



Date: August 30, 2017  
To: ACE Executive Board  
From: Chris White, President & Annette Perez, Treasurer  
RE: ACE 2017-18 budget with dues forgiveness recommendation

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## Background

Beginning in 2010, even as membership fluctuated through layoffs, resignations and a hiring freeze, ACE dues averaged \$20,000 a month. With a 7% increase in new positions over the past two years, the resulting increase in dues revenue was offset by the 10% permanent dues reduction implemented in 2016. Overall, the net change was a small increase of \$2,000 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 \$641,000 in contingency funds to cover a 5% operating reserve, a \$500,000 strike fund, and a couple Board authorized litigation expenses.

Every year, litigation fees and fluctuations in membership remain the two most unpredictable variables impacting our budget. For several years' ACE only had minimal legal expenses associated with reclassification and arbitrations and we have contained the costs within our annual operating budget. During 2016-17 the ACE Board authorized \$125,000 in potential litigation costs to address four (4) separate actions. Two were resolved without having to take any legal action, the remaining two issues – with potential costs up to \$110,000 – are still being addressed. Our contingency fund has allowed ACE to take these actions without having to pass costs on to our members, and keep dues low, forgiving them whenever it is fiscally permissible.

ACE membership fluctuates with Districts' hiring and budgeting agendas. Positions have been added over the last couple of years, but the bulk of them fall under categorical funding from the state. These funds are ongoing but they aren't tied to our base apportionment and can be easily cut when the State needs to reduce its budget or decides to change its focus. At the same time, the District continues to decline in enrollment. In 2016-17, the District lost \$6 million due to a larger than anticipated enrollment decline and the FHDA administration doesn't have a good grasp on the reason why. Unless the District can reverse this trend, they will need to look for ways to balance their budget. Historically, they have done this through reducing staff.



Foothill – De Anza Association of Classified Employees (ACE)  
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## Recommendation

We still need to build funds for future needs (litigation, general cost increases, declines in revenue due to membership loss) but not at the same rate as the early days of ACE. 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. From the unstable State funding source covering many of our positions, to the Districts' continual enrollment decline, to the bulk of our contingency funds allocated for other purposes, at this time it would be fiscally prudent for ACE to forgive dues when feasible than look at another permanent reduction.

We recommend ACE forgive dues for one month, December, and leave open the option to forgive dues for one other month, May, if finances allow.

**Attached:** ACE Tentative Budget 2017-2018 with Dues Forgiveness Options  
ACE 2016-2017 Income Statement vs. Actuals  
ACE Budget Actuals 2011 - 2017

ACE Tentative Budget 2017-2018.xlsx

	Budget 17-18	Fortive Dues 1 Month	Forgive Dues 2 Months	Permanently Reduce Dues .10%	Permanently Reduce Dues .15%	Permanently Reduce Dues .20%	Jul '16 - Jun 17 Actuals
<b>Income</b>							
Full Dues	240,000.00	240,000.00	240,000.00	240,000.00	240,000.00	240,000.00	234,715.38
Service Fees	22,800.00	22,800.00	22,800.00	22,800.00	22,800.00	22,800.00	24,524.33
Interest Income	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,873.07
<b>Forgive/Reduce Dues</b>		<b>23,000.00</b>	<b>46,000.00</b>	<b>27,500.00</b>	<b>41,250.00</b>	<b>55,000.00</b>	
<b>Total Income</b>	<b>265,300.00</b>	<b>242,300.00</b>	<b>219,300.00</b>	<b>237,800.00</b>	<b>224,050.00</b>	<b>210,300.00</b>	<b>262,112.78</b>
<b>Expense</b>							
<b>Arbitration</b>							
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	0.00
<b>Total Arbitration</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>0.00</b>
Reclassification Appeals	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	1,125.00
Business Expenses	100.00	100.00	100.00	100.00	100.00	100.00	20.00
Capital Outlay	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	0.00
<b>Total Capital Outlay</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>0.00</b>
Depreciation Expense	5,700.00	5,700.00	5,700.00	5,700.00	5,700.00	5,700.00	5,685.98
Legal Expenses	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00	114,000.00	113,500.00
Marketing (BBQ/Events)	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	1,389.99
<b>Mileage, Meals, Conference</b>							
Mileage	800.00	800.00	800.00	800.00	800.00	800.00	402.40
Meals	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00	6,177.20
Conference, Meeting	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,079.44
<b>Total Mileage, Meals, Conference</b>	<b>12,800.00</b>	<b>12,800.00</b>	<b>12,800.00</b>	<b>12,800.00</b>	<b>12,800.00</b>	<b>12,800.00</b>	<b>9,659.04</b>
Insurance	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	3,406.94
<b>Outside Services</b>							
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	2,720.00
<b>Total Outside Services</b>	<b>7,400.00</b>	<b>7,400.00</b>	<b>7,400.00</b>	<b>7,400.00</b>	<b>7,400.00</b>	<b>7,400.00</b>	<b>7,220.00</b>
Postage, Mailing Service	100.00	100.00	100.00	100.00	100.00	100.00	20.85
Printing and Copying	500.00	500.00	500.00	500.00	500.00	500.00	0.00
<b>Salaries/Release Time</b>							
Stipends	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	40,925.00	21,050.00
Officers	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	0.00
<b>Total Salaries/Release Time</b>	<b>43,925.00</b>	<b>43,925.00</b>	<b>43,925.00</b>	<b>43,925.00</b>	<b>43,925.00</b>	<b>43,925.00</b>	<b>21,050.00</b>
Subscriptions, Books, Reference	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	74.70
Supplies	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	1,908.62
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	2,199.90
Miscellaneous Expenses							112.39
<b>Total Expense</b>	<b>209,495.00</b>	<b>209,495.00</b>	<b>209,495.00</b>	<b>209,495.00</b>	<b>209,495.00</b>	<b>209,495.00</b>	<b>167,383.41</b>
	<b>55,805.00</b>	<b>32,805.00</b>	<b>9,805.00</b>	<b>28,305.00</b>	<b>14,555.00</b>	<b>805.00</b>	<b>94,729.37</b>
<b>Contingency Funds</b>							
	651,400.00						
5% reserve	10,475.00						
Strike Fund	500,000						
Authorized litigation	110,000						
Unallocated	30,925						

Foothill-DeAnza Association of Classified Employees  
Income Statement Budget vs. Actual  
July 2016 through June 2017

	Jul '16 - Jun 17	Budget	\$ Over Budget	% of Budget
<b>Income</b>				
Dues	234,715.38	224,000.00	10,715.38	104.78%
Interest Income	2,873.07	1,000.00	1,873.07	287.31%
Service Fees	24,524.33	23,500.00	1,024.33	104.36%
<b>Total Income</b>	<b>262,112.78</b>	<b>248,500.00</b>	<b>13,612.78</b>	<b>105.48%</b>
<b>Expense</b>				
<b>Arbitration</b>				
Arbitration Fees	0.00	4,000.00	-4,000.00	0.0%
Misc. Court Fees	0.00	1,000.00	-1,000.00	0.0%
<b>Total Arbitration</b>	<b>0.00</b>	<b>5,000.00</b>	<b>-5,000.00</b>	<b>0.0%</b>
<b>Reclassification Appeals</b>				
Arthur J Gallagher & Co	1,125.00			
Reclassification Appeals - Other	0.00	3,000.00	-3,000.00	0.0%
<b>Total Reclassification Appeals</b>	<b>1,125.00</b>	<b>3,000.00</b>	<b>-1,875.00</b>	<b>37.5%</b>
<b>Business Expenses</b>				
Business Registration Fees	20.00			
Business Expenses - Other	0.00	100.00	-100.00	0.0%
<b>Total Business Expenses</b>	<b>20.00</b>	<b>100.00</b>	<b>-80.00</b>	<b>20.0%</b>
Capital Outlay	0.00	1,500.00	-1,500.00	0.0%
Depreciation Expense	5,685.98	5,500.00	185.98	103.38%
<b>Legal Expenses</b>				
Legal Fees - Bradley Booth	113,500.00			
Legal Expenses - Other	0.00	113,250.00	-113,250.00	0.0%
<b>Total Legal Expenses</b>	<b>113,500.00</b>	<b>113,250.00</b>	<b>250.00</b>	<b>100.22%</b>
Marketing (BBQ/Events)	1,389.99	3,000.00	-1,610.01	46.33%
<b>Mileage, Travel and Meetings</b>				
Meals	6,177.20	9,000.00	-2,822.80	68.64%
Conference, Convention, Meeting	3,079.44	1,000.00	2,079.44	307.94%
Mileage/Travel	402.40	800.00	-397.60	50.3%
<b>Total Mileage, Travel and Meetings</b>	<b>9,659.04</b>	<b>10,800.00</b>	<b>-1,140.96</b>	<b>89.44%</b>
<b>Other Types of Expenses</b>				
Insurance - Liability, D and O	3,406.94	6,000.00	-2,593.06	56.78%
<b>Total Other Types of Expenses</b>	<b>3,406.94</b>	<b>6,000.00</b>	<b>-2,593.06</b>	<b>56.78%</b>
<b>Outside Services</b>				
<b>Accounting Fees</b>				
Nancy Reynolds	4,500.00			
Accounting Fees - Other	0.00	4,500.00	-4,500.00	0.0%
<b>Total Accounting Fees</b>	<b>4,500.00</b>	<b>4,500.00</b>	<b>0.00</b>	<b>100.0%</b>
<b>Tax - Audit</b>				
Islip LLC	2,720.00			
Tax - Audit - Other	0.00	2,800.00	-2,800.00	0.0%
<b>Total Tax - Audit</b>	<b>2,720.00</b>	<b>2,800.00</b>	<b>-80.00</b>	<b>97.14%</b>
<b>Total Outside Services</b>	<b>7,220.00</b>	<b>7,300.00</b>	<b>-80.00</b>	<b>98.9%</b>
Postage, Mailing Service	20.85	100.00	-79.15	20.85%
Printing and Copying	0.00	500.00	-500.00	0.0%
<b>Salaries/Release Time</b>				
Stipends	21,050.00	40,925.00	-19,875.00	51.44%
Officers	0.00	3,000.00	-3,000.00	0.0%
<b>Total Salaries/Release Time</b>	<b>21,050.00</b>	<b>43,925.00</b>	<b>-22,875.00</b>	<b>47.92%</b>
Subscriptions, Books, Reference	74.70			
Supplies	1,908.62	1,000.00	908.62	190.86%
Taxes	10.00	20.00	-10.00	50.0%
Training/Continuing Education	0.00	250.00	-250.00	0.0%
Web Hosting	2,199.90	2,100.00	99.90	104.76%
Miscellaneous Expenses	112.39			
<b>Total Expense</b>	<b>167,383.41</b>	<b>203,345.00</b>	<b>-35,961.59</b>	<b>82.32%</b>
<b>Net Income</b>	<b>94,729.37</b>	<b>45,155.00</b>	<b>49,574.37</b>	<b>209.79%</b>

**ACE Budget Actuals 2011-2016**

	<b>Budget '17-'18</b>	<b>Budget '16-'17</b>	<b>Jul '15 - Jun 16</b>	<b>Jul '14 - Jun 15</b>	<b>Jul '13 - Jun 14</b>	<b>Jul '12 - Jun 13</b>	<b>Jul '11 - Jun 12</b>	<b>Jul '10 - Jun 11</b>
<b>Income</b>								
Dues	240,000.00	234,715.38	205,924.88	186,629.82	201,732.33	213,548.38	241,754.78	248,228.78
Interest Income	2,500.00	2,873.07	1,095.35	1,329.69	1,822.12	1,973.69	590.87	715.35
Service Fees	22,800.00	24,524.33	26,074.19	28,697.93	35,809.23	36,195.08	41,876.77	44,496.59
<b>Total Income</b>	<b>265,300.00</b>	<b>262,112.78</b>	<b>233,094.42</b>	<b>216,657.44</b>	<b>239,363.68</b>	<b>251,717.15</b>	<b>284,222.42</b>	<b>293,440.72</b>
		<small>total income includes 10% permanent dues reduction &amp; 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>		
<b>Expense</b>								
<b>Arbitration</b>								
Arbitration Fees	4,000.00	0.00	1,716.53	3,930.50	1,650.00	7,041.25	343.95	3,068.54
Misc. Court Fees	1,000.00	0.00	625.00	435.00	0.00	0.00	0.00	0.00
<b>Total Arbitration</b>	<b>5,000.00</b>	<b>0.00</b>	<b>2,341.53</b>	<b>4,365.50</b>	<b>1,650.00</b>	<b>7,041.25</b>	<b>343.95</b>	<b>3,068.54</b>
Reclassification Appeals	3,000.00	1,125.00	1,375.00	1,532.44	0.00	0.00	0.00	0.00
Business Expenses	100.00	20.00	-5.00	0.00	31.00	0.00	60.00	210.74
Capital Outlay	1,500.00	0.00	0.00	0.00	0.00	20.00	0.00	0.00
Depreciation Expense	5,700.00	5,685.98	4,209.33	1,471.08	707.07	1,339.52	1,300.92	1,285.56
Kitchen Supplies	0.00	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)	3,000.00	1,389.99	208.58	3,930.95	3,000.00	1,571.10	0.00	876.47
<b>Mileage, Travel and Meetings</b>								
Meals	9,000.00	6,177.20	5,403.06	2,695.51	3,227.59	248.58	0.00	0.00
Conference, Convention, Meeting	3,000.00	3,079.44	796.79	3,442.66	1,017.34	2,728.29	2,607.46	171.84
Mileage/Travel	800.00	402.40	571.34	756.67	1,249.43	514.94	942.98	381.22
<b>Total Mileage, Travel and Meetings</b>	<b>12,800.00</b>	<b>9,659.04</b>	<b>6,771.19</b>	<b>6,894.84</b>	<b>5,494.36</b>	<b>3,491.81</b>	<b>3,550.44</b>	<b>553.06</b>
Other - Insurance	6,000.00	3,406.94	5,855.34	3,296.00	3,080.00	2,881.25	2,881.25	2,881.25
<b>Outside Services</b>								
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	2,900.00	2,720.00	2,645.00	2,580.00	3,200.00	3,200.00	3,550.00	3,000.00
<b>Total Outside Services</b>	<b>7,400.00</b>	<b>7,220.00</b>	<b>15,587.19</b>	<b>26,216.00</b>	<b>8,125.00</b>	<b>8,175.00</b>	<b>7,125.00</b>	<b>36,369.20</b>
Postage, Mailing Service	100.00	20.85	0.00	0.00	47.12	0.00	9.30	44.00
Printing and Copying	500.00	0.00	0.00	0.00	0.00	0.00	0.00	1,782.50
<b>Salaries/Release Time</b>								
Stipends	40,925.00	21,050.00	31,225.00	0.00	0.00	0.00	0.00	0.00
Officers	3,000.00	0.00	0.00	14,459.42	44,041.17	45,556.31	72,498.25	7,568.79
<b>Total Salaries/Release Time</b>	<b>43,925.00</b>	<b>21,050.00</b>	<b>31,225.00</b>	<b>14,459.42</b>	<b>44,041.17</b>	<b>45,556.31</b>	<b>72,498.25</b>	<b>7,568.79</b>
Subscriptions, Books, Reference	0.00	74.70	0.00	0.00	0.00	0.00	0.00	0.00
Supplies	2,000.00	1,908.62	713.33	759.53	1,505.21	2,002.29	1,834.14	1,593.15
Taxes	20.00	10.00	10.00	30.00	10.00	25.00	0.00	1,782.50
Training/Continuing Education	250.00	0.00	0.00	0.00	342.12	0.00	1,489.10	-699.83
Web Hosting	2,200.00	2,199.90	1,421.16	1,445.00	1,090.99	1,090.99	1,090.35	1,079.40
Miscellaneous Expenses	0.00	112.39	54.30	0.00	0.00	0.00	10.00	0.00
<b>Total Expense</b>	<b>207,495.00</b>	<b>167,383.41</b>	<b>191,139.21</b>	<b>174,540.76</b>	<b>179,309.24</b>	<b>172,194.52</b>	<b>209,192.70</b>	<b>167,794.99</b>
<b>Net Income</b>	<b>57,805.00</b>	<b>94,729.37</b>	<b>41,955.21</b>	<b>42,116.68</b>	<b>60,054.44</b>	<b>79,522.63</b>	<b>75,029.72</b>	<b>125,645.73</b>