

## MIL RATE PROPOSAL BRIEFING NOTE

### BACKGROUND

On March 15 2018, the representative Council of the University of Victoria Faculty Association (the Association) voted in favour of bringing a proposal to raise the current mil rate to the Association membership during its April 11, 2018 Annual General Meeting (AGM). Council's recommended proposal was one of three options presented by the Finance and Investment Committee as a way of ensuring that the Association has sufficient reserve funds to handle unpredictable costs, such as the legal costs of arbitration. The current practice of the employer to prefer arbitration over informal resolution as a means of addressing concerns raised by the Association has placed a significant financial strain on the Association's finances.

The recommendation for a mil rate increase came from the Finance and Investment Committee (Martin Farnham, Economics; Chris Graham, Business; Rebecca Warburton, Public Administration & Association Treasurer). Members attending the April 11, 2018 AGM will be asked to vote on a motion to submit Council's recommended Mil Rate Proposal to an electronic ballot of the entire Membership.

### KEY ISSUES

- Given the Association's legal obligation to represent all members who bring forward a workplace-related concern, the Association's budget is projected to be in deficit from the current fiscal period forward if we maintain the current mil rate.
- The Association is legally obliged to fairly represent all its Members, even under financial constraints.
- As per the graph below, legal fees from 2012-2013, 2013-2014, 2016-2017, and 2017-2018 were well above average, due in large part to grievance arbitration costs.



- It is notable that the Association has not yet lost an arbitration. The Association's practice is to exhaust all attempts at informal resolution before considering grievance and arbitration mechanisms, and we are judicious and conservative when it comes to making decisions to refer matters to an external arbitrator.
- The ongoing professionalization of the Association has increased its in-house capacity to provide services to the Membership. As such, the Association has also seen an uptick in the number of Members requesting support.
- Our current projected annual operating budget, including contingencies for two Membership Services grievance arbitrations, is now approaching \$800,000.
- Maintaining a reserve of at least one year's funding is a recognized good practice among CAUT members.
- Current reserves are \$220,000; the Finance and Investment Committee recommends that a reserve target of \$800,000 be achieved in 2-3 years.
- In order to follow Council's recommendation to propose a mil rate increase to the entire Membership, the Association is seeking approval from two-thirds of the members voting at the April 11, 2018 AGM.
- In order for a mil rate increase to take place, the Association requires two-thirds approval in an electronic ballot of all Members.
- Support from the membership to raise the mil rate is a clear sign of the collective strength and solidarity of Association Members. This should translate into greater responsiveness from the employer during the 2019 collective bargaining process.

## PROPOSALS

The Finance and Investment Committee brought three alternative mil rate proposals to Council, all aimed at building an \$800,000 Defence Fund. The purpose of the Defence Fund is to cover extraordinary legal costs associated with Membership Services or bargaining (for example, in the event of a lockout).

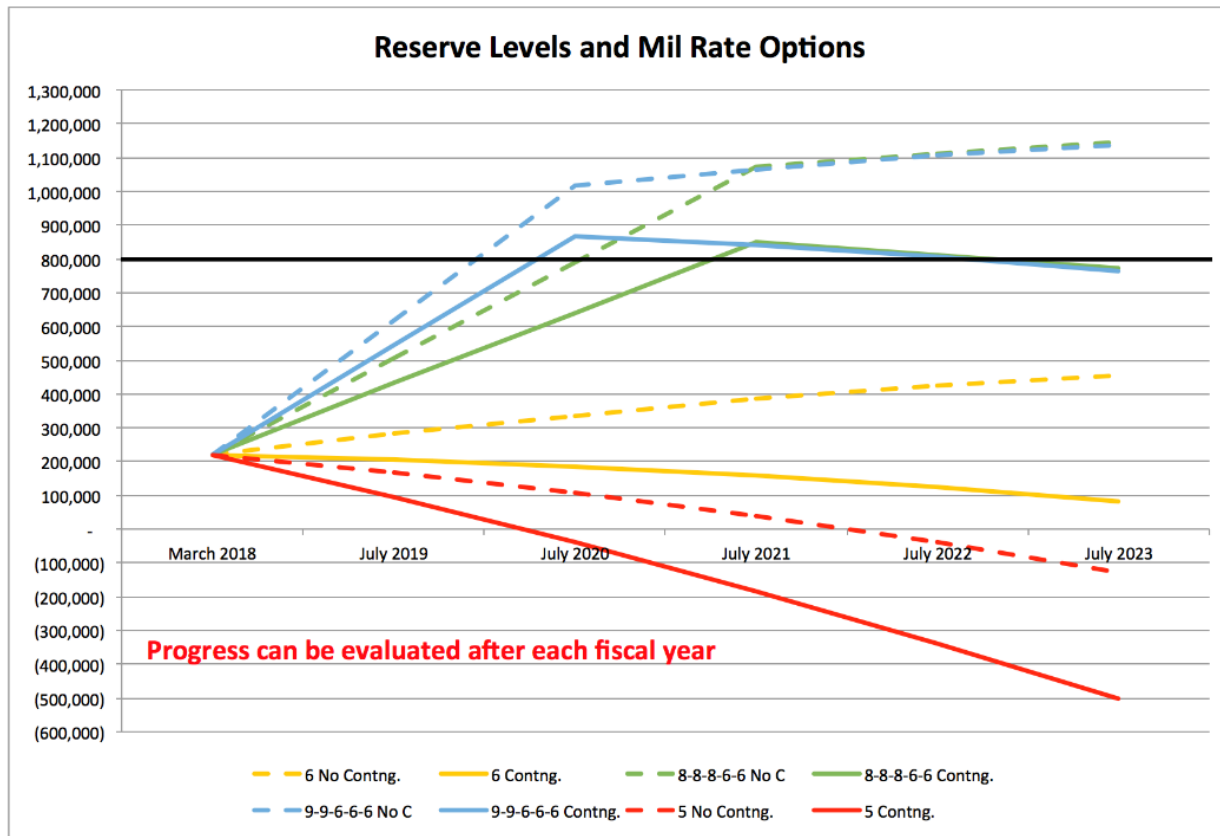
The proposals were as follows:

- **Option 1** – Raise to 6 and stay at 6 (<\$2/week/\$100,000 salary)
  - Reserves reach only 10% to 57% of target by 2022/23
- **Option 2** – Raise to 8 for three years, then drop to 6 (<\$6/week, then <\$2/week/\$100,000 salary)
  - Reserves reach target by end of 2019/20 or 2020/21
- **Option 3** – Raise to 9 for two years, then drop to 6 (<\$8/week, then <\$2/week/\$100,000 salary)
  - Reserves reach target by end of 2019/20

The graph below shows five-year projections of reserve levels for the three mil rate proposals and for the status quo (5), with solid lines showing reserves at year-end if all contingency costs are expended every year, and dashed lines showing reserves if no contingency costs are expended in any year. These paired lines show the likely range of reserve funds for each mil rate option.

The graph shows:

- Red lines – Status quo – reserves exhausted (\$0) by 2020 or 2021
- Yellow lines – Option 1 – reserves reach an average of \$270K by 2023
- Green lines – Option 2 – reserves reach \$800K in 2020 or 2021
- Blue lines – Option 3 – reserves reach \$800K in 2019 or 2020



The Council passed a motion, which will be submitted to the membership at the April 11, 2018 AGM, to present a mil rate increase proposal as follows:

*THAT effective as soon as possible following approval of the Membership, the mil rate increase from 5 to 8 for a 3-year period ending on June 30, 2021, and then be reduced from 8 to 6 effective July 1, 2021, to remain at 6 until altered by Resolution.*

AND

*THAT this mil rate proposal be presented to the Membership at the April 11, 2018 Annual General Meeting, along with a motion for the Members present to direct the Association to hold an electronic ballot of the entire Membership on whether to adopt the proposed mil rate changes.*