



**WASHINGTON STATE**  
**COUNCIL OF COUNTY AND CITY EMPLOYEES**  
**AFSCME AFL-CIO**

Affiliated with:  
American Federation of State, County & Municipal Employees  
Washington State Labor Council

CHRIS DUGOVICH President/Executive Director

December 29, 2016

**Sherilyn Chisholm**  
(Address on file)

RE: Hudson Notice

Dear [REDACTED]

Enclosed please find a Notice to All Non-Members, Council 2 Chargeable and Non-chargeable Expenses as well as AFSCME International's Chargeable and Non-chargeable Expenses. Please review this information carefully as it contains the procedure that must be followed. Naturally, we hope that you will reconsider your request and consider some important issues. If you agree to give up the right to participate in all local activities (elections, meetings, contract preparation, ratification, etc.), Council and International activities (training, Executive Board meetings, conventions, etc.) and in the Council and International members-only benefits (low-interest credit card, legal service program, supplemental term life insurance, etc.), a bargaining unit member may drop union membership.

It should also be noted that your request goes far beyond politics. Due to the stringent accounting mandates, the non-chargeable amounts include several non-political items such as the entire amount rebated to your own local Union.

First, it is important to note why our union is involved in politics to begin with. As public employees, we work for elected officials and therefore our wages, hours and working conditions are directly affected by those who hold these positions. Businesses, private contractors, insurance companies and virtually all other interest groups are involved in the political process. If we don't stand up for working people who will?

The vast majority of funds that are used in our political program are for candidates endorsed by the local unions we represent. A significant portion is also used for working in the legislature to protect and enhance your pension benefits and increase local government funding. In fact, as a local government employee you have a right to collectively bargain with your employer. This right was created by the political action program of our union and has without a doubt led to increased wages and health care coverage for all of our members.

We recognize that not everyone is going to agree on every political decision made by their union. These decisions are directed by each local union and reviewed and approved by a democratically elected board of rank and file members. It is our hope that people can sometimes agree to disagree so that we can maintain solidarity in achieving everyone's mutual goals.

It should also be noted that none of your dues dollars goes to any Federal campaigns, i.e. Presidential or Congressional. Those activities are funded by individual members who give voluntarily above and beyond the amount of their dues.

Lastly, your non participation will increase the burden on your co-workers to address the challenge public employees face.

I would be happy to discuss this or any other concerns that you may have, I can be reached at 1-800-775-6418. Please don't hesitate to call me.

Sincerely,

**J. Pat Thompson, Deputy Director**  
**WASHINGTON STATE COUNCIL OF**  
**COUNTY AND CITY EMPLOYEES**  
**AFSCME, AFL-CIO**

cc: Michael Rainey, Staff Representative



## NOTICE TO ALL NONMEMBERS

This Notice is being provided to all persons who have chosen not to become members of the Washington State Council of County & City Employees, Council 2, AFSCME, AFL-CIO ("Union"). Please read this Notice carefully. It contains information and notice of procedures concerning your legal rights. This notice is required by the U.S. Supreme Court's decision in Chicago Teachers Union, Local 1, AFT, AFL-CIO, et al v. Hudson et al., 475 U.S. 292 (1986), and cases that have followed it.

You have the following rights:

- (1) You have the right to be or remain a nonmember of the Union;
- (2) You have the right to object to paying for union activities that are not germane to the Union's duties as the bargaining agent ("nongermane activities") and to obtain a reduction in fees reflecting the costs of such activities;
- (3) You have the right to be given sufficient information to enable you to intelligently decide whether or not to object to payment for such nongermane activities; and
- (4) Finally, you have the right to be apprised of the internal Union procedures for challenging the amount of the reduction in dues designed to exclude payment for nongermane activities.

### A. Objections and Objection Procedure

The Union is permitted under law to require a nonmember to pay a fair share fee up to an amount equal to regular union dues, unless the nonmember objects to the payment of this fee and insists that the fair share fee be reduced to exclude payment for nongermane activities.

**The Amount of the Reduced Fee:** For use in the current calendar year, Council 2 and its parent body, the American Federation of State County and Municipal Employees Union

January 2nd through January 31st of each calendar year. If you have received this Notice after January 2nd and before December 1 of any given calendar year, you may then file an objection by mailing or hand delivering your objection within 30 days of your receipt of the Notice to the Fee Objector Coordinator (same address).

Each objection must contain the following information:

1. Name, address, and home telephone number;
2. Name of employer;
3. Employing entity and work location;
4. Local chapter representing the unit in which objector works; and
5. A statement that you wish to object to payment of the full fair share fee.

Your objection will not be accepted unless it contains this information and is mailed or delivered in a timely manner.

After the objection has been received and processed, the objector's fair share fee amount will be reduced to reflect the nonchargeable percentages set forth above for the current calendar year. Thereafter, 100% of the reduced chargeable fee received will immediately be placed in an interest bearing account until the objector has had an opportunity to pursue his or her rights under the challenge procedure described in this Notice. If the objector does not file a challenge, the monies in this escrow account will thereafter be distributed to the Union.

**Annual Objections:** All nonmembers will receive annual notification of the objection and challenge procedures. As stated above, all objectors will be required to submit a new objection on an annual basis during the open objection period of January 2nd through January 31st of each calendar year.

("AFSCME"), have each calculated the portion of the dues that reflect payment for nongermane activities, i.e., those activities that cannot be charged to reduced fee payors (or "objectors") because the activities support political, ideological or organizing programs and are unrelated to the costs of collective bargaining, contract administration, and the pursuit of matters affecting the wages, hours and other terms and conditions of employment. Based on these figures, which have been audited by an independent accountant, the chargeable portion of your agency fee is as follows: with respect to AFSCME's per capita share of the dues, 29.660% is chargeable; and with respect to Council 2's per capita share of the dues, 74.92% is chargeable. Dues are 1.45% of monthly salary with a maximum of \$53.75 and a minimum of \$16.51. If you are paying dues at the maximum rate you can figure your reduced fee by multiplying your dues by 63.89%. If you are not paying dues at the maximum rate you can call the Council 2 Reduced Fee Coordinator at 1-800-775-6418 for help in calculating your reduced fee. A complete breakdown of the categories of expenses that are chargeable and nonchargeable, as well as copies of the audited financial statements related to these categories are attached to this Notice.

With respect to your Local Union's per capita share of dues, it will be assumed that 100% of this per capita share is nonchargeable.

**Objection Procedure:** In order to object and become a reduced fee payor, you must follow the following procedure. You can become a reduced fee payor, or objector, without also filing a challenge to the breakdown of chargeable and nonchargeable expenses. All challengers to these breakdowns will automatically be considered to be objectors.

Your objection must be postmarked or received (if hand delivered) by the Fee Objector Coordinator, WSCCCE, Council 2, AFSCME, P.O. Box 869, Everett, Washington, 98206-0869 during the annual 30-day objection period, or "open objection period," which occurs between

### B. Challenges and Challenge Procedure

The following is the procedure for challenging the amount of the fair share fee adjustment, i.e., the calculations of chargeable and nonchargeable expenses. Please read these instructions carefully. You must comply with them in order to challenge the fair share fee reduction.

**Filing of Challenge:** Each challenge must be mailed by first class mail or hand delivered to the Fee Objector Coordinator, WSCCCE, Council 2, AFSCME, P.O. Box 869, Everett, Washington, 98206-0869, and must be postmarked or received (if hand delivered) during the 30-day annual challenge period, or "open challenge period," which occurs between January 2nd through January 31st of each calendar year. If you have received this Notice after January 2nd and before December 1 of any given calendar year, you may then file a challenge by mailing or hand delivering your challenge within 30 days of your receipt of the Notice to the Fee Objector Coordinator (same address).

Each challenge must contain the following information:

1. Name, address, and home telephone number;
2. Name of employer;
3. Employing entity and work location;
4. Local chapter representing the unit in which objector works; and
5. An explanation of the challenge to the reduction of the agency fee.

Your challenge will not be accepted unless it contains this information and is mailed or delivered in a timely manner. Each challenge will be effective only for the calendar year in which it is filed. You may send in a single envelope your combined objection and challenge.

**Arbitration Procedure for Challenges:** There will be an arbitration procedure before an



impartial arbitrator to resolve challenges to the amount of the fair share fee reduction, unless an arbitration has already occurred resolving the same issue raised by the challenge or unless the parties make other mutually acceptable arrangements.

All challenges filed within the prescribed time period will be consolidated into a single proceeding. The American Arbitration Association will select an arbitrator. The arbitrator will notify all parties by mail as to the date, time and location of a prearbitration conference. The purpose of the prearbitration conference is to establish a date, time, place and procedures for conducting the arbitration hearing. These matters will be determined by those parties present. Unresolved matters will be determined by the arbitrator.

After completion of the prearbitration conference, the arbitrator will notify the parties by mail of the date, time, place and procedures of the arbitration hearing. This notice will state that if challengers fail to appear for the hearing, the arbitrator can close the record after introduction of the Union's evidence and issue a ruling on the basis of the record and the arguments presented by the Union.

The arbitration hearing will begin, and the arbitrator will issue his or her award, as soon as is practicable after the close of the challenge period.

**Escrow of the Fair Share Fees:** As described above, when the Union receives a written objection, the Union will immediately place 100% of the objector's reduced fair share fee received in an interest bearing escrow account, pending the filing and resolution of any challenge that is filed by the objector. If a challenge is filed, the escrowed monies for that challenger will remain in the interest bearing account until the arbitration award issues and will thereafter be distributed to the appropriate parties and the challenger pursuant to the arbitrator's award.

**Annual Challenges:** All challengers will be required to submit a new challenge on an

annual basis and will receive annual notification on the objection and challenge procedures. As stated above, each challenge must be filed within the annual open challenge period which occurs between January 2nd through January 31st of each calendar year.

**C. Procedure for Correcting Administrative Errors By Employers**

In the unlikely event that an employer fails to properly adjust an objector/challenger's fees in accordance with the aforementioned procedures, the fee objector should immediately write to the Council 2's Fee Objector Coordinator, at the address set forth above, explaining the situation and providing the personal information required. Council 2 will then take immediate action to remedy the situation as warranted by the facts.

WASHINGTON STATE COUNCIL OF COUNTY  
AND CITY EMPLOYEES AFSCME, AFL-CIO

CONSOLIDATED SCHEDULE OF EXPENSES AND  
ALLOCATION BETWEEN CHARGEABLE EXPENSES  
AND NON-CHARGEABLE EXPENSES

Year Ended December 31, 2015

CONSOLIDATED SCHEDULE OF EXPENSES AND  
ALLOCATION BETWEEN CHARGEABLE EXPENSES  
AND NON-CHARGEABLE EXPENSES

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INDEPENDENT AUDITORS' REPORT

To the Executive Board of  
Washington State Council of County and  
City Employees AFSCME, AFL-CIO

REPORT ON THE CONSOLIDATED SCHEDULE

We have audited the accompanying consolidated schedule of expenses and allocation between chargeable expenses and non-chargeable expenses (the consolidated schedule) of Washington State Council of County and City Employees AFSCME, AFL-CIO (the Council), which comprises the consolidated schedule for the year ended December 31, 2015, and the related notes to the consolidated schedule.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED SCHEDULE

Management is responsible for the preparation and fair presentation of the consolidated schedule in accordance with the accrual basis of accounting described in Note 1 and the definitions and the significant factors and assumptions described in Notes 2 and 3. This includes determining that the accrual basis of accounting is an acceptable basis for the preparation of the consolidated schedule in the circumstances and that the definitions and the significant factors and assumptions are acceptable for the preparation of the consolidated schedule in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a consolidated schedule that is free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated schedule is free from material misstatement.

To the Participants and Trustees of  
Washington State Council of County and  
City Employees AFSCME, AFL-CIO  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated schedule, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated schedule referred to above presents fairly, in all material respects, the expenses and allocation between chargeable expenses and non-chargeable expenses of Washington State Council of County and City Employees AFSCME, AFL-CIO, for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America described in Note 1 and the definitions and the significant factors and assumptions described in Notes 2 and 3.

OTHER MATTER

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Washington State Council of County and City Employees AFSCME, AFL-CIO, as of and for the year ended December 31, 2015, and our report thereon, dated June 10, 2016, expressed an unmodified opinion on those consolidated financial statements.

The expenses reflected in Column A of the consolidated schedule agree to the expenses in the audited consolidated financial statements of the Council for the year ended December 31, 2015, reduced by the expenses paid by the Council's political committees of \$163,184, membership insurance expenses of \$40,266, and central district and local union rebates of \$738,575. This consolidated schedule is not intended



to be a complete presentation of the Council's consolidated financial position, changes in its net assets or its cash flows in accordance with accounting principles generally accepted in the United States of America. The allocation of expenses between chargeable (Column B) and non-chargeable (Column C) is based on the definitions and the significant factors and assumptions described in Notes 2 and 3.

RESTRICTION ON USE

This report is intended solely for the information and use of the Executive Board of Washington State Council of County and City Employees AFSCME, AFL-CIO, and its fairshare fee payers and is not intended to be used by anyone other than these specified parties.

*Yindquist LLP*

December 12, 2016

CONSOLIDATED SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN CHARGEABLE  
EXPENSES AND NON-CHARGEABLE EXPENSES  
YEAR ENDED DECEMBER 31, 2015

	Column A Total Expenses	Column B Chargeable Expenses	Column C Non-Chargeable Expenses	Note
Per-capita taxes	\$ 2,355,378	\$ 898,605	\$ 1,656,773	3(a)
Salaries and wages	2,709,521	2,656,837	52,684	3(b)
Payroll taxes	222,287	217,650	4,637	3(c)
Employee benefits	594,502	915,144	19,358	3(c)
Staff travel and allowances	429,741	422,667	7,074	3(d)
Rent	87,844	83,452	4,392	3(e)
Office supplies and expenses	78,555	72,727	5,828	3(e)
Property taxes	42,428	28,747	13,681	3(e)
Insurance expenses	20,347	15,343	5,004	3(e)
Depreciation and amortization	96,770	71,420	25,350	3(e)
Repairs and maintenance	77,568	81,911	15,655	3(e)
Investment fees	8,413	7,510	903	3(e)
Licensing and affiliation fees	6,414	6,083	331	3(e)
Utilities	38,581	27,213	11,368	3(e)
Telephone	79,058	75,105	3,953	3(e)
Miscellaneous	4,890	4,456	234	3(e)
Office expenses	35,270	26,670	8,600	3(f)
Conference and convention	389,874	334,340	55,534	3(f)
Professional services	318,538	296,682	21,856	3(f)
Membership insurance	40,286	-	40,286	3(f)
Printing and postage	70,419	50,945	19,474	3(f)
Donations and flowers	20,724	-	20,724	3(f)
Scholarships	73,787	-	73,787	3(f)
Federal income taxes	55,736	37,334	18,402	3(f)
Interest	7,892	5,286	2,606	3(f)
Janitorial and landscaping	7,575	5,074	2,501	3(f)
Central district fees	80,400	-	80,400	3(f)
Local union rebates	678,175	-	678,175	3(f)
Political contributions and expenses	163,184	-	163,184	3(f)
Total expenses	9,111,935	6,121,211	2,990,724	
Less: Political expenses funded other than by dues	(163,184)	-	(163,184)	
Central district and local union rebates	(738,575)	-	(738,575)	
Membership insurance	(40,286)	-	(40,286)	
Total expenses, as modified	\$ 8,169,910	\$ 6,121,211	\$ 2,048,689	
Percentages	100.00%	74.92%	25.08%	

See accompanying notes to consolidated schedule.

WASHINGTON STATE COUNCIL OF COUNTY  
AND CITY EMPLOYEES AFSCME, AFL-CIO

NOTES TO CONSOLIDATED SCHEDULE OF EXPENSES AND ALLOCATION BETWEEN  
CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES  
YEAR ENDED DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting** - The accompanying consolidated schedule has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** - The accompanying consolidated schedule was prepared for the purpose of presenting the cost of services rendered by Washington State Council of County and City Employees AFSCME, AFL-CIO (the Council) for employees represented by, but not members of, the Council. The accompanying consolidated schedule is not intended to be a complete presentation of the Council's consolidated financial position, changes in its net assets or its cash flows in accordance with accounting principles generally accepted in the United States of America.

**Consolidation** - This consolidated schedule reflects the combined financial activity of the Council and its majority-owned subsidiary, Rainier Building Corporation (the Building Corporation). All intercompany transactions and accounts have been eliminated.

**Income Taxes** - The Council is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. The Building Corporation is a taxable entity.

**Depreciation** - Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	Council	Building Corporation
Building	N/A	31-39 years
Building improvements	3-10 years	5-39 years
Parking lot	N/A	39 years
Furniture & equipment	2-7 years	N/A
Computers	5 years	N/A

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Use of Estimates** - The preparation of the accompanying consolidated schedule requires management to make estimates and assumptions that affect the reported expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Accordingly, actual results could differ from those estimates.

NOTE 2. DEFINITIONS

The following definitions of chargeable and non-chargeable expenses are based on the Council's interpretation of existing law and court cases.

**Chargeable Expenses** - Chargeable expenses are those incurred by the Council that reflect the share of the costs of operation of the Council that is considered necessary and reasonably incurred for the purpose of assisting affiliated local unions in performing their duties as representatives of the employees in dealing with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the Council as representative of the employees; pursuing ratification or implementation of agreements affecting employees represented by the Council before legislative or administrative bodies; communicating with employees on matters of concern to them; and maintaining the Council's organizational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration, including investigating and processing grievances; meetings, organizing, conferences, administrative, arbitration and court proceedings, and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with community organizations, civic groups, government agencies and the media regarding the Council's position on work-related matters; lobbying and legislative activities with respect to matters concerning the negotiation, ratification or implementation of collective bargaining agreements; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

**Non-Chargeable Expenses** - Non-chargeable expenses are those of an ideological or political nature and those that are not germane to work-related interests of the employees.

The term "political" is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term "ideological" is defined as support for or against certain positions taken by the union that are not work-related.

NOTE 2. DEFINITIONS (CONT'D)

The following expenses are classified as non-chargeable: lobbying, electoral or political activities outside the limited context of contract ratification or implementation; litigation expenses that do not concern the employees' bargaining unit; public relations efforts on issues other than negotiation, ratification or implementation of collective bargaining agreements; and member-only activities.

NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE

- (a) **Per-Capita Taxes** - Per-capita taxes are paid to the AFSCME International, which provides the Council with documentation that supports the percentage chargeable to fee payers.
- (b) **Salaries and Wages** - Salary expenses of Council officers, management and personnel are allocated between chargeable and non-chargeable based on time studies documenting the time actually spent by these personnel on chargeable and non-chargeable activities.
- (c) **Payroll Taxes, Employee Benefits** - These expenses are allocated on the basis of the related salary expense allocation described above.
- (d) **Staff Travel and Allowances** - Some of these expenses are directly allocable to chargeable and non-chargeable activities based on the nature of the underlying activities. The remaining expenses are allocated between chargeable and non-chargeable expenses in the same percentage as the Council's salary expense allocation described above.
- (e) **Rent, Office Supplies and Expenses, Property Taxes, Insurance Expenses, Depreciation and Amortization, Repairs and Maintenance, Investment Fees, Licensing and Affiliation Fees, Utilities, Telephone, Miscellaneous** - Other than those expenses directly related to the Building Corporation [see Note 3(f)], some of these expenses are directly allocable to chargeable and non-chargeable activities based on the nature of the underlying activities. Five percent of the remaining overhead expenses are considered non-chargeable expenses based on the historical experience of the Council related to the use of facilities and supplies for non-chargeable activities.
- (f) **Officer Expenses, Conference and Convention, Professional Services, Membership Insurance** - These expenses are analyzed to identify the nature of the underlying activities and are allocated accordingly between chargeable and non-chargeable.

NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE (CONT'D)

- (g) **Printing and Postage** - Direct printing and publishing expenses of the Council's newsletters are allocated based on the specific content of articles in the newsletter. Expenses allocable to articles considered political or ideological in nature are deemed non-chargeable. Expenses allocable to reporting on legislative and lobbying activities, litigation activities, public relations on issues other than negotiation and illegal strike activities are non-chargeable. The content of articles deemed chargeable is directly related to issues in collective bargaining, contract administration and grievance matters. Chargeable articles also include topics such as salary and fringe benefit improvements. Other printing and postage expenses are considered 5% non-chargeable based on the historical experience of the Council related to the use of facilities and supplies for non-chargeable activities.
- (h) **Donations and Flowers, Scholarships** - These expenses are considered to be 100% non-chargeable.
- (i) **Building Corporation portion of Property Taxes, Insurance Expenses, Depreciation and Amortization, Repairs and Maintenance, Investment Fees, Utilities, Professional Services, Federal Income Taxes, Interest, Janitorial and Landscaping** - The direct expenses related to the majority-owned subsidiary of the Council, the Rainier Building Corporation (the Building Corporation), because they support the overall operations of the Council, are allocated between chargeable and non-chargeable expenses in the same percentage as the Council's composite percentage between chargeable and non-chargeable expenses calculated using the expenses in Notes 3(a) through (h).
- (j) **Central District Fees, Local Union Rebates, Political Contributions and Expenses** - Affiliation payments to other labor organizations and political contributions and expenses are considered to be 100% non-chargeable.