

## **SEIU, Meet Your New Neighbors!**

### ***The Financial Practices of the Workers United Joint Boards***

**“Unfortunately, the financing provisions of the agreement [with SEIU] were not negotiated with any real assessment of a budget for Workers United being conducted. No estimates of staffing needs or fixed costs were prepared.”**

***Keith Mestrich, Chief of Staff, Workers United, 5/11/2009***

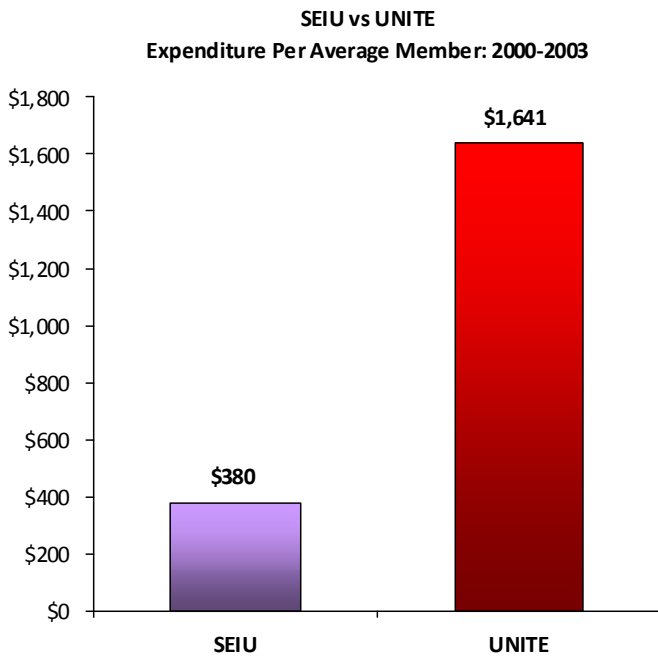
## SEIU, Meet Your New Neighbors!

When Andy Stern decided to acquire some of the Joint Board affiliates of Unite Here (now calling themselves “Workers United, SEIU”), did Stern and his team thoroughly examine the financial situation of those Joint Boards? Did Stern consider the possibility that SEIU would need to subsidize financially struggling Joint Boards? The answer to these questions may have implications regarding the ability of SEIU to fully finance and mount campaigns in its own core jurisdictions. In addition, the financial distress of some Joint Boards could require direct intervention by SEIU (through trusteeships or other mechanisms), creating additional political strife within SEIU.

Recently, Keith Mestrich -- the chief of staff of SEIU’s Workers United Conference (the “WU Conference”) -- sounded the alarm regarding the union’s finances, noting that that “per capita is off significantly because of layoffs in our core industries [and] the disaffiliation of key locals from Joint Boards.” According to Mestrich’s projections, the WU Conference will lose \$314,000 a month without further assistance from SEIU and modification of the affiliation agreement.<sup>1</sup> While the WU Conference is struggling, the Joint Boards that fund the WU Conference through per capita payments are also facing significant financial challenges. These challenges stem from a model of financial management that is deeply rooted in the culture of the former UNITE leaders that now comprise Workers United (WU/SEIU).

### *The Bruce Raynor Model of Financial Management*

Led by Bruce Raynor, the former UNITE affiliates and leaders have a long history of running operating deficits – i.e. spending significantly more than they receive in dues and per capita. This model has been made possible by 1) the substantial dividend income received from the Amalgamated Bank and other related entities; and 2), the regular practice of liquidating the legacy assets of the ILGWU and ACTWU (the predecessor unions to UNITE).



As a result, the leaders of WU/SEIU are accustomed to spending far more than their relatively small membership would otherwise permit. To put this spending into historical perspective, UNITE headquarters spent approximately \$351 million from 2000 through 2003, with an average membership of 213,578 (\$1,641 per member). In comparison, SEIU headquarters spent \$553 million over the same time period, with an average membership of 1.5 million (or \$380 per member). This extraordinary level of spending by UNITE was made possible in part by \$96 million in dividends and proceeds from the liquidation of union assets.<sup>2</sup> Unfortunately, the spending yielded very little in organizing victories (see [Unite Here: A Merger that is Working](#)).

## *The Financial Record of the UNITE/WU/SEIU Joint Boards*

While affiliated with UNITE HERE, the former UNITE Joint Boards continued this same unsustainable model of financial management, according to data from the Department of Labor.

### **WU/SEIU Joint Board Finances<sup>3</sup>**

Category	2005	2006	2007	2008	Total
Operating Revenue (Dues)	28,894,438	36,651,351	45,824,090	48,430,234	159,800,113
Operating Expense	55,538,398	63,354,843	73,602,801	78,191,148	270,687,190
Operating Income	(26,643,960)	(26,703,492)	(27,778,711)	(29,760,914)	(110,887,077)
Dividends	8,623,706	7,389,312	7,059,916	7,085,015	30,157,949
Other Revenue	10,821,209	11,356,959	12,414,205	13,676,715	48,269,088
Net Income	(7,199,045)	(7,957,221)	(8,304,590)	(8,999,184)	(32,460,040)

From 2005 through 2008, the Joint Boards collectively ran an operating deficit of \$111 million (i.e. spent \$111 million more than they received in dues and per capita). Even after receiving \$30 million in bank dividends, as well as additional non-operating revenue, the Joint Boards had a net loss of \$32 million over the same time period. The Joint Boards financed the net loss by liquidating \$27 million in union assets, and obtaining \$8 million in loans.

The largest affiliate of WU/SEIU, the Chicago & Midwest Regional Joint Board (CMRJB), has embraced the UNITE model of financial management with gusto. From 2005 through 2008, the CMRJB had a \$27 million operating deficit, and net losses of \$12 million. To finance these deficits, the CMRJB sold \$7.3 million in Amalgamated Bank stock, mortgaged and sold its real estate, and turned to the Unite Here headquarters for loans. As a result, the CMRJB now has negative net assets of \$1.5 million, joining the ranks of the 2% of unions in the United States with more than 1,000 members that reported negative net assets to the DOL in 2008. In addition, the CMRJB's membership has declined by nearly half, from 44,828 in 2008 to 24,169 in April, 2009. Despite these financial challenges, the CMRJB purchased \$679,205 in automobiles in 2008.

### *Is the Raynor Model Sustainable?*

How long can the Joint Boards continue their unsustainable financial practices, losing between \$7-8 million a year? On the plus side, the Joint Boards had approximately \$12 million in cash and marketable securities at the end of 2008. In addition, Bruce Raynor improperly (and likely illegally) wired \$12 million in Unite Here cash to the Joint Boards in early 2009, according to internal documents obtained by Unite Here.

Unfortunately for SEIU finances, there are a number of factors that suggest that the Joint Boards will not be able to continue their freewheeling spending without assistance: 1) membership is down significantly from the levels reported to the DOL in 2008;<sup>4</sup> 2) the Amalgamated Bank paid no dividend in the first half of 2009 (which could continue throughout 2009);<sup>5</sup> 3) the arrangement that allowed three Joint Boards to live rent-free at Unite Here headquarters is coming to end;<sup>6</sup> 4) the ability of the Joint Boards to liquidate their already dwindling assets is subject to judicial review; and 5) it is an open legal question being litigated in federal

### **Raynor and Numbers: A Helpful Tip**

Now that Andy Stern has brought Bruce Raynor and his allies into the SEIU family, here's a helpful tip from Unite Here: whatever number Raynor publicly uses, subtract a third to a half to arrive at the real number. For example, Raynor reported to the Department of Labor in 2003 that UNITE had 203,412 members. However, as Unite Here subsequently learned, the number of UNITE dues paying members at the time of the merger in 2004 was closer to 124,000. Similarly, WU/SEIU confidently asserts that the union currently represents 150,000 workers. Yet an April, 2009 memo by WU/SEIU disclosed that the dues paying membership is 103,309, or a third less than claimed by Raynor.

court whether the Joint Boards have legal right to any of the assets (e.g. bank stock and real estate) in their possession.<sup>7</sup>

While running large deficits is justifiable if the assets are invested in coherent organizing strategies that build the union, there is little in the historical record of UNITE that suggests the assets of the Joint Boards have been effectively deployed in this way. While former HERE leaders are accustomed to developing budgets based on member-based dues and per capita, it is a financial reality few Joint Board leaders have experienced. Whether SEIU is willing to subsidize the historical model of the WU/SEIU Joint Boards remains to be seen.

**Hey Gary, the Future is Now!**

While the crumbling finances of the Joint Boards will surely require further subsidies from SEIU members, there is at least one short-term fix. Nestled in upstate New York, Gary Bonadonna and the Rochester Joint Board control a \$16.5 million trust fund called the “Fund for the Future.” The Fund is primarily invested in publicly-traded securities. The ostensible purpose of the “Fund for the Future” is to support “organizing and promotional campaigns, and charitable activities.”<sup>8</sup>

**Appendix: Know Your Joint Board!**

Joint Board	Location	Leadership	Members (2008)	Members (4/09)	Operating Income	Net Income
Chicago & Midwest Regional	Chicago, IL	Noel Beasley; SEIU Vice President	44,828	24,169	(8,577,841)	(4,947,563)
Mid-Atlantic Regional	Baltimore, MD	Harold Bock	14,576	5,712	(2,404,877)	(1,080,764)
Southern Regional	Union City, GA	Harris Raynor	14,114	15,378	(2,396,303)	472,177
Western States	Los Angeles, CA	Cristina Vazquez	10,605*	8,540	<i>Did not file 2008 LM2</i>	
New York - New Jersey	Newark, NJ	John Gillis	8,390	7,257	(3,155,719)	(538,152)
Pennsylvania	Philadelphia, PA	David Melman	7,178	6,621	(1,317,634)	(706,460)
Laundry, Dry Cleaning & Allied Workers	New York, NY	Wilfredo Larancuent	4,618	4,600	(444,798)	(41,543)
Philadelphia	Philadelphia, PA	Lynne Fox; SEIU International Executive Board Member	3,417	3,021	(2,455,884)	(112,095)
Metropolitan Distribution And Trucking	Newark, NJ	Christine Kerber	3,309	2,963	(2,155,394)	(599,797)
Southwest Regional	Dallas, TX	Jean Hervey	3,291	2,959	(645,592)	(30,577)
Rochester	Rochester, NY	Gary Bonadonna	2,954	6,032	(3,585,505)	41,796
New York Metropolitan Area	New York, NY	Edgar Romney; SEIU Vice President	2,725	2,500	(2,135,620)	(1,548,161)

\* 2007 data

## Endnotes

<sup>1</sup> Memo from Keith Mestrich to Bruce Raynor entitled “Workers United Finances and Need to Consider Renegotiating Short-Term Financial Provision of SEIU Affiliation Agreement,” May 11, 2009.

<sup>2</sup> Form LM-2 filed by UNITE and SEIU with the U.S. Department of Labor from 1999-2003.

<sup>3</sup> All financial data cited in this report is from the Form LM-2 filed by the Unite Here Joint Boards with the U.S. Department of Labor from 2005-2008. The analysis includes the following Joint Boards: Laundry, Dry Cleaning & Allied Workers; Metropolitan Distribution and Trucking; Mid Atlantic; Midwest; New York - New Jersey; New York Metropolitan Area; Northeast; Pennsylvania; Philadelphia; Rochester; Southern; and Southwest. The analysis excludes the Canadian affiliates, and Western Joint Board, which did not file a 2008 LM-2 with the Department of Labor.

<sup>4</sup> See Memo from Keith Mestrich to Bruce Raynor entitled “Workers United Finances and Need to Consider Renegotiating Short-Term Financial Provision of SEIU Affiliation Agreement,” May 11, 2009.

<sup>5</sup> Amalgamated Bank financial data available at [www.FDIC.gov](http://www.FDIC.gov)

<sup>6</sup> See Memo from Keith Mestrich to Bruce Raynor entitled “Workers United Finances and Need to Consider Renegotiating Short-Term Financial Provision of SEIU Affiliation Agreement,” May 11, 2009.

<sup>7</sup> See Gillis v. Wilhelm USDC NY Southern District 09-CV-1116.

<sup>8</sup> 2007 IRS 990 filed by Rochester Joint Board Fund for the Future. Available at [http://dynamodata.fdncenter.org/990\\_pdf\\_archive/223/223462684/223462684\\_200712\\_9900.pdf](http://dynamodata.fdncenter.org/990_pdf_archive/223/223462684/223462684_200712_9900.pdf)