



The HFC Adjunct Faculty Organization AFT Local 337



Fiscal Year 2019-20 Final Budget Proposal

Introduction

Please plan to attend the Winter General Membership meeting on Friday, March 22, 2019 at 3:00 p.m., in Room K-11 on the lower level of the Reuther Liberal Arts (K) building. During the meeting, the membership will be given an opportunity to discuss, question and amend this proposed budget before being asked to entertain a motion to approve.

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.

This document, drafted by William Norris, AFO Vice President, includes the proposed final budget for the upcoming fiscal year (July 1, 2019 – June 30, 2020). The budget was developed by the Executive Board and reviewed by the Finance Committee based on fiscally conservative principles. Both the Executive Board and the Finance Committee have unanimously voted to submit the budget to the membership with a strong recommendation for approval.

If you have any questions, concerns, or if you want to submit your vote on this proposed budget by proxy, please contact us at: afo@hfcc.edu.

Thank you,

Lynn Boza, President

Sherry Morgan, Treasurer

This FY 2019-20 proposed budget was presented to the membership on March 22, 2019. A motion to approve the budget (as amended) was made, supported and passed by the membership.

2019-20 Elections Committee Chair

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

Overview

The AFO is not in a fiscal crisis, but we do have a fiscal problem that this proposed budget addresses. In the fiscal year that ended June 30, 2018 (less than a year ago), our income was \$159,420. We are projecting income this fiscal year and next of about \$131,000. That means our income is down more than \$28,000!

Three factors have contributed to this problem: (1) Agency fees which accounted for about ten percent of our income in FY 2017-18 have been eliminated as a source of income; (2) our bargaining unit has shrunk as the College's enrollment has shrunk; and (3) the percentage of adjuncts who are AFO members has dropped from a peak of ninety percent to less than eighty percent (79%).

To address the situation, the Executive Board has already implemented a two-pronged plan. The first prong of our plan is aimed at convincing the 110 or so adjuncts who are not dues-paying members that membership is worth it.

To help get this done, the Executive Board approved an immediate expenditure of \$1,000 for an "organizing fellowship" program. Members will be asked to approve an additional \$4,000 in payroll expenses as part of this budget proposal for the program. Organizing fellows will receive stipends of \$750. This program is partially underwritten by our affiliates – two-thirds of the \$750 stipend is paid by AFT-Michigan and the AFT and one-third (\$250) is paid by the AFO.

Organizing fellows are trained by AFT-Michigan and in exchange for their stipends agree to do fifty hours of organizing. We sent six adjuncts to the training this semester (hence, the immediate \$1,000 expense) and plan on sending additional adjuncts to the training in the fall.

The second prong of our plan is aimed at encouraging those who refuse membership despite our best efforts to voluntarily pay "fair share" fees. The Executive Board, acting on the authority granted by the AFO Constitution, has created a new category of non-members we're calling "voluntary fair share fee payers" and we are currently negotiating its implementation with the College. Voluntary fair share fees have been set at 1.4% of income which is approximately two-thirds of the 2.05% members pay in dues.

We might recover some of the lost income through fair share fees and a strengthened membership, but we are probably never going to recover all of it. If less income is our new reality, our "nest egg" is the reason it's not a nightmare. As of January, 2019, our profit/loss statement shows a cash balance of just under \$168,000.

A cash nest egg is needed in case of unexpected expenses such as legal fees and other periodic major expenses. Our stated goal was to have enough cash to cover three or four months of operating expenses plus \$25,000 for legal expenses and other emergencies. Our current cash position far exceeds that and in the past we may have been considering a motion to reduce membership dues. Given the uncertain near term future, however, being fiscally conservative dictates that we not do so, at least at this time.

In the sections that follow we provide the assumptions and figures for our FY 2019-20 budget. The first section is our income estimate. The following section provides the figures and explanations for our expected FY 2019-20 expenses. Having enough cash to cover a year's worth of operating expenses does mean that we can approve a budget that has very little margin built into it as will be seen in the final section, "Bottom Line."

FY 2019-20 Income Estimate

This year is not the first time the AFO has experienced a twenty percent drop in income. During our first years, the College's enrollment swelled and our bargaining unit, and income, swelled along with it. The AFO's income peaked at almost \$167,000 in the fiscal year that ended in June 2013. Then came the College's near fiscal collapse. The AFO's income for the next fiscal year (2013-14) dropped to \$133,178.

By the next year (the one that ended June 30, 2015), the AFO's income had rebounded to just over \$157,000. That recovery was made possible because AFO members had approved a dues increase for themselves (and a corresponding increase in agency fees) during the winter general membership meeting. Raising our dues from 1.85% to our current rate of 2.05% meant that even though the College's enrollment continued to decline (albeit more gradually), the AFO remained on solid financial ground.

This time we don't have the same options that we had then. If we raise dues high enough to make up for declining enrollment and the loss of agency fees, it will make it even harder to attract members. Our organizing efforts and an appeal to non-members to pay their fair share may make up for some of the loss income, but the reality, at least for the foreseeable future, is that we are going to have to learn how to make do with less.

So, how much less?

Based on the first seven months of this fiscal year and our projections for the last five months, we anticipate this year's income to total \$131,116. We are cautiously estimating duplicating that amount in the upcoming 2019-20 fiscal year. Our bargaining unit is scheduled to receive a three percent pay raise in September which would equate to a three percent increase in dues income for the AFO if nothing else changed. However, we think any increase in income deriving from the pay increase will be offset by a decline in dues because of a reduction in our bargaining unit size. We're also assuming that the overall percentage of adjuncts who choose AFO membership will remain at about the same level (80 percent) in the next fiscal year.

It should be understood that our actual monthly income next year (and in the rest of this year) will be higher or lower than the amounts shown here. If our organizing fellows are successful, we may have underestimated our income. However, if the enrollment decline accelerates, we may have overestimated our income. We live in an uncertain world.

Income Estimate 2019-2020													
Item	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Item Total
Dues	\$ 4,929	\$ 4,977	\$ 11,947	\$ 13,065	\$ 13,081	\$ 13,224	\$ 9,631	\$ 11,650	\$ 11,740	\$ 11,650	\$ 11,403	\$ 13,219	\$130,516
Interest	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$600
Grand Total	\$4,979	\$5,027	\$11,997	\$13,115	\$13,131	\$13,274	\$9,681	\$11,700	\$11,790	\$11,700	\$11,453	\$13,269	\$131,116

FY 2019-20 Estimated Expenses and Explanations

The next table shows our estimated 2019-20 expenses in five major categories: (1) per capita dues and insurance payments, (2) contract services, (3) operations, (4) payroll, and (5) travel and meetings. The estimated expenses for next year are compared to our projected expenses in the current fiscal year (FY 2018-19). Projected expenses are the actual expenses for the first seven months of the current fiscal year and our anticipated expenses for the rest of the year. For each expense category, there are two lines – the first shows our projected expenses for “this year” (the year that ends June 30, 2019) while the second line shows our estimated (budgeted) expenses for the category in the upcoming 2019-20 fiscal year.

Our projected expenses for the fiscal year that will end June 30, 2019 are expected to total about \$128,000. The AFO has always operated on fiscally conservative principles and there isn’t a lot of fat to be cut. In fact, next year’s expenses are expected to grow slightly to about \$130,000.

Additional detail and explanations for each of the five expense categories, especially when there are significant year-to-year differences, can be found immediately below the estimated expense table.

Estimated Expenses 2019-2020

Item	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Item Total
Dues and Insurance Payments to Affiliated Unions													
This FY	\$ 2,158	\$ 2,205	\$ 5,114	\$ 5,422	\$ 5,473	\$ 5,505	\$ 4,594	\$ 6,715	\$ 6,748	\$ 6,717	\$ 6,661	\$ 2,875	\$ 60,187
Budget	\$ 2,158	\$ 2,205	\$ 5,114	\$ 5,422	\$ 5,473	\$ 5,505	\$ 4,594	\$ 6,715	\$ 6,748	\$ 6,717	\$ 6,661	\$ 2,875	\$ 60,187
Contract Services													
This FY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Budget	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operations													
This FY	\$ 137	\$ 127	\$ 10,132	\$ 132	\$ 132	\$ 217	\$ 132	\$ 132	\$ 132	\$ 132	\$ 132	\$ 2,632	\$ 14,169
Budget	\$ 2,642	\$ 167	\$ 167	\$ 167	\$ 167	\$ 252	\$ 167	\$ 167	\$ 167	\$ 2,667	\$ 167	\$ 167	\$ 7,064
Payroll													
This FY	\$ 4,198	\$ 4,198	\$ 4,126	\$ 6,186	\$ 4,124	\$ 4,124	\$ 4,161	\$ 5,529	\$ 4,445	\$ 5,445	\$ 4,885	\$ 4,445	\$ 55,866
Budget	\$ 4,464	\$ 4,464	\$ 4,464	\$ 6,464	\$ 4,464	\$ 4,464	\$ 4,598	\$ 6,721	\$ 4,847	\$ 4,977	\$ 5,111	\$ 5,249	\$ 60,287
Travel and Meetings													
This FY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Budget	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 2,400
Totals													
This FY	\$ 6,493	\$ 6,530	\$ 19,372	\$ 11,740	\$ 9,729	\$ 9,846	\$ 8,887	\$ 12,376	\$ 11,326	\$ 12,295	\$ 11,678	\$ 9,952	\$ 130,224
Budget	\$ 9,464	\$ 7,036	\$ 9,945	\$ 12,253	\$ 10,304	\$ 10,421	\$ 9,559	\$ 13,803	\$ 11,962	\$ 14,561	\$ 12,138	\$ 8,491	\$ 129,937

Dues and Insurance Payments to Affiliated Unions

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 dues payments to each of these affiliated organizations to support the work they do that benefits us in both direct and indirect ways. We also purchase insurances for our members through our affiliation with AFT.

During our organizing drive and first contract campaign we were supported by the AFT and AFT-Michigan. Our affiliates 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. The fact that AFT-Michigan and the AFT are underwriting our Organizing Fellowship campaign (discussed above) is an example of the kind of support we continue to receive from our affiliates.

Dues and insurance payments are one of our two biggest expense categories and they are the only expense category positively correlated with our income. When income goes up because our membership grows, our per capita payments go up. When our membership declines, our per capita payments are reduced. Accordingly, dues payments and insurances vary each month because the number of AFO members varies considerably from month-to-month following the same rhythm that our income does.

We pay dues to the American Federation of Teachers based upon the number of members we have in each of four income categories set by the AFT. A local pays: (1) \$5.68 per month per full time employee – we have none; (2) \$2.84 per month per employee with half-time earnings; (3) \$1.42 per month per employee with quarter-time earnings; and seventy-one cents per month per employee with one-eighth earnings. In addition to dues, we purchase accidental death and dismemberment insurance and occupational liability insurance for AFO members through the AFT.

Determining our per capita payments to the AFT is a labor-intensive process so we were happy to enter into a two-year pilot with AFT-Michigan that will replace such capitated payments with a percentage of payroll. The process of determining which of our 400+ members should be paying in which category is labor-intensive. Paying a percentage of payroll, rather than a capitated amount, eliminates that work. Under the pilot, AFT-Michigan per capita dues payments have been replaced by a percentage of payroll – 0.4 percent. Just as the dues our members pay are a percentage of their payroll, our dues to AFT-Michigan are being paid as a percentage of our total payroll.

Our Financial Records Secretary and Treasurer have tracked our payments to AFT-Michigan during the pilot. Their analysis compares the old capitated method of paying our AFT-M dues to the new method (a percentage of the total payroll of our members). The results show that there is very little dollar difference between the two methods and that the little difference there is tends to favor the AFO. We are enthusiastically advocating that AFT-Michigan make the pilot permanent and we are planning on urging the national AFT to adapt a similar policy during its July 2020 convention.

In addition to dues payments to the AFT and AFT-Michigan, the AFO also makes per capita dues payments to the Metro Detroit Council of the AFL-CIO and the State Council of the AFL-CIO. However, in the case of the AFL-CIO Councils, the payments are smaller and don't require us to differentiate members by earnings category.

None of these per capita payments are expected to change during the upcoming fiscal year.

As shown in the table, it is estimated that per capita and insurance payments will total \$60,188 for the current fiscal year (FY 2018-19). Based on the same set of assumptions that went into our income estimate, we expect per capita payments in FY 2019-20 to be the same \$60,188. It

should be understood, however, that this is a budget category that hinges on the same assumptions that went into our income estimate. Accordingly, just as income may be (no, will be) higher or lower than estimated, our per capita and insurance expenses will be higher or lower than expected.

Contract Services

This category includes three sub-categories – online voting, accounting fees, and legal fees – that have not impacted us this year and aren't expected to impact the AFO next year. We don't anticipate a contested election that requires online voting or a recommendation for an audit from our finance committee. If a contractual dispute or other issue leads to unexpected legal expenses, the Executive Board will approve a special appropriation. We did not incur any contract services expenses in FY 2018-19 and we see no need to budget for contract services in FY 2019-20.

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.

1. Banking fees: Given the size of our cash account, the AFO isn't charged any banking fees. We have had no banking fee expenses thus far in FY 2018-19 and don't expect any in the upcoming fiscal year.
2. Contributions: In September, the AFO made a \$10,000 contribution to the HFC Millage Renewal Fund. We do not expect to make any more contributions during the remainder of this fiscal year. In the past, the AFO has given generously to the HFC Founders Scholarship Fund (since dissolved), to the HFC Foundation to fund a scholarship, and to other charitable or civic-minded organizations. Given the AFO's uncertain financial situation, we are budgeting less for contributions next year. This budget proposes contributing up to \$2,500 during FY 2019-20 to the HFC Foundation or other organizations with missions consistent with the objectives of the AFO as stated in our Constitution that may be able to further the interests of the AFO in the judgment of the Executive Board.
3. Fidelity Bond: The AFO purchases a fidelity bond through the AFT to protect the membership from any mistakes or crimes committed by AFO fiduciaries that result in financial loss to the AFO membership. The cost of this bond is \$85 per year paid in November.
4. Hospitality: The AFO purchases snacks for meetings and an adjunct break room and occasionally approves larger hospitality expenditures to boost morale, celebrate achievements, and recognize significant contributions of our members and officers. In February of this year, the Executive Board approved a special hospitality expenditure of \$5,000 to be used for expenses related to a celebration of the tenth anniversary of our first contract. The celebration is to be held in May 2019. Given the proximity of the celebration to the end of the current fiscal year, we expect half of those expenses to be paid in each of the two fiscal years. Accordingly, we're including the first half in our

projected Operations/Hospitality expenses for the remainder of this fiscal year and the other half is included in the July, 2019 budget.

5. Miscellaneous: This category is a placeholder and is not normally used. Under AFO accounting practices, recurring expenses cannot be categorized under “miscellaneous.”
6. Office Supplies: We haven’t needed to purchase any office supplies in the current fiscal year, but we are budgeting a minimal amount for office supplies in the next fiscal year (\$10 per month).
7. Postage, Mailing: We also haven’t incurred any postage or mailing expenses in the current fiscal year and we don’t anticipate any need to budget for such costs in the upcoming fiscal year.
8. Printing and Copying: Our contract with the HFC Board of Trustees provides us with access to on-campus meeting rooms, copying and printing services, and so forth. We have made good use of the college’s printing and copying services in the past and continue to do so. For example, if you’re reading a printed copy of this document there’s a good chance it was printed and copied on college equipment. As a result, we haven’t incurred any printing and copying expenses this fiscal year and don’t anticipate incurring any next year, so we are not budgeting for such expenses in 2019-20. (We have, however, occasionally outsourced printing to a union printer. For example, the college probably wouldn’t want to print our on-strike signs if we voted to go on strike – just saying.)
9. Rent: The current rent for our office (A-006 of the Learning Technology Building) is \$132 per month. This amount covers expenses for utilities (including internet access).

As shown in the FY2019-20 expense table, we are budgeting a total of \$7,064 for operations expenses in FY 2019-20. That figure is about half of the \$14,169 we are projected to spend this year. Most of the difference is the result of reducing our contributions expense from last year’s \$10,000 to this year’s \$2,500.

The Operations category is a mixture of “fixed” and “variable” costs. Obviously, if we needed to, we could reduce the amounts we contribute or spend on hospitality. It would be harder to eliminate the cost of our rent or the need to occasionally buy stamps and office supplies.

Payroll

Along with dues and insurance payments to affiliates, payroll is our biggest expense. Unlike dues and insurance, however, payroll is not correlated with income. Dues and insurances go down automatically when our income goes down. It is much more of a challenge to reduce payroll when income goes down. In fact, we are asking members to approve an increase in our payroll.

The AFO has ten fiscal years’ worth of accounts. Over the years our payroll expense has ranged from a low of \$52,688 in the fiscal year that ended in June 2017 to a high of \$64,181 in the year that ended in June 2014.

It does in fact take a lot of time and effort and a certain amount of expertise to run a local union, especially one that experiences the AFO’s turnover and is our size. 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 cumulative hours contributed by dozens of members who have come to

meetings, read budget reports, served on committees including the Executive Board, or in some other way have given their time to the AFO.

Under current AFO financial guidelines, any Executive Board member or other person who earns more than \$10,000 in AFO salary is required to enter into a Personal Services Agreement with the union that makes reference to a job description that is reviewed and approved by the full Executive Board. At present, two AFO officers, President Lynn Boza and Vice President William Norris have signed such PSAs. In calendar year, 2019, per the PSAs, the president's salary is \$13,718 and the vice president's salary is \$13,000.

The PSA requires the "employee" to work a minimum number of hours per week, to keep a log of hours worked and categories of work performed (e.g. administration, communications, contract enforcement, meetings, organizing, record-keeping), and to regularly open the AFO office. The job descriptions for Executive Board members with PSAs are not made public, but can be reviewed by any AFO member.

Executive Board members paid less than \$10,000 do not enter into personal service agreements. Salaries (whether covered by personal service agreements or not) are based on duties performed and expected results. The AFO Constitution lists the primary duties of the President and other elected or appointed Executive Board members. If an Executive Board member earning less than \$10,000 fails to attend meetings and/or otherwise neglects her or his duties, her or his salary can be stopped by a simple majority vote of the rest of the Executive Board. Such issues are covered by the personal service agreements of those earning \$10,000 or more.

Current salaries for AFO Executive Board members without personal service agreements – Grievance Officer Edgar Johns, Treasurer Lorena Bencsik, Financial Records Secretary Sherry Morgan, and Recording Secretary Margaret Green – are all set at: \$5,512.58.

The budget estimate includes a three percent raise for all six executive board offices that will go into effect in January, 2020. The three percent budgeted increase equals the three percent increase all adjuncts will receive from the College in September, 2019.

Executive Board member salaries are generally paid through the AFT-Michigan payroll. AFT-Michigan charges us the employee's salary plus 12.5 percent to cover the employer's share of FICA, Medicare, and other payroll taxes. Accordingly, our estimated 2019-20 payroll expenses include the current base salaries of Executive Board members, plus the three percent increase effective January 1, 2020, plus the AFT-Michigan percentage for payroll taxes.

In addition to Executive Board salaries, another item that is included in next year's payroll budget is \$4,000 for Organizing Fellowships, \$2,000 in the Fall 2019 semester and \$2,000 in the Winter 2020 semester. Only \$1,000 for organizing fellows is included in the projected expenses for FY 2018-19 so this represents a year-to-year increase of \$3,000. (The organizing fellowship program is discussed in the Overview section of this document.)

Also included in both fiscal years is \$400 for "dues refunds" provided to members of standing committees such as the Finance Committee which conducts the annual financial review.

Comparing our projected actual total payroll expense for FY 2018-19 (\$55,826) to our estimated FY 2019-20 payroll (\$60,285) shows an expected increase of just over \$4,000. The additional \$3,000 to be spent on the organizing fellowship program explains most of the difference, but an increase should be expected if we plan to continue to attract and retain the people we need to do the work that needs to be done.

Travel and Meetings

This last major category records expenses related to conferences and meetings and to reimbursements for travel expenses while on AFO business. Similar to payroll costs, travel and meeting costs do not correlate with our income. If money is tight, we can always slash our travel budget. That’s what we did this year – we haven’t spent a dime on travel (although we may have some reimbursable expenses before the end of the year).

While cutting travel in the short term is always a possibility, it is not a viable long term strategy. We are paying per capita dues to our affiliates, so we should be represented at their conventions and benefit from their training programs. The next biennial convention of the AFT won’t be held until July 2020, but we are budgeting \$2,400 (\$200 per month) for travel expenses in FY2019-20. This will give us the option of taking advantage of training opportunities.

Bottom Line

The chart below is the projected “profit and loss” statement based on our estimated income and our estimated expenses as presented in this proposed budget:

Item	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Item Total
Income	\$4,979	\$5,027	\$11,997	\$13,115	\$13,131	\$13,274	\$9,681	\$11,700	\$11,790	\$11,700	\$11,453	\$13,269	\$131,116
Expenses	\$ 9,464	\$ 7,036	\$ 9,945	\$ 12,253	\$ 10,304	\$ 10,421	\$ 9,559	\$ 13,803	\$ 11,962	\$ 14,561	\$ 12,138	\$ 8,491	\$129,937
Profit/(Loss)	(\$4,485)	(\$2,009)	\$2,052	\$862	\$2,827	\$2,853	\$122	(\$2,103)	(\$172)	(\$2,861)	(\$685)	\$4,778	\$1,179

As the chart shows, total income next year is expected to be about \$131,000 against expenses of about \$130,000. If all goes as planned, we will add \$1,000 to our cash balance by the end of the fiscal year! In the past, we would have been uncomfortable recommending a budget with such a narrow operating margin. Given the size of our nest egg, we can do so without undue risk.

It even means we could run modest deficits for several years, if necessary.

Thank you for your consideration of our final budget proposal!