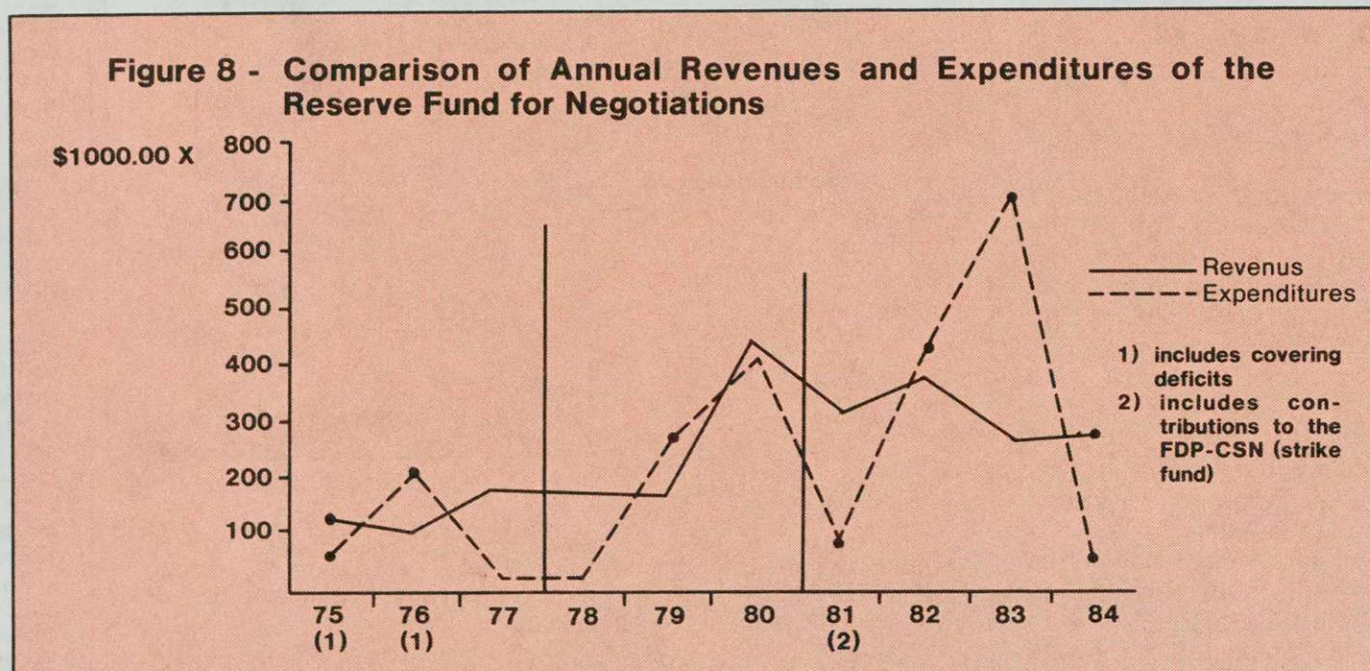
1983 posed the problem of the state of the Reserve Fund and the Council of November, 1984 installed the present special dues levy of .08% for one year. This was seen as a short-term solution to allow us to get through the round of negotiations that we are about to enter, without this time coming out of it with a considerable deficit.

In order to have a smaller special dues raise, it would have had to be applied earlier. Taking into consideration the “revenues ceiling” factor mentioned earlier, it has to be admitted that “earlier” probably means for a longer period of time than in the 78-80 round, since the expenditures to cover went up an

appreciable amount in dollar terms.

In short, with the level of expenses that characterized the last two rounds, we would have to levy special dues on a regular basis, especially when we take into consideration the fact that the general fund is less and less capable of taking care of the Reserve Fund for Negotiations.

The present recommendation aims at the objective of stabilizing the revenue for negotiations at an acceptable level, rather than letting the rate of special dues levied fluctuate. In a future round it could even go above the present special .08% which, let us repeat, is only to be collected until December, 1985.



Funds for Negotiations

The cycles of spending

Before agreeing to a regular dues increase to integrate the special dues raises, some people will no doubt wonder about the possibility of reducing the expenses of negotiations.

To respond to this question we can look at two aspects of negotiations: the make-up of three-year rounds and the factors that lead to increased expenses in the last round.

Figure 9 - Comparison of Annual Revenues and Expenditures of the Negotiating Fund

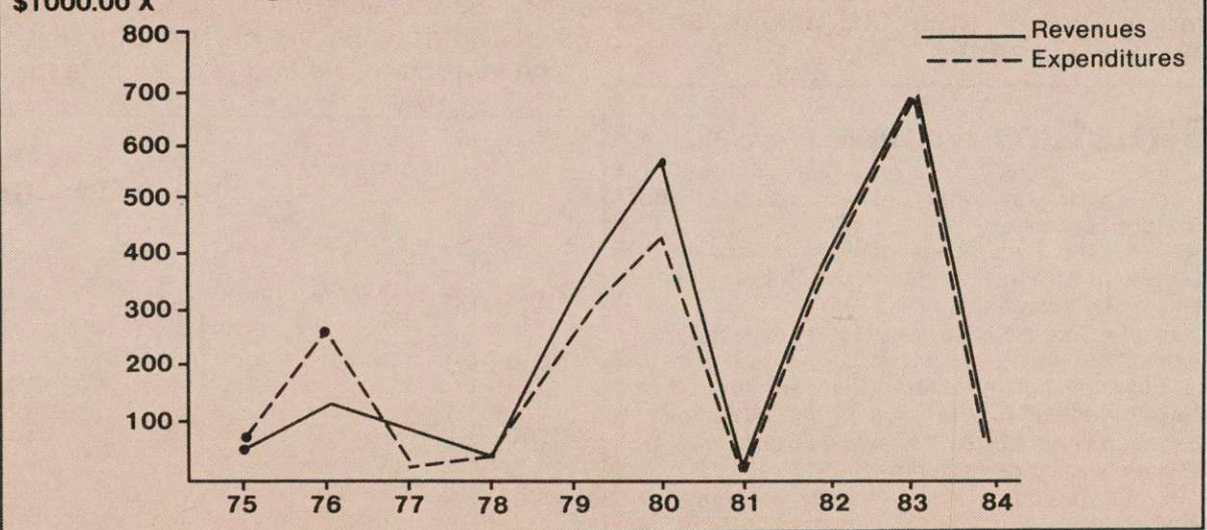
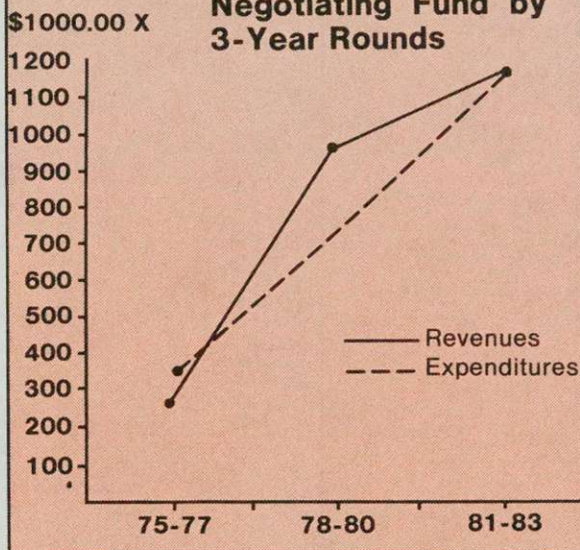


Figure 10 - Comparison of the Annual Revenues and Expenditures of the Negotiating Fund by 3-Year Rounds



First let's look at the cycles. In the past we saw variations in the years that we save money in the reserve and the years that we drew money from it. In the 75-77 and 78-81 rounds, two years out of three were years of putting money in the reserve and the year of drawing it out, the busy years for the Reserve, were the years when the CEGEPs were negotiating (76 and 79). The model for the 81-83 round was different. There was only one year of saving for the Reserve and two years of drawing from the Reserve, with a massive amount of money taken out of the Reserve in the second year, again because of the negotiations in the CEGEPs.

The public sector is going to live under a new "régime" of negotiations. Even without accepting local negotiations, which FNEEQ is still trying to fight, we are still left with the "permanent" aspect of negotiations, caused by the lack of synchronization of the subjects to be negotiated, which is liable to influence the manner and the level of FNEEQ expenditures...

Minimally, all members will certainly admit that the co-ordination of negotiations, taking place under a new "régime" that we are still fighting against, cannot be done without this double struggle being supported by adequate financial means.

But let's go back to the factors that led to the increased costs of negotiations in the last round.

The introduction of the budget items "Publications" and "Publicity" alone represents 36% of the global increase in expenses for the round. And this statistic excludes the special campaign, which was financed by voluntary contributions to the general fund. Do we think that FNEEQ should publish less this time and that we should try to address the public during this round less intensely?

The CEGEPs, who used up 77% of the budget of the 81-83 round, were responsible for the other factors that led to increased spending. Release-time for the negotiating committee (678%), the holding of Sectorial Workshops (553%) and the 40 meetings (50%) are the budgetary items which showed a significant increase. Is this surprising? For the first time we had to pay for part of the release-time for the negotiating committee... And the Sectorial Workshops had new mandates during the whole of the last round, for the first time.

Can FNEEQ prepare for negotiations in the CEGEPs without releasing a committee to go ahead and do the necessary preparatory work? Are the unions ready to reverse their decision on the Sectorial Workshops⁽¹⁾ of FNEEQ.

What would be the impact of this at the precise time that the government is trying to prevent any synchronization and to divide union strength?

We can add that the high increase in cost for the Sectorial Workshops will not be reproduced since these meetings were held in the 81-83 round. There may be variations in their frequency of course, but never to the point of seeing an increase of 553%. As for the "40", we can simply say that the 50% increase came from a reduction in the length of meetings. Travelling costs for the "40" are higher than food and lodging costs; therefore the disappearance of the "stand-by days" led indeed to an increase in costs, despite a drop in the actual number of meeting days. No doubt the Federation can think of ways to get more out of these meetings, which as we should recall, are to give local unions real control over the negotiations process.

Thus we can see that the factors which lead to an increase in cost for the 81-83 round are difficult to eliminate. At the most, we can imagine freezing the expenses of the present round at the level of the last round. This was the hypothesis of the Special Dues Committee in June, 1985, which was adopted by the June Council. Thus, this is the budget forecast that we have to consider supporting for the present round.

(1) Meetings of representatives of locals, by sector. The number of representatives per local is based on the number of members that a local has. Each sector (CEGEP, University, etc.) meets separately.

Principles...

Negotiations Fund (Continued from page 1)

Finally the "Negotiations Fund", as you would expect, is the operational account which pays for the expenses for the negotiations which FNEEQ does or co-ordinates every year in each of its unions groups (CEGEP, Private Institutions, Universities, Driving Schools). The revenue of the "Negotiations Fund" include transfers from the Reserve and the special dues instituted by the Federal Council each time that there isn't enough in the Reserve to meet the cost of the negotiations to come (such as the .08 in special dues which presently comes from the unions until December, 1985).

Structure... Continued from page 1

a ceiling on services, set according to the expected revenues.

1975: The Federal Council again finds itself faced with a recommendation which puts conditions on its spending:

"that the Council create a permanent reserve to finance provincial negotiations, concerted local negotiations and generally, the coordination of the negotiations for the whole of the federation; that each year, 10% of the revenue from the regular dues should be turned over to this fund."

At this period, FNEEQ already had to face negotiations which took place according to different sets of rules, depending on the group involved. The CEGEPs were grouped together at the provincial level, as was a large group of the private institutions, while in the universities and in some private institutions, it was quite different.

The creation of a 'reserve' became necessary at the time in order to spread out the heavy expenses of peak periods, while at the same time responding to the regular needs. This is where the rule of turning over 10% of the regular dues comes from. If the new recommendation is accepted, this rule would be changed to create an even more definite split in the regular dues. In short, ten years later FNEEQ is still trying to further stabilize the necessary revenue to finance future negotiations.

The .09 which is recommended today will thus replace:

- the 10% of the regular dues which was taken from the general funds and put in the reserve;
- the special dues which were "regularly" levied in order to avoid anticipated deficits.

1978: Any surplus from the general fund was ordinarily turned over to the reserve. This habit became a rule in 1978.

The present recommendation does not modify this rule. Any eventual surplus in the general fund would continue to be put into the "reserve for negotiations". The granting of .09% of the regular revenue to this reserve will, in fact, allow it to not have to hope for a surplus in the general fund to assure a balanced budget on the negotiating side.

1983: The Financial Audit Committee informed the Council that the negotiations reserve was at an abnormally low level. Since there were no special dues levied from 82-84, the reserve was emptied in order to pay for the CEGEP negotiations, which were more expensive than ever in that round.

This was the starting point for the revision of finances which culminates with the present recommendation.

1984: FNEEQ, following the general principles and conditions developed over the years, notably the prohibition of deficits, took three parallel short-term actions in regards to the reserve.

- It froze the expenditures of the general fund at the 1983 level, which permitted a surplus that was turned over to the reserve.
- It levied a special dues of .08% for one year; this levy also had the objective of bringing the reserve back up to an acceptable level to start a round of negotiations.
- It adopted criteria for using the negotiations fund which gave a fairer place to each of the groups within FNEEQ.

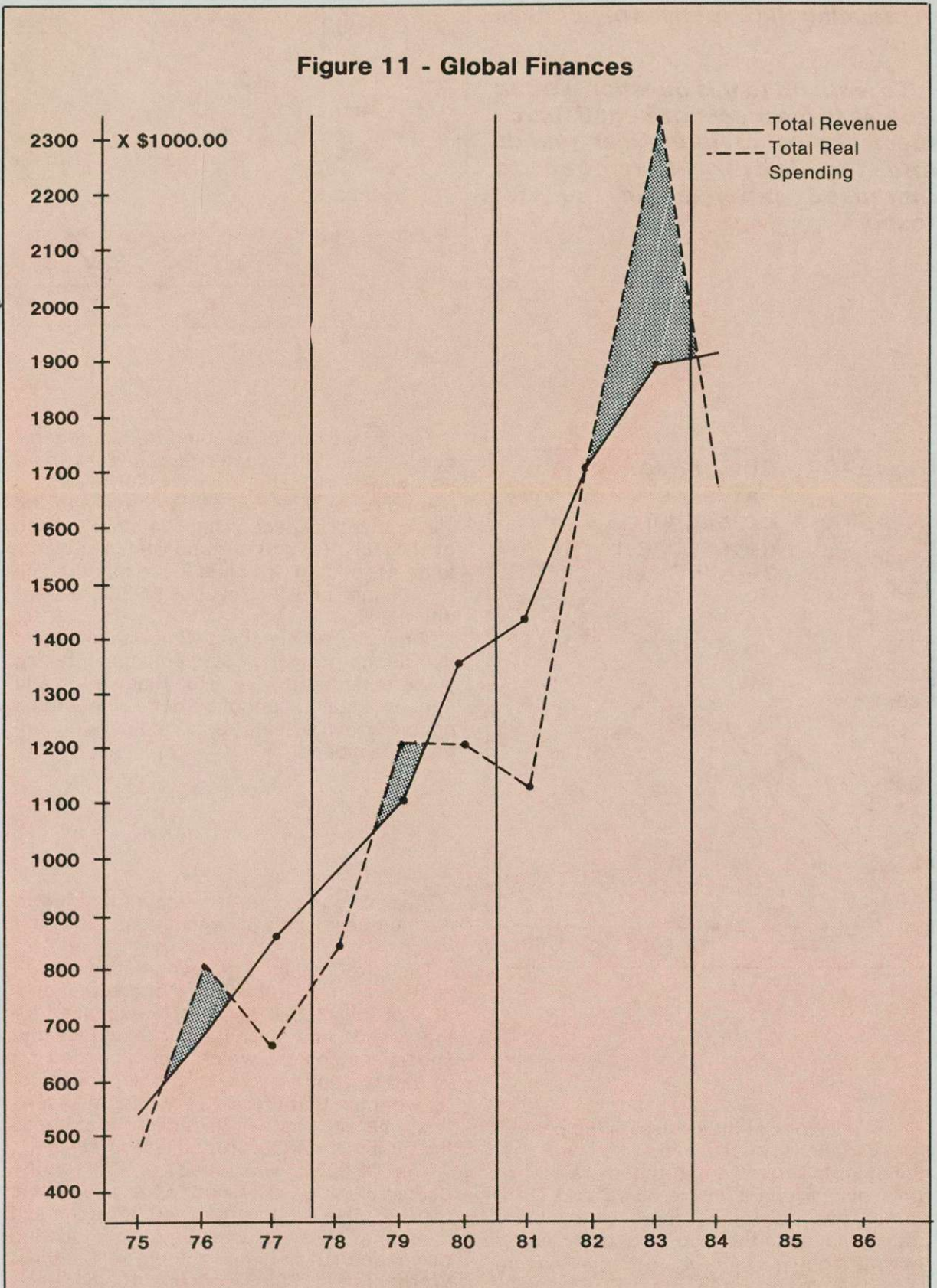
The global financial picture

If we combine all of the regular and negotiating expenses, FNEEQ's expenditures were more than its revenues in 1976, 79, 82, and 83. The withdrawals from the reserve lowered the balance to the point that the years 82 and 83 almost emptied the account.

Figure 11 shows at a glance the global volume of revenues and expenditures at FNEEQ in the past several years. This figure no doubt represents the best resume of the report of October, 1984. It shows that in each round of negotiations, we had to draw on the reserve and that, in the last round, we had to draw on it for

two years of the round. It also shows that the sums being withdrawn in the last round were very big ones, when we take into account the fact that there was a ceiling on revenues, which were no longer capable of feeding the reserve. It is also evident that we have to anticipate a substantial reserve in order to be able to meet sharply increased costs for negotiating. In fact the shadowed parts of Figure A represent what would have been the global deficit of FNEEQ operations, if we hadn't had the reserve at our disposal.

Figure 11 - Global Finances



We can also see here the effect of not having levied a special dues during the 81-83 round.

If the necessity of providing a reserve

is obvious in the light of these facts, it is also evident that this reserve must be adequately funded.

The current round and the reserve

The negotiating expenses for 83-84 were about \$53,000. Those of 84-85 can be expected, according to the figures of March 85, to be about \$300,000, while the initial estimate was \$602,000. We can rightly question however, if there is a possibility that some expenses that we had foreseen for the second year will in fact be made in the third year of the round, when the CEGEPs will be negotiating under a new and very problematic negotiating regime.

What is the foreseeable development of the reserve

Of course in order to predict the state of the Reserve, we first have to estimate our revenue. At present two elements are obvious: regular revenues show a tendency to have reached a ceiling and thus, must be considered as stable. On the other hand, the special dues raise of .08% will continue to be collected until the end of December.

The most difficult thing, of course, is to establish the estimations for negotiations expenditures in the years to come. This is closely tied in with the political and budgetary decisions that future Councils will take. We based our estimations on the following elements:

- maintaining the expenses of future negotiations at the same level as the last round of negotiations and if possible, lowering these expenses;
- the continuation of present negotiations past January 1, 1986;

- the possibility of extra expenses in 86-87 for the CEGEP negotiations (meetings of the 42);
- the new criteria for using the funds and their impact on the private institutions and universities;
- preparation for a new round of CEGEP negotiations in the spring of 1988;
- the general tendency for the expenditures of the negotiations fund to show less of a difference from year to year.

Using these foreseeable elements, at present we obtain the following development of the reserve:

	Foreseeable Development of the Reserve		
	in 85-86	in 86-87	in 87-88
Balance Aug. 31	457,514	77,514	61,514
Revenue: 10% of general fund	180,000	180,000	180,000
Revenue: special dues raise of .08%	110,000	—	—
Interest:	30,000	4,000	3,000
Estimated Expenditures	-700,000	-200,000	-300,000
Balance	77,514	61,514	55,486

The reconstitute the reserve

This solution would ensure that revenues of about \$360,000 per year go into the negotiations fund and thus, over three years, meet expenses equivalent to the expenses of the last three-year round of negotiations (about \$1,200,000). In the short term, this solution will ensure less funds than if we prolonged the special dues raise of .08% past January. However, it would still allow us to meet the estimated expenses of the present negotiations and to avoid draining the reserve during the coming year. Furthermore, in the middle term, this solution would allow us to reconstitute a reserve in the negotiating fund, as the following comparative table shows:

Estimated Evolution of the Negotiating Reserve	Scénario actuel	Selon l'hypothèse avancée .09%
	1985-86 Year	
Balance August 31, 1985	448543	448543
Revenue: 10% of general fund	180000	60000 (4 months)
.08 Special Dues (4 months)	110000	110000
.09 (New System)		240000 (8 months)
Interest	30000	30000
Less Expenses	-700000	-700000
Balance Aug. 31, 1986	68543	188543
1986/87 Year		
Revenues (anticipated)	180000	360000
Expenses 86-87	-200000	-200000
Balance Aug. 31, 1987	48543	348543
1987/88 Year		
Revenues (anticipated)	180000	360000
Expenses	-300000	-300000
Balance Aug. 31, 1988	-71457	408543

Objectives to meet

Thus, we would end 1986 with money in the Reserve but not a lot. Then the next two years, if there is no new revenue, would leave us with a deficit at the end of the 87-88 session.

The Federal Council has refused to accept this prediction of a deficit in the middle term and has adopted a recommendation which meets the following objectives:

1. to meet the expected expenses of the present negotiations which will continue after December;
2. to set the reserve for negotiations back on its feet at a level sufficient to allow us to face future negotiations, without having to ask for a special dues raise.
3. to ensure sufficient revenue for the negotiations fund to meet the estimated expenses during a three-year round.
4. to avoid fluctuations in the total amount of dues in the Federation.

In order to meet these objectives, we would have to, starting next January, raise the regular dues of the Federation from .45 to .5. Also we would have to do away with the rule of putting 10% of the general funds in the Reserve For Negotiations and replace it with a regulation that says that the dues will be split in the following fashion: .41 to go to the general fund and .09 to go to the negotiating fund. Any eventual surplus in the general fund would continue to be put into the negotiations reserve.

The June Council also adopted a resolution which forces FNEEQ to do another study of its finances for June, 1987. We can no longer let the situation evolve without being a lot more vigilant.

