

**Minority Report
of the
Special Board of Directors Teleconference
November 29th, 2019**

This Minority Report is submitted in accordance with Article III Section 3.K. of the APFA Constitution.

Financial Issues

APFA experienced several issues in the Treasurer's Department during 2018/2019, that precipitated the National Officers taking steps to ensure the financial standing and stability of our members' dues remains secure moving forward. The following unexpected events, along with the voting Board (Base Presidents) decision to pass an inadequate and poorly forecasted annual budget led up to the conditions we are currently addressing:

- 1) The loss of APFA's Sr. Accountant, necessitating hiring a temporary accountant who did not have the ability to produce needed Financial Reports with the programming available;
- 2) A subsequent delay that was incurred in submitting the union's Annual Audit due to the incorrect Financial Reports;
- 3) A resultant delay in submitting Annual LM2 Reports; and
- 4) A 7-month delay in producing departmental financial reports and budgets.

Once apprised of the situation, APFA National President Bassani immediately consulted with legal to take steps to hire a national Washington DC based auditing firm known for professional assistance for unions, specializing in LM2 Reporting and DOL compliance to ensure our finances were up-to-date and government compliant. This firm was submitted and approved during the August 2019 Executive Committee meeting. All Ad Hocs briefed their respective Base Presidents. However, since the union's independent auditor was in the process of conducting the union's annual audit, it was his recommendation that the audit should be completed prior to bringing in another firm to review financial information. A decision was made by the Treasurer's office to bring in an outside CPA that was familiar with APFA's accounting program, on a consultant basis, to produce monthly Financial Reports.

Once the Financial Reports from Spring 2019 were produced, it was clear that some departments had gone over budget, while others remained within allotted budgets or were under budget.

The issues in the Treasurer's department including delays in financial reports and the discovery of former National Officer incorrect payouts understandably resulted in a lack of trust of our members and a demand for more transparency and accountability. President Bassani sought the assistance of an independent financial advisor for a comprehensive review of current financials and recommendations in balancing the budget moving forward. Several Base Presidents argued this action was disrespectful to the Budget Committee and did not want the independent review.

Internal Financial Review Conducted

Following an internal review conducted by the Treasurer, his assistant, and a Budget Committee Member, it was evident that the current cost of APFA's fixed and labor costs would not be sustainable

for the long run. It's important to note, the negotiations and negotiations related fund is separate and remains healthy.

President Bassani immediately prepared a financial plan that was submitted to the entire Board of Directors and Executive Committee. (Note: the National President's office has never been over budget.) She also immediately re-negotiated all professional contracts, making cuts and reductions that are saving the union thousands of dollars monthly and annually. She also submitted plans from all National Officers with substantial ways to cut thousands of dollars from their departmental budgets per month. Plans for departmental cuts were sought from all Department Chairs and Specialists. President Bassani also asked the Base Presidents to ensure representatives discontinue submitting trip removal claims that took them over the 110 max and added additional financial burden on the union with double-dipping and other practices, further increasing monthly payouts from APFA.

The budget cut proposals submitted by President Bassani and the notice of immediate relief sought through negotiating new contracts from professionals were completely ignored by the Base Presidents.

Note: This internal review of the union's finances proved to be insufficient in its findings, precipitating another financial review by an independent financial consultant.

Independent Financial Review Conducted

The financial review looked back to 2015, as this is when costs began an obvious trend upwards. The primary driver was reported to be the result of an increase in pay rates with the new JCBA Contract. Member dues remained static at \$41 per month while expenses increased exponentially. A prepared graph showed a gradual increase from 2015 to May 2019 with a larger increase after PBS was in place, calling for a higher bid maximum. The report also showed the unrealistic, poorly forecasted budget that was put into place by the voting Board (Base Presidents). During the annual convention in March 2019, Base Presidents are responsible for passing the annual budget. They reviewed the budget committee's proposed 2020 annual Budget and made changes in meetings that took place mostly in private off-record sessions, without seeking the input or discussion from National Officers or Department Chairs who have knowledge of realistic departmental budget needs. The following are some of the contributing factors, from the approved annual budget, that led to our union's recent mandatory cuts:

- Various departments were obviously under-budgeted and mis-forecast.
- Committees were budgeted with less than the constitutional mandated amounts (i.e.: negotiations was budgeted for 4 trip removals, knowing that the constitution calls for 6 negotiators).
- Additional specialist positions were allotted their own budgets and apartments.
- Trip removals were severely under-budgeted at 90 hours, even with the knowledge that when PBS went system-wide, the bid maxes would increase to 110 hours for union leaders and reps.
- Even with the increased contractual violations by the company, the increased call for Presidential Grievances by the Base Presidents, six Presidential Grievances scheduled for arbitration and four QSB Arbitrations scheduled for 2019, the Base Presidents slashed the budget for the SBA Department that oversees all grievances and arbitrations by 50%.

- Round-the-clock staffing and assistance at APFA HDQs was necessary periodically during FOI - the operational integration, to ensure our members were assisted during multiple changes and challenges.
- Many union leaders and reps were going over the 110 monthly max pay, some significantly, increasing the union's pay-loss via means that were not addressed by current policy.*

**Note: Only the voting Board may change policy.*

Base Presidents Call for Special “Budget Cut” BOD Teleconference

The Base Presidents (voting Board) sent in requests in mid-November for a Special Board Teleconference to propose “*emergency budget cuts.*” For an official teleconference to be called, resolutions must accompany the requests. Due to a 6-day delay in the Base Presidents providing resolutions and an additional resolution added a few days later, the clock started for the 10-day constitutional deadline for the President to set the date of the meeting. It's important to note that prior to the Board calling this special meeting, the National President had already made immediate budget cuts in areas under her supervision, with significant monthly and annual savings. All National Officers submitted budget cut proposals for their departments as well.

The National Officers, who are non-voting members of the Board of Directors submitted 14 resolutions that would provide immediate cost savings to the union. These resolutions with proposed cuts that would affect Union Leaders and Union reps included:

- Elimination of carry-over time on top of the 110-hour bid max.
- Closure of an off-property base office in PHL.
- Holding all BOD/EC Meetings at APFA HDQ.
- Avoid authorization of representatives getting paid/removed for trips they picked up with the intent to fly.
- A “cease and desist” of double-dipping (which is when a representative is paid/removed from a trip for union work and they pick up a trip on the same days to work or get removed/paid again).
- Repayment by the Base Presidents of exit package monies provided to former National Presidents.
- Former Officers to repay monies due the Union based on overpayment to themselves.
- And finally, a “cease and desist” of Exit Packages for outgoing National Officers.

In contrast, the Base Presidents submitted three resolutions for action on the BOD teleconference, with only one addressing the actual budgetary issues of the Union. The 2nd resolution accused the National Officers of “*rampant overspending*” allegedly necessitating a new committee for over-sight, and the 3rd resolution made the same accusations of “*over-spending by the National Officers*” and attempted to re-write the duties of the National Officers as set forth in the APFA Constitution. Among the proposed changes, many which violated APFA's own constitution, were:

- Provide BOD (Base President) oversight in negotiations and “*bar*” the National President (who is constitutionally the Chairperson of Negotiations) or any National Officer from attending negotiations sessions.

- Reduce the pay of In-House counsel.
- Reduce pay of UAW Staff employees of APFA (UAW has their own contract).
- Eliminate contractual over-time of UAW Staff employees of APFA.
- Review contracts with all professionals and attorneys. (Note: As stated earlier, all professional contracts had already been immediately re-negotiated by President Bassani, with no response or acknowledgement from the Base Presidents.)
- Authorization for the voting Board of Directors (Base Presidents) to sign any Letters of Agreements with the company.
- Reduce the salaries of all National Officers by 15% with no ability to make up the lost wages, even though each National Officer had submitted plans and acted immediately to reduce costs in their respective departments which resulted in substantially more than the 15% individual salary pay cuts mandated by the Base Presidents.

Note: This move was obviously punitive, personal, political and retaliatory against the cost cutting resolutions the National Officers submitted and meant to place added pressure on the officers to resign prior to the end of their term. Various Base Presidents had been demanding the resignations of the National Officers, an obvious practice of theirs through-out the years to deflect internal problems away from themselves. The resignation of the officers would also clear the way for the Base Presidents to place their chosen appointed National Officers into the position in the interim.

Legal advised the Board that the above changes were in violation of the APFA Constitution. Legal also advised that this was a serious breach of contract with our members, as Article III Section 1.A. of the APFA Constitution states, “*The constitution may be recommended to the membership for alteration, addition, deletion, or amendment....*” And Article III Section 1.B. states, “*An affirmative vote by a majority of those active members in good standing who return valid ballots shall be required for the passage of any proposed alteration, addition, deletion or amendment*”.

The Base Presidents’ resolutions were simply to take the duties of the National Officers as outlined in the constitution and assign them to themselves or their designees via unconstitutional means, with exaggerated and erroneous claims of “*overspending*” by the National Officers, a claim that was a deflection away from their own fiscal duties to govern responsibly and seek real solutions to the union’s financial issues. This is further evident by the fact that not one of the proposed cost-savings resolutions put forth by the National Officers was passed by the voting Board. Their reasoning was that it was in protest against the officers, a self-serving move that went against fiscal responsibility on behalf of the Union and its membership.

Communication and Financial Adjustments

It’s important to know the Treasurer had reported out concerns during weekly calls with the BOD, EC and National leadership, as early as May 2019, that the monthly financials were not correct. Each week, Base Presidents reported that their budget was grossly incorrect, and one stated repeatedly his base report reflected \$35,000 to \$40,000 over budget when he was in fact approximately \$29,000 under budget. The Treasurer consistently told the BOD, EC, and all departments they could not rely on the budget report reflected in the trip removals as they were all incorrect, and he was working to correct the issue. The headquarters departments had no way of determining if they were truly over budget. The

Treasurer also began warning the Base Presidents in August that the increase in paid removals for representatives at 110 hours with additional time for carry-over flying was clearly increasing costs as all departments and bases were only budgeted at 90 hours.

In August, President Bassani eliminated the Strategic IT Communications Specialist position she had created at the beginning of her term, citing duplication of work, concerns regarding internal misrepresentations of facts, fiscal responsibility and costs associated with the position including a corporate apartment. However, the Base Presidents requested a special meeting to overturn this elimination of a presidential appointment that the President had planned to set for the Board to take action on the former officer incorrect payouts. It was clear the Board's only intention for that special meeting was to overturn the President's decision to eliminate this specialist position. The elimination of that position would have saved the Union \$91,708 annually. President Bassani proposed that the union rep in question be utilized on a per-project basis in lieu of a full-time Specialist position. The voting Board declined the proposal and reinstated him to the full-time position.

In September, President Bassani reduced her President's Assistant trip removals to ½ month which was approximately \$30,000 savings per year, and in October she noticed the Negotiating Team they would not be on full-time paid removal for the month of December as they had a reduced schedule for the holiday month. This was a cost savings of approximately \$30,000 in December. The Base Presidents demanded that the negotiating team be on full-time removal but President Bassani kept the committee on reduced trip removals for December in light of budgetary issues, which is well within the President's purview. National President Bassani's other professional cuts are an estimated savings of \$100,000 annually.

The National Vice President also put forth a resolution, prior to these financial reviews, at the Fall BOD Meeting to eliminate carry-over flying on top of the 110-hour max, in response to the Treasurer's warning of increased trip removal cost. The Base Presidents requested that she postpone this resolution to the March 2020 Convention until they had the corrected financials and a clear view of the budget. The voting BOD delayed steps to immediately begin correcting the situation.


In actuality, the decision to take action regarding the need to restructure APFA's operating budget was made following the results of the financial review indicating a continuing trend of unsustainable increasing costs, directly related to the higher pay increases per the Joint Collective Bargaining Agreement (JCBA) effective December 13, 2014. It is now known that these higher costs were not realistically forecast in the Union's annual budgets that have been approved by the Board since then. These raises and higher bid maximums naturally increased the union's pay loss exponentially since that time as all bases migrated to the PBS system.


While we believe it is necessary to restructure, re-allocate and cut budgets due to the increased pay-loss of APFA Representatives and the higher cost of doing business, the National Officers strongly dispute the voting Base Presidents' accusation of "*rampant overspending of the current National Officers*" as alleged in Resolutions #16, #17, and #18. We also take great issue with the unfair and disparate treatment taken by the Board when mandating cuts, leaving some departments without sufficient operating support, cuts made with no regard to Union positions, seniority of representatives and other discriminatory and punitive actions.

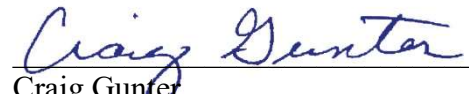
The facts are: Our Union does need to cut back, address and balance the current budget. However, APFA remains financially viable and the steps we are taking will ensure that it remains that way. Numbers don't lie and you can view LM2s on the DOL web site for all unions which show APFA with the highest assets of the largest three flight attendant unions.

In Unity and Solidarity,


Lori L. Bassani
APFA National President


Liz Geiss
APFA National Vice President


Lisabeth Hillman
APFA National Secretary


Craig Gunter
APFA National Treasurer