



Foothill – De Anza Association of Classified Employees (ACE)
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Date: August 16, 2018
To: ACE Executive Board
From: Chris White, President & Annette Perez, Treasurer
RE: ACE 2018-19 budget with dues structure options

Background

Beginning in 2010, even as membership fluctuated through layoffs, resignations and a hiring freeze, ACE dues has averaged \$20,000 a month. Our expenses continue to remain consistent, averaging \$15,000 a month, with the bulk of our larger litigation expenses and operating costs coming from annual carry forward money – a contingency fund – which has been set aside since ACE was established in 2009. Currently, ACE has \$716,000 in contingency funds to cover a 5% operating reserve, a \$500,000 strike fund, an ACE board authorized litigation expense, and extra expenses associated with the classification study not covered by the original contract.

In June 2018, the Supreme Court ruled that we would no longer be able to collect dues from service-fee payers, now referred to as non-members. 10% of our total membership were non-members, resulting in a \$24,000 a year loss in revenue. Through an ongoing membership drive we have been able to reduce the number of non-members by 5%. At this time, we don't know if we will lose more members during the opt out period, September 1 – September 30, 2018. Currently, we have recommitment forms from 75% of our membership.

At the same time, the District is experiencing a fiscal crisis, losing \$17.6 million in revenue over the past 3 years, and must balance the budget. For ACE, this will mean layoffs with at least half of them implemented by June 30, 2019. During the 2011-2013 layoffs – \$10 million revenue loss – ACE positions were reduced by 12%. A conservative estimate for this cycle of budget reductions would be a 20% loss of our membership.

In 2018-19, there will be a \$12,000 temporary increase in revenue due to the 5% adjustment to the salary schedule which ends June 30, 2019. After the temporary salary increase is removed, between layoffs and the loss of revenue from non-members, we will most likely lose approximately 25% of our revenue, or roughly \$60,000 a year.

Since ACE was incorporated, we have never spent all of our allocated expenses. Partly because some are elective, like stipends and not every board member collects it, and partly because some expenses are based on potential litigation, reclassification, and arbitration costs we didn't incur. On average, over the past four years, we have carried forward \$45,000 after forgiving dues at least twice and permanently



reducing dues by 10%. As a result, we have been able to build a healthy contingency fund, \$716,000. This fund enables us to take legal action and cover costs not part of our annual budget without having to pass costs on to our members. In the 9 years ACE has been in existence, we have only withdrawn from the contingency fund once to establish our permanent office. All other potential drawn downs have been resolved without the use of these funds.

Options

In July 2018, ACE board members Scott Olsen, Annette Perez, Irma Rodarte and Chris White met to review the ACE dues structure and determine if ACE could permanently lower dues or if we should continue to incorporate dues forgiveness throughout the year as savings accumulate. Permanently reducing or increasing dues requires a vote by the membership, where any increase needed in the future could prove challenging to get. The ability to apply dues forgiveness is based on current economic conditions and simply requires action by the executive board.

We reviewed expenses, any effect significant changes in membership would have on our revenue and developed several dues structure options from 1- or 2-month dues forgiveness, to a flat rate structure to a permanent reduction.

- Dues forgiveness allows for greater flexibility but initially collects more funds than we potentially need.
- A flat rate structure for all members would increase dues for 50 percent of our membership, three-quarters of which would see a minimum of a 5 percent increase and a one-quarter would see a 25 percent increase or more.
- A small permanent reduction (.05%) would not significantly affect our revenue stream but members would see a greater savings from one-month of dues forgiveness.
- A permanent reduction (.05%) with a dollar cap (\$65) slightly above the average dues amount would reduce dues by 5 percent for our 25 percent of our members and leave us with a balanced budget with a little room to save funds.

To move forward with any of these options, ACE would need to be willing to reduce expenses as needed. The only discretionary expenses in our budget would be the elective officer stipends and food for member meetings.

As members most likely won't see any increase in ongoing compensation for the next couple of years, the more we can keep in their pocket from the outset, the better.

Attached: ACE Tentative Budget 2018-2019 with Dues Structure Options
ACE 2017-2018 Income Statement vs. Actuals
ACE Budget Actuals 2011 - 2018

Foothill-DeAnza Association of Classified Employees
Income Statement Budget vs. Actual
July 2017 through June 2018

	Jul '17 - Jun 18	Budget	\$ Over Budget	% of Budget
Income				
Dues	166,952.30	194,000.00	-27,047.70	86.06%
Interest Income	2,733.56	2,500.00	233.56	109.34%
Service Fees	12,796.74	22,800.00	-10,003.26	56.13%
Total Income	182,482.60	219,300.00	-36,817.40	83.21%
Expense				
Arbitration				
Arbitration Fees	0.00	4,000.00	-4,000.00	0.0%
Misc. Court Fees	3,000.00	1,000.00	2,000.00	300.0%
Total Arbitration	3,000.00	5,000.00	-2,000.00	60.0%
Reclassification Appeals	0.00	3,000.00	-3,000.00	0.0%
Business Expenses				
Bank Fees	12.50			
Business Expenses - Other	0.00	100.00	-100.00	0.0%
Total Business Expenses	12.50	100.00	-87.50	12.5%
Capital Outlay	0.00	1,500.00	-1,500.00	0.0%
Depreciation Expense	5,192.62	5,700.00	-507.38	91.1%
Legal Expenses				
Legal Fees - Bradley Booth	114,000.00			
Legal Expenses - Other	0.00	114,000.00	-114,000.00	0.0%
Total Legal Expenses	114,000.00	114,000.00	0.00	100.0%
Marketing (BBQ/Events)	1,269.02	3,000.00	-1,730.98	42.3%
Mileage, Travel and Meetings				
Meals	6,480.02	9,000.00	-2,519.98	72.0%
Conference, Convention, Meeting	280.00	3,000.00	-2,720.00	9.33%
Mileage/Travel	326.01	800.00	-473.99	40.75%
Total Mileage, Travel and Meetings	7,086.03	12,800.00	-5,713.97	55.36%
Other Types of Expenses				
Insurance - Liability, D and O	3,457.50	6,000.00	-2,542.50	57.63%
Total Other Types of Expenses	3,457.50	6,000.00	-2,542.50	57.63%
Outside Services				
Accounting Fees				
Nancy Reynolds	4,500.00			
Accounting Fees - Other	0.00	4,500.00	-4,500.00	0.0%
Total Accounting Fees	4,500.00	4,500.00	0.00	100.0%
Tax - Audit				
Islip LLC	2,759.00			
Tax - Audit - Other	0.00	2,900.00	-2,900.00	0.0%
Total Tax - Audit	2,759.00	2,900.00	-141.00	95.14%
Total Outside Services	7,259.00	7,400.00	-141.00	98.1%
Postage, Mailing Service	0.00	100.00	-100.00	0.0%
Printing and Copying	153.75	500.00	-346.25	30.75%
Salaries/Release Time				
Stipends	30,725.00	40,925.00	-10,200.00	75.08%
Officers	0.00	3,000.00	-3,000.00	0.0%

Foothill-DeAnza Association of Classified Employees Income Statement Budget vs. Actual July 2017 through June 2018

	Jul '17 - Jun 18	Budget	\$ Over Budget	% of Budget
Total Salaries/Release Time	30,725.00	43,925.00	-13,200.00	69.95%
Subscriptions, Books, Reference	1,465.50	2,000.00	-534.50	73.28%
Supplies	1,943.14	2,000.00	-56.86	97.16%
Taxes	10.00	20.00	-10.00	50.0%
Training/Continuing Education	0.00	250.00	-250.00	0.0%
Web Hosting	2,134.12	2,200.00	-65.88	97.01%
Miscellaneous Expenses	1,723.48			
Total Expense	179,431.66	209,495.00	-30,063.34	85.65%
Net Income	3,050.94	9,805.00	-6,754.06	31.12%

revenue
 originally
 included 2
 months dues
 forgivenss.

2018-2019 ACE Tentative Budget

	<u>Jul '18 - Jun 19</u>
Income	
Dues	252,000.00
Interest Income	2,500.00
Total Income	<u>254,500.00</u>
Expense	
Arbitration	
Arbitration Fees	4,000.00
Misc. Court Fees	1,000.00
Total Arbitration	<u>5,000.00</u>
Reclassification Appeals	
Reclassification Appeals	3,000.00
Total Reclassification Appeals	<u>3,000.00</u>
Business Expenses	
Business Registration Fees	
Business Expenses - Other	100.00
Total Business Expenses	<u>100.00</u>
Capital Outlay	1,500.00
Depreciation Expense	5,500.00
Legal Expenses	
Legal Fees - Bradley Booth	114,000.00
Legal Expenses - Other	
Total Legal Expenses	<u>114,000.00</u>
Marketing (BBQ/Events)	3,000.00
Mileage, Travel and Meetings	
Meals	8,000.00
Conference, Convention, Meeting	2,000.00
Mileage/Travel	600.00
Total Mileage, Travel and Meetings	<u>10,600.00</u>
Other Types of Expenses	
Insurance - Liability, D and O	4,500.00
Total Other Types of Expenses	<u>4,500.00</u>
Outside Services	
Accounting Fees	
Nancy Reynolds	4,500.00
Accounting Fees - Other	
Total Accounting Fees	<u>4,500.00</u>
Tax - Audit	
Islip LLC	2,900.00
Tax - Audit - Other	
Total Tax - Audit	<u>2,900.00</u>
Total Outside Services	<u>7,400.00</u>
Postage, Mailing Service	100.00
Printing and Copying	400.00
Salaries/Release Time	
Stipends	40,925.00
Officers	0.00
Total Salaries/Release Time	<u>40,925.00</u>
Books, Reference	1,500.00
Office Supplies	2,000.00
Software	300.00
Subscriptions	540.00
Taxes	20.00
Training/Continuing Education	250.00
Web Hosting	2,200.00
Miscellaneous Expenses	
Total Expense	<u>202,835.00</u>
	<u><u>51,665.00</u></u>

Contingency Funds	
	716,002.00
5% reserve	10,191.00
Strike Fund	\$500,000.00
Authorized litigation	\$25,000.00
Classification Study	<u>\$100,000.00</u>
Unallocated	\$80,811.00

Tentative Budget 2018-2019
Dues Reduction Scenarios

Based on current membership @ 400 and includes temporary 5% salary adjustment for 18-19

	Budget 18-19	Forgive Dues 1 month	Forgive Dues 2 Months	Permanently Reduce Dues .05%	Permanently Reduce Dues .05% + cap \$65	Flat Rate - \$55.50	Actuals Jul 17 - Jun 18
Income							
Dues	252,000.00	252,000.00	252,000.00	252,000.00	252,000.00	252,000.00	179,749.04
Interest Income	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,733.56
Forgive/Reduce Dues		21,000.00	42,000.00	13,500.00	24,000.00	23,360.00	0.00
Total Income	254,500.00	233,500.00	212,500.00	241,000.00	230,500.00	231,140.00	182,482.60
Expense							
Arbitration							
Arbitration Fees	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	0.00
Misc. Court Fees	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	3,000.00
Total Arbitration	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	3,000.00
Reclassification Appeals	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	0.00
Business Expenses	100.00	100.00	100.00	100.00	100.00	100.00	12.50
Capital Outlay	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	0.00
Total Capital Outlay	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	0
Depreciation Expense	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,192.62
Legal Expenses	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00
Marketing	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	1269.02
Mileage, Meals, Conference							
Mileage	600.00	600.00	600.00	600.00	600.00	600.00	326.01
Meals Conference, Meeting	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	6,480.02
	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	280.00
Total Mileage, Meals, Conference	10,600.00	10,600.00	10,600.00	10,600.00	10,600.00	10,600.00	7,086.03
Insurance	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	\$3,457.50
Outside Services							
Accounting Fees	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
Tax - Audit	2,900.00	2,900.00	2,900.00	2,900.00	2,900.00	2,900.00	2,759.00
Total Outside Services	7,400.00	7,400.00	7,400.00	7,400.00	7,400.00	7,400.00	7,259.00
Postage, Mailing Service	100.00	100.00	100.00	100.00	100.00	100.00	0.00
Printing and Copying	400.00	400.00	400.00	400.00	400.00	400.00	153.75
Salaries/Release Time							
Stipends	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	30,725.00
Officers	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Salaries/Release Time	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	30,725.00
Books, Reference	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,456.50
Office Supplies	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	1,943.14
Software	300.00	300.00	300.00	300.00	300.00	300.00	0.00
Subscriptions	540.00	540.00	540.00	540.00	540.00	540.00	0.00
Taxes	20.00	20.00	20.00	20.00	20.00	20.00	10.00
Training/Continuing Education	250.00	250.00	250.00	250.00	250.00	250.00	0.00
Web Hosting	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,134.12
Miscellaneous Expenses							1,723.48
Total Expense	202,835.00	202,835.00	202,835.00	202,835.00	202,835.00	202,835.00	178,153.64
	51,665.00	30,665.00	9,665.00	38,165.00	27,665.00	28,305.00	4,328.96

Notes

25% of members will see their dues lowered by approx 5%

Average Dues = \$55.50 Dues increase for 50% of members. Of those, three-quarters would see a 5% increase or more and one-quarter would see a 25% increase.

Income included 3 months of dues forgiveness

Tetnative Budget 2019-2020
Dues Reduction Scenarios

Based on 25% loss of membership from layoffs and nonmembers and removes 5% salary increase from 18-19

	Budget 19-20	Forgive Dues 1 month	Forgive Dues 2 Months	Permanently Reduce Dues .05%	Permanently Reduce Dues .05% + cap \$65	Flat Rate - \$55.50	Actuals Jul 17 - Jun 18
Income							
Full Dues	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00	179,749.04
Interest Income	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,733.56
Forgive/Reduce Dues		15,000.00	30,000.00	1,200.00	8,500.00	9,000.00	0.00
Total Income	182,500.00	167,500.00	152,500.00	181,300.00	174,000.00	191,500.00	182,482.60
Expense							
Arbitration							
Arbitration Fees	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	0.00
Misc. Court Fees	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	3,000.00
Total Arbitration	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	3,000.00
Reclassification Appeals	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	0.00
Business Expenses	100.00	100.00	100.00	100.00	100.00	100.00	12.50
Capital Outlay	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	0.00
Total Capital Outlay	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	0
Depreciation Expense	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,500.00	5,192.62
Legal Expenses	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00
Marketing	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	1269.02
Mileage, Meals, Conference							
Mileage	600.00	600.00	600.00	600.00	600.00	600.00	326.01
Meals	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	6,480.02
Conference, Meeting	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	280.00
Total Mileage, Meals, Conference	10,600.00	10,600.00	10,600.00	10,600.00	10,600.00	10,600.00	7,086.03
Insurance	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	\$3,457.50
Outside Services							
Accounting Fees	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
Tax - Audit	2,900.00	2,900.00	2,900.00	2,900.00	2,900.00	2,900.00	2,759.00
Total Outside Services	7,400.00	7,400.00	7,400.00	7,400.00	7,400.00	7,400.00	7,259.00
Postage, Mailing Service	100.00	100.00	100.00	100.00	100.00	100.00	0.00
Printing and Copying	400.00	400.00	400.00	400.00	400.00	400.00	153.75
Salaries/Release Time							
Stipends	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	30,725.00
Officers	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Salaries/Release Time	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	30,725.00
Books, Reference	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,456.50
Office Supplies	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	1,943.14
Software	300.00	300.00	300.00	300.00	300.00	300.00	0.00
Subscriptions	540.00	540.00	540.00	540.00	540.00	540.00	0.00
Taxes	20.00	20.00	20.00	20.00	20.00	20.00	10.00
Training/Continuing Educatic	250.00	250.00	250.00	250.00	250.00	250.00	0.00
Web Hosting	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00	2,134.12
Miscellaneous Expenses							1,723.48
Total Expense	202,835.00	202,835.00	202,835.00	202,835.00	202,835.00	202,835.00	178,153.64
	-20,335.00	-35,335.00	-50,335.00	-21,535.00	-28,835.00	-11,335.00	4,328.96

Notes

25% of members will see their dues lowered by approx 5%
Average = \$55.50 Dues increase for 45% of members w/3/4's seeing a 5% increase or more. 1/4 a 25% increase.
Income included 3 months of dues forgiveness

ACE Budget Actuals 2011-2016

	Jul '17 - Jun '18	Jul'16 - Jun '17	Jul '15 - Jun 16	Jul '14 - Jun 15	Jul '13 - Jun 14	Jul '12 - Jun 13	Jul '11 - Jun 12	Jul '10 - Jun 11
Income								
Dues	166,952.30	234,715.38	205,924.88	186,629.82	201,732.33	213,548.38	241,754.78	248,228.78
Interest Income	2,733.56	2,873.07	1,095.35	1,329.69	1,822.12	1,973.69	590.87	715.35
Service Fees	12,796.74	24,524.33	26,074.19	28,697.93	35,809.23	36,195.08	41,876.77	44,496.59
Total Income	182,482.60	262,112.78	233,094.42	216,657.44	239,363.68	251,717.15	284,222.42	293,440.72
	<small>total income includes 3 months dues forgiveness</small>	<small>total income includes 10% permanent dues reduction & 2 months dues forgiveness</small>	<small>total income includes 2 months dues forgiveness</small>	<small>total income includes 2 months dues forgiveness</small>	<small>total income includes 1 month dues forgiveness</small>	<small>total income includes 1 month dues forgiveness</small>		
Expense								
Arbitration								
Arbitration Fees	0.00	0.00	1,716.53	3,930.50	1,650.00	7,041.25	343.95	3,068.54
Misc. Court Fees	3,000.00	0.00	625.00	435.00	0.00	0.00	0.00	0.00
Total Arbitration	3,000.00	0.00	2,341.53	4,365.50	1,650.00	7,041.25	343.95	3,068.54
Reclassification Appeals	0.00	1,125.00	1,375.00	1,532.44	0.00	0.00	0.00	0.00
Business Expenses	12.50	20.00	-5.00	0.00	31.00	0.00	60.00	210.74
Capital Outlay	0.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00
Depreciation Expense	0	5,685.98	4,209.33	1,471.08	707.07	1,339.52	1,300.92	1,285.56
Kitchen Supplies	5,192.62	0.00	1,222.26	0.00	0.00	0.00	0.00	0.00
Legal Expenses	114,000.00	113,500.00	120,150.00	110,140.00	110,185.20	99,000.00	117,000.00	108,000.00
Marketing (BBQ/Events)	1269.02	1,389.99	208.58	3,930.95	3,000.00	1,571.10	0.00	876.47
Mileage, Travel and Meetings								
Meals	326.01	6,177.20	5,403.06	2,695.51	3,227.59	248.58	0.00	0.00
Conference, Convention, Meeting	6,480.02	3,079.44	796.79	3,442.66	1,017.34	2,728.29	2,607.46	171.84
Mileage/Travel	280.00	402.40	571.34	756.67	1,249.43	514.94	942.98	381.22
Total Mileage, Travel and Meetings	7,086.03	9,659.04	6,771.19	6,894.84	5,494.36	3,491.81	3,550.44	553.06
Other - Insurance	\$3,457.50	3,406.94	5,855.34	3,296.00	3,080.00	2,881.25	2,881.25	2,881.25
Outside Services								
Accounting Fees	4,500.00	4,500.00	4,525.00	4,200.00	4,925.00	4,975.00	3,575.00	4,650.00
Recorder	0.00	0.00	8,417.19	16,140.00	0.00	0.00	0.00	28,719.20
Tax - Audit	2,759.00	2,720.00	2,645.00	2,580.00	3,200.00	3,200.00	3,550.00	3,000.00
Total Outside Services	7,259.00	7,220.00	15,587.19	26,216.00	8,125.00	8,175.00	7,125.00	36,369.20
Postage, Mailing Service	0.00	20.85	0.00	0.00	47.12	0.00	9.30	44.00
Printing and Copying	153.75	0.00	0.00	0.00	0.00	0.00	0.00	1,782.50
Salaries/Release Time								
Stipends	30,725.00	21,050.00	31,225.00	0.00	0.00	0.00	0.00	0.00
Officers	0.00	0.00	0.00	14,459.42	44,041.17	45,556.31	72,498.25	7,568.79
Total Salaries/Release Time	30,725.00	21,050.00	31,225.00	14,459.42	44,041.17	45,556.31	72,498.25	7,568.79
Subscriptions, Books, Reference	1,456.50	74.70	0.00	0.00	0.00	0.00	0.00	0.00
Supplies	1,943.14	1,908.62	713.33	759.53	1,505.21	2,002.29	1,834.14	1,593.15
Taxes	10.00	10.00	10.00	30.00	10.00	25.00	0.00	1,782.50
Training/Continuing Education	0.00	0.00	0.00	0.00	342.12	0.00	1,489.10	-699.83
Web Hosting	2,134.12	2,199.90	1,421.16	1,445.00	1,090.99	1,090.99	1,090.35	1,079.40
Miscellaneous Expenses	1,723.48	112.39	54.30	0.00	0.00	0.00	10.00	0.00
Total Expense	178,153.64	167,383.41	191,139.21	174,540.76	179,309.24	172,194.52	209,192.70	167,794.99
Net Income	4,328.96	94,729.37	41,955.21	42,116.68	60,054.44	79,522.63	75,029.72	125,645.73