



Foothill – De Anza Association of Classified Employees (ACE)
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www.acefhda.org

Date: August 29, 2019

To: ACE Executive Board

From: Chris White, President & Kathy Nguyen, Treasurer

RE: ACE 2019-2020 budget with dues forgiveness recommendation

Background:

Since ACE was incorporated in 2009, we have yet to spend all of our allocated expenses in a fiscal year. Partly because some expenses are elective, like stipends and not every board member collects them, and partly because some expenses are based on potential litigation, reclassification, and arbitration costs we didn't incur. Last year, we were able to carryforward nearly \$29,000 from unspent allocated budget items, residual dues from former service fee members, a significant increase in investment earnings, and savings on some operating expenses.

As a result, we have been able to build a healthy contingency fund of \$765,000. 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 In the ten years ACE has been in existence, we have only withdrawn from the contingency fund once to establish our permanent office.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. With a pending legal action against CalPERS, and costs to hire financial experts to better position us when we negotiate with the District, we will use some of these funds this year.

In 2018, to address consistent carryforward funds from the previous years, the Board looked at finding the most equitable way to reduce dues for members while at the same time ensuring the Association remains fiscally sound. Some options, like permanently reducing dues weren't as attractive because the amount members would save would be far less than when we could give when we forgive dues. Other options included a flat fee for all members, and a percentage based on the current rate with a cap for higher earners. In February of this year, the negotiating team posed this question to the membership in a survey and 76% of respondents chose to keep our current dues structure.

In addition, the Janus decision handed down by the Supreme Court in June 2018 significantly altered how we are funded. We are just starting to feel the impact of that decision. With budget reductions and a large number of ACE members retiring (42) as of June 30, 2019, monthly income has reduced from a steady \$20,000 per month to \$17,700 in July 2019. Of those positions being refilled – some are part of the reduction plan and won't come back – at present only half of new employees choose to become a member.



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Recommendation:

Due to the uncertainty of membership enrollment coupled with stagnant expenses, it would be fiscally prudent for ACE keep our dues structure unchanged and forgive dues for 2019-2020. 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 recommend ACE forgive dues for one month, November, and leave open the option to forgive dues for one additional month in the spring if finances allow.

Attached:

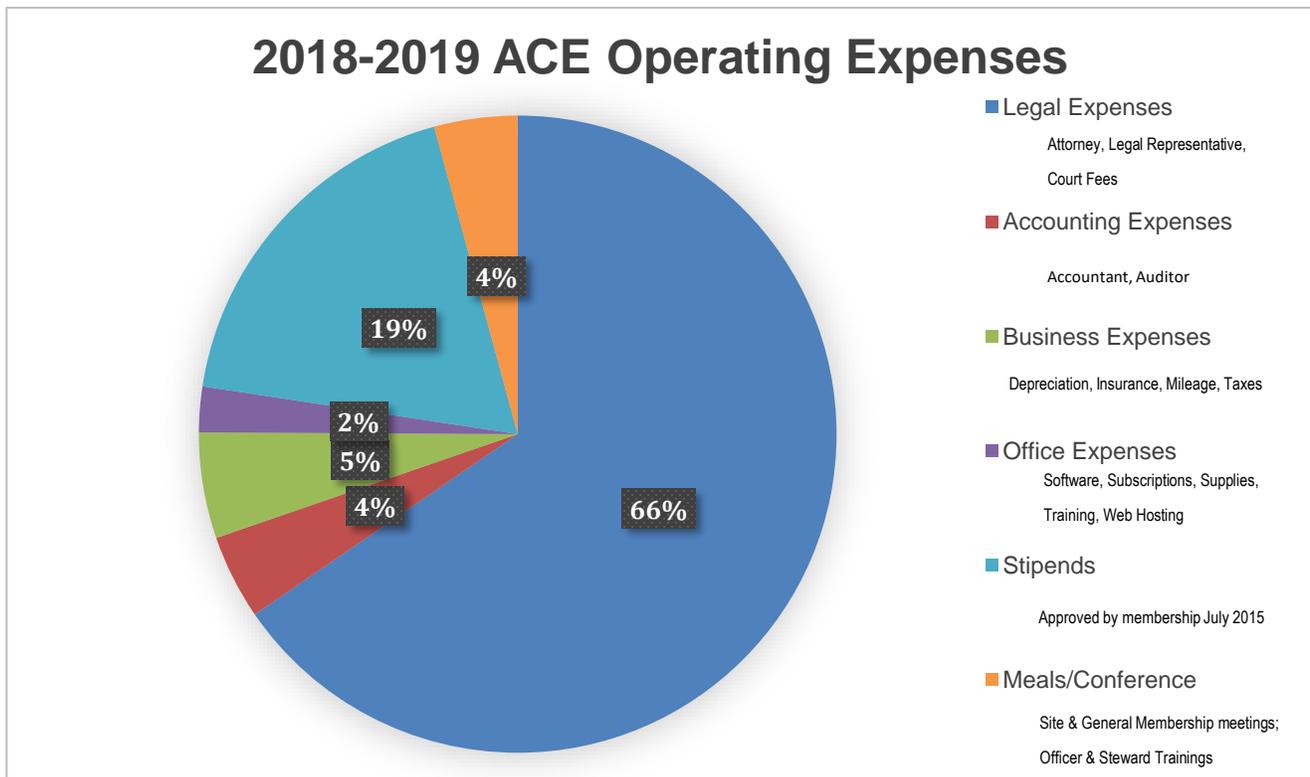
2019 - 2020 ACE Budget - DRAFT
2019 - 2020 ACE Budget with Dues Forgiveness Options
2018-2019 – ACE Budget to Actuals
ACE Budget Actuals 2011 -2019

	Jul '18 - Jun 19	Budget	\$ Over Budget	% of Budget
Income				
Dues	183,200.44	231,000.00	-47,799.56	79.31%
Interest Income	5,476.79	2,500.00	2,976.79	219.07%
Service Fees	1,673.44			
Total Income	190,350.67	233,500.00	-43,149.33	81.52%
Expense				
Arbitration				
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%
Total Arbitration	0.00	5,000.00	-5,000.00	0.0%
Reclassification Appeals	0.00	3,000.00	-3,000.00	0.0%
Books, Reference	234.30	1,500.00	-1,265.70	15.62%
Business Expenses				
Business Registration Fees	20.00			
Business Expenses - Other	0.00	100.00	-100.00	0.0%
Total Business Expenses	20.00	100.00	-80.00	20.0%
Capital Outlay	0.00	1,500.00	-1,500.00	0.0%
Depreciation Expense	4,640.13	5,500.00	-859.87	84.37%
Legal Expenses				
Court Costs	435.00			
Legal Fees - Bradley Booth	104,500.00	114,000.00	-9,500.00	91.67%
Total Legal Expenses	104,935.00	114,000.00	-9,065.00	92.05%
Marketing (BBQ/Events)	0.00	3,000.00	-3,000.00	0.0%
Mileage, Travel and Meetings				
Meals	5,320.04	8,000.00	-2,679.96	66.5%
Conference, Convention, Mee	1,450.00	2,000.00	-550.00	72.5%
Mileage/Travel	177.39	600.00	-422.61	29.57%
Total Mileage, Travel and Meetings	6,947.43	10,600.00	-3,652.57	65.54%
Other Types of Expenses				
Insurance - Liability, D and O	3,769.76	4,500.00	-730.24	83.77%
Total Other Types of Expenses	3,769.76	4,500.00	-730.24	83.77%
Outside Services				
Accounting Fees				
Nancy Reyni	4,125.00	4,500.00	-375.00	91.67%
Total Accounting Fees	4,125.00	4,500.00	-375.00	91.67%
Tax - Audit				
Islip LLC	2,759.00	2,900.00	-141.00	95.14%
Total Tax - Audit	2,759.00	2,900.00	-141.00	95.14%
Total Outside Services	6,884.00	7,400.00	-516.00	93.03%
Postage, Mailing Service	0.00	100.00	-100.00	0.0%
Printing and Copying	0.00	400.00	-400.00	0.0%
Salaries/Release Time				
Stipends	27,825.00	40,925.00	-13,100.00	67.99%
President	1,650.00			
Total Salaries/Release Time	29,475.00	40,925.00	-11,450.00	72.02%
Software	233.87	300.00	-66.13	77.96%
Subscriptions	235.17	540.00	-304.83	43.55%
Supplies	1,225.73	2,000.00	-774.27	61.29%
Taxes				
Backup Withholding				
Backup Witt	88.26			
Backup Witt	407.98			
Backup Witt	163.19			
Backup Witt	407.98			
Backup Witt	81.60			
Total Backup Withholding	1,149.01			
Taxes - Other	10.00	20.00	-10.00	50.0%
Total Taxes	1,159.01	20.00	1,139.01	5,795.05%
Training/Continuing Education	0.00	250.00	-250.00	0.0%
Web Hosting	1,778.40	2,200.00	-421.60	80.84%
Total Expense	161,537.80	202,835.00	-41,297.20	79.64%
	28,812.87	30,665.00	-1,852.13	93.96%



2018-2019 ACE Operating Expenses

Last year, ACE spent 96 percent of the dues collected on activities directly related to representation. This includes expenses necessary to run an independent labor association. This has been consistent since ACE was incorporated in 2009 and is reflective of the reason we chose to be an independent labor association. Plain and simple, representation. The remaining 4 percent is spent on costs related to food for site and general membership meetings, and trainings for officers and stewards. This small investment has led to an increase in member participation at meetings tenfold since we began providing lunch in 2016.



	Jul '19 - Jun'20 No dues forgiveness	Jul '19 - Jun'20 1 month dues forgiveness	Jul '19 - Jun'20 2 month dues forgiveness	Jul '18 - Jun 19 Actuals Includes 2 months dues forgiveness
Income				
Dues	212,840.00	195,096.00	177,360.00	183,200.44
Interest Income	15,000.00	15,000.00	15,000.00	5,476.79
Service Fees	0	0	0	1,673.44
Total Income	227,840.00	210,096.00	192,360.00	190,350.67
Expense				
Arbitration				
Arbitration Fees	4,000.00	4,000.00	4,000.00	0.00
Misc. Court Fees	1,000.00	1,000.00	1,000.00	0.00
Total Arbitration	5,000.00	5,000.00	5,000.00	0.00
Reclassification Appeals				
Reclassification Appeals	3,000.00	3,000.00	3,000.00	0.00
Total Reclassification Appeals	3,000.00	3,000.00	3,000.00	0.00
Business Expenses				
Business Registration Fees				20.00
Business Expenses - Other	50.00	50.00	50.00	0.00
Total Business Expenses	50.00	50.00	50.00	0.00
Capital Outlay	0.00	0.00	0.00	0.00
Depreciation Expense	5,000.00	5,000.00	5,000.00	4,640.13
Legal Expenses				
Legal Fees - Bradley Booth	114,000.00	114,000.00	114,000.00	104,500.00
Legal Expenses - Other				435.00
Total Legal Expenses	114,000.00	114,000.00	114,000.00	104,935.00
Marketing (BBQ/Events)	3,000.00	3,000.00	3,000.00	0.00
Mileage, Travel and Meetings				
Meals	7,000.00	7,000.00	7,000.00	5,320.04
Conference, Convention, Meeting	2,500.00	2,500.00	2,500.00	1,450.00
Mileage/Travel	300.00	300.00	300.00	177.39
Total Mileage, Travel and Meetings	9,800.00	9,800.00	9,800.00	6,947.43
Other Types of Expenses				
Insurance - Liability, D and O	4,500.00	4,500.00	4,500.00	3,769.76
Total Other Types of Expenses	4,500.00	4,500.00	4,500.00	3,769.76
Outside Services				
Accounting Fees				
Nancy Reynolds	4,500.00	4,500.00	4,500.00	4,125.00
Accounting Fees - Other				0.00
Total Accounting Fees	4,500.00	4,500.00	4,500.00	4,125.00
Tax - Audit				
Islip LLC	2,900.00	2,900.00	2,900.00	2,759.00
Tax - Audit - Other				0.00
Total Tax - Audit	2,900.00	2,900.00	2,900.00	2,759.00
Total Outside Services	7,400.00	7,400.00	7,400.00	6,884.00
Postage, Mailing Service	50.00	50.00	50.00	0.00
Printing and Copying	200.00	200.00	200.00	0.00
Salaries/Release Time				
Stipends	40,925.00	40,925.00	40,925.00	29,475.00
Officers	0.00	0.00	0.00	0.00
Total Salaries/Release Time	40,925.00	40,925.00	40,925.00	29,475.00
Books, Reference	1,000.00	1,000.00	1,000.00	234.30
Office Supplies	2,000.00	2,000.00	2,000.00	1,225.73
Software	400.00	400.00	400.00	233.87
Subscriptions	540.00	540.00	540.00	235.17
Taxes	10.00	10.00	10.00	10.00
Training/Continuing Education	250.00	250.00	250.00	0.00
Web Hosting	250.00	250.00	250.00	1,778.40
Miscellaneous Expenses	0.00	0.00	0.00	0.00
Total Expense	197,375.00	197,375.00	197,375.00	161,537.80
	30,465.00	12,721.00	-5,015.00	28,812.87

Contingency Funds	765,155.00
5% reserve	9,868.00
Strike Fund	\$500,000.00
Authorized litigation	\$25,000.00
Classification Study	\$100,000.00
Financial consultant	\$10,000
Unallocated	\$140,287.00

	<u>Jul '19 - Jun'20</u>
Income	
Dues	212,840.00
Interest Income	15,000.00
Service Fees	0
Total Income	<u>227,840.00</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	50.00
Total Business Expenses	<u>50.00</u>
Capital Outlay	0.00
Depreciation Expense	5,000.00
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	7,000.00
Conference, Convention, Meeting	2,500.00
Mileage/Travel	300.00
Total Mileage, Travel and Meetings	<u>9,800.00</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	50.00
Printing and Copying	200.00
Salaries/Release Time	
Stipends	40,925.00
Officers	0.00
Total Salaries/Release Time	<u>40,925.00</u>
Books, Reference	1,000.00
Office Supplies	2,000.00
Software	400.00
Subscriptions	540.00
Taxes	10.00
Training/Continuing Education	250.00
Web Hosting	250.00
Miscellaneous Expenses	0.00
Total Expense	<u><u>197,375.00</u></u>
	<u><u>30,465.00</u></u>

Contingency Funds	765,155.00
5% reserve	9,868.00
Strike Fund	\$500,000.00
Authorized litigation	\$25,000.00
Classification Study	\$100,000.00
Financial consultant	\$10,000
Unallocated	<u>\$140,287.00</u>

ACE Budget Actuals 2011-2016

	Jul '18 - Jun '19	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	183,200.44	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	5,476.79	2,733.56	2,873.07	1,095.35	1,329.69	1,822.12	1,973.69	590.87	715.35
Service Fees	1,673.44	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	190,350.67	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 2 months dues forgiveness</small>	<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	0.00	1,716.53	3,930.50	1,650.00	7,041.25	343.95	3,068.54
Misc. Court Fees	0.00	3,000.00	0.00	625.00	435.00	0.00	0.00	0.00	0.00
Total Arbitration	0.00	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	0.00	1,125.00	1,375.00	1,532.44	0.00	0.00	0.00	0.00
Business Expenses	20.00	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	0.00	20.00	0.00	0.00
Depreciation Expense	4,640.13	5,192.62	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	0.00	1,222.26	0.00	0.00	0.00	0.00	0.00
Legal Expenses	104,935.00	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)	0.00	1,269.02	1,389.99	208.58	3,930.95	3,000.00	1,571.10	0.00	876.47
Mileage, Travel and Meetings									
Meals	5,320.04	326.01	6,177.20	5,403.06	2,695.51	3,227.59	248.58	0.00	0.00
Conference, Convention, Meeting	1,450.00	6,480.02	3,079.44	796.79	3,442.66	1,017.34	2,728.29	2,607.46	171.84
Mileage/Travel	177.39	280.00	402.40	571.34	756.67	1,249.43	514.94	942.98	381.22
Total Mileage, Travel and Meetings	6,947.43	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	3,769.76	\$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	4,125.00	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	0.00	8,417.19	16,140.00	0.00	0.00	0.00	28,719.20
Tax - Audit	2,759.00	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	6,884.00	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	0.00	20.85	0.00	0.00	47.12	0.00	9.30	44.00
Printing and Copying	0.00	153.75	0.00	0.00	0.00	0.00	0.00	0.00	1,782.50
Salaries/Release Time									
Stipends	29,475.00	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	0.00	14,459.42	44,041.17	45,556.31	72,498.25	7,568.79
Total Salaries/Release Time	29,475.00	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	469.04	1,456.50	74.70	0.00	0.00	0.00	0.00	0.00	0.00
Supplies	1,225.73	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	10.00	30.00	10.00	25.00	0.00	1,782.50
Training/Continuing Education	0.00	0.00	0.00	0.00	0.00	342.12	0.00	1,489.10	-699.83
Web Hosting	1,778.40	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	0.00	1,723.48	112.39	54.30	0.00	0.00	0.00	10.00	0.00
Total Expense	161,537.80	179,422.66	167,383.41	191,139.21	174,540.76	179,309.24	172,194.52	209,192.70	167,794.99
Net Income	28,812.87	3,059.94	94,729.37	41,955.21	42,116.68	60,054.44	79,522.63	75,029.72	125,645.73