

BOARD REPORT NO. 04-11-2C

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

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SECOND QUARTER REPORT OF AUXILIARY OPERATIONS, 2005-06

The following report covers the period July 1, 2005 through December 31, 2005 for Associated Student Bodies, Bookstores and Cafeterias.

ASSOCIATED STUDENTS (Exhibits A,B,C)

Total income and expenditures for the Associated Student Body (ASB) at each College for the second quarter of 2004-05 and 2005-06 are listed below:

ASB Total Income	2004-05	2005-06	\$ Change	%Change
Cañada College ASB	\$48,571	\$51,102	\$2,531	5.2%
College of San Mateo ASB	149,900	74,267	-75,633	-50.5%
Skyline College ASB	110,134	30,120	-80,014	-72.7%

ASB Total Expenditures	2004-05	2005-06	\$ Change	%Change
Cañada College ASB	\$17,386	\$15,563	\$-1,823	-10.5%
College of San Mateo ASB	59,016	62,109	3,093	5.2%
Skyline College ASB	27,327	34,538	7,211	26.4%

Activity card sales are the major source of income for the Associated Students. The activity card sales at both CSM and Skyline have decreased due to the change in method of recording the income in this current year as compared to the prior year and also due to timing issues on the receipt of the income. An overall decrease in enrollments has affected activity card sales, as well. Vending income has also decreased at both CSM and Skyline. Canada has shown a nominal increase in both activity card sales and vending income over the prior year.

General and activity fund expenses have increased at Skyline over the prior year, while at CSM. student assistant salary expense, student express card expense and club assistance expense have shown increases. Canada's total expenditures decrease of 10.5% is due to a decrease in student programs expense over the prior year.

Expenditures of the ASBs include normal operating expenses (office supplies, activity card and other miscellaneous expenses) as well as student programs, scholarships and club assistance supporting campus life.

Below is a comparison of the second quarter Net Income from ASB Operations:

ASB Net Income	2004-05	2005-06	\$ Change	%Change
Cañada College ASB	\$31,185	\$35,539	\$4,354	14.0%
College of San Mateo ASB	90,884	12,158	-78,726	-86.6%
Skyline College ASB	82,807	-4,418	-87,225	-105.3%

BOOKSTORES (Exhibit D)

The following data reflects the Bookstore operations for the first six months of the fiscal year beginning July 1, 2005 through December 31, 2005. It includes part of Summer 2005 and Fall 2005 semester sales.

Bookstore Sales	2004-05	2005-06	\$ Change	% Change
Regular Merchandise Sales	\$3,243,822	\$3,307,478	\$63,656	2.0%
Computer Products Sales	53,831	127,581	73,750	137.0%
Total Merchandise Sales	\$3,297,653	\$3,435,059	\$137,406	4.2%

Total merchandise sales have increased by 4.2% this year compared to last year. Computer product sales have increased substantially over the same period last year due to the bookstores actively marketing Apple Computer products and the actual marketing of the Loan to Own computer ownership program to SMCCCD employees.

Cost of goods sold increased by 4.9% and total operating expenses also increased by 4.9% over this same period in 2004-05. While interest income increased due to the continued rise in interest rates, increases in administrative salary and benefits due to the addition of the new bookstore director and the incurrence of COP interest payments, have resulted in a 58.2% net reduction to the fund balance.

Comparative figures are shown below:

Bookstore Recap	2004-05	2005-06	\$ Change	%Change
Total Merchandise Sales	\$3,297,653	\$3,435,059	\$137,406	4.2%
Cost of Goods Sold	2,527,751	2,651,028	123,277	4.9%
Gross profit	\$769,902	\$784,031	\$14,129	2.0%
Total Operating Expenses	856,570	898,112	41,542	4.9%
Net Income from Operations	-86,668	-114,081	-27,413	-31.6%
Interest and Other Income	69,593	102,430	32,837	47.2%
Net Income Before Other Expenses	-17,075	-11,651	5,424	31.8%
Other Exp-Admin Salary & Benefits	61,571	122,221	60,650	98.5%
Other Exp-COP Interest	72,946	105,891	32,945	45.2%
Net Change in Fund Balance	\$-151,592	\$-239,763	\$-88,171	-58.2%

CAFETERIAS (Exhibit E)

Fresh & Natural operates food services at College of San Mateo, Skyline College and Cañada College. The College of San Mateo has both food services and a satellite food operation (kiosk) to serve the central campus. Café International is located at College of San Mateo and is operated by Fresh & Natural. The District's vending services contractors are Pepsi Bottling Group and Action Vending.

Second quarter comparisons are noted below:

CAFETERIA FUND	2004-05	2005-06	\$ Change	% Change
Food Service Income	\$21,694	\$41,360	\$19,666	90.7%
Vending Income	35,626	37,602	1,976	5.5%
Interest Income	8,402	10,659	2,257	26.9%
Expenditures	62,908	71,474	8,566	13.6%
Net Addition to Capital, includes restricted vending income	\$2,814	\$18,147	\$15,333	545%

Compared to the second quarter 2004-05, food service income has increased by 90.7%. This is due to higher food service revenue at all three locations as a result of timing issues with the receipt of the revenues. Vending income has increased overall by 5.5% (income from Pepsi and Action Vending), primarily due to Pepsi's product price increase from the prior year. Interest income has increased by 26.9% due solely to the continued rise in interest rates, as there has been minimal change in the amount invested from the prior year.

Even with expenditures increasing by 13.6%, primarily the repairs and maintenance, utilities and other contracted services expense, over the same period, the result is a substantial increase to the net addition to capital.

While income from the food service and vending contracts enables the District to provide both services, these combined resources, along with interest income, must also provide a stable Cafeteria fund not requiring support from the general fund. The fund is responsible for the long-term maintenance and upgrading of aging facilities and equipment, as well as all expenses relating to the ongoing operational requirements under the food service and vending contracts.