

Titan Store Fiscal Sustainability Efforts and Administration Recommendation **April 11, 2019**

Bookstore management and staff, with support from college administration, have worked over the past five years to create a sustainable operating model for the store. Despite progress toward strategic goals, the store continues to experience operating losses due to student enrollment, promotion and support of open educational resources, and declining sales in non-text merchandise. As shared with the Board of Education in the March 14, 2019 Budget Update, Lane's bookstore has lost \$1.47 million in operations over the past five years. These losses are not from a lack of strategy or effort but rather due to a fundamentally unviable operating model.

Background

After realizing a nearly \$1 million swing in operating income from 2014 to 2015, bookstore management began significantly reducing personnel costs through reduction in part-time scheduling, reassignment of contracted staff to other departments, holding vacant positions open, and reallocating costs between the bookstore and printing & graphics. Staff FTE has been reduced by 60% since the enrollment surge peak in 2013, and is 7 FTE lower than pre-surge levels in 2007.

In 2017, the bookstore went through a comprehensive program review, with support from college administration. One of the primary fiscal strategies outlined in the program review plan was to limit personnel costs to 29% of sales. This year, with support from college administration, personnel costs are estimated to be 30% of sales, within 1% of the established goal. ***Even with these dramatic reductions in personnel, the store is projected to lose \$250,000*** before administrative recovery to the general fund, as shown in the financial report presented to the Board of Education.

The proposal presented to the board for maintaining the internal bookstore was not vetted by the administration or budget office. For example, the proposal estimates contracted positions at \$160,813 plus OPE while the actual cost is \$210,920 plus OPE, and the proposal's five year pro forma does not provide for any inflationary increases in personnel or materials and services.

Additionally, the proposal to retain the bookstore makes several assertions about fiscal impact, services, open educational resources, academic freedom, student workers, and customer service that have been addressed and rebutted by Barnes and Noble staff and information presented by the administration.

As the college continues to work to increase OER, including permanent funding of an OER librarian and more than \$50,000 annually to support OER development, the store will continue to lose revenue, narrowing the window for procuring viable partnership/outsourcing agreements.

After several years of unsuccessful strategic turnaround efforts, the bookstore has depleted its reserves and will require significant general fund support to continue operations. A contractual arrangement with Barnes and Noble will provide greater service and options for students, including expanded OER, and will contribute revenue back to the general fund that can be used to support core academic and student service functions.

Administration Recommendation

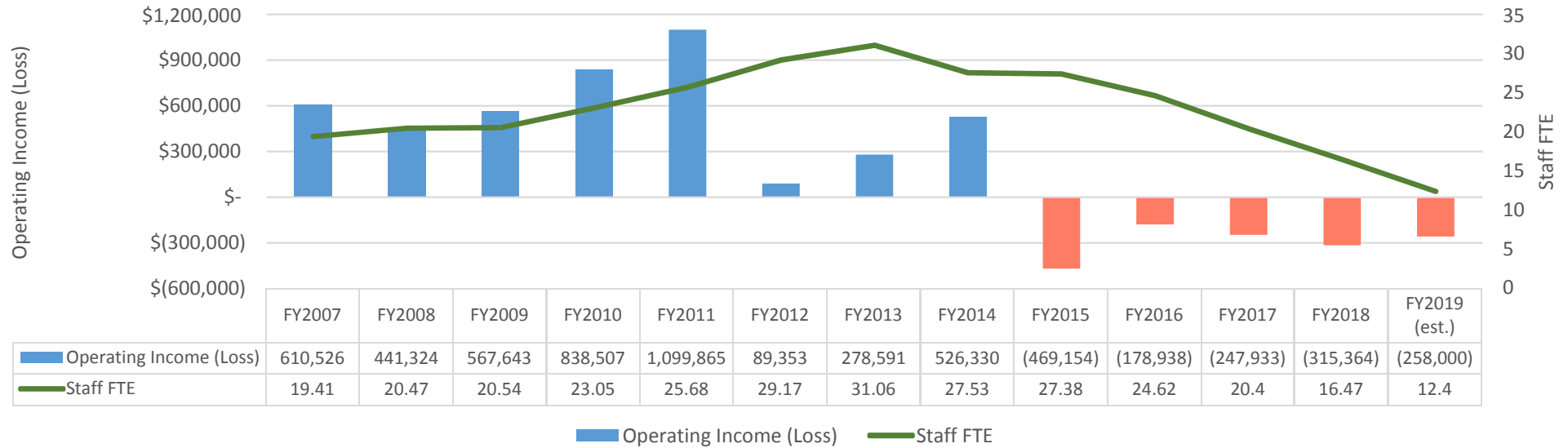
After extensive analysis and consideration, the administration recommends using Barnes and Noble to provide this service to the campus community effective July 1, 2019. This recommendation is in alignment with the college's budget development principles and criteria; maintains academic freedom; provides access, service and affordability for students; and avoids involuntary reduction of contracted classified positions.

Report from March 14, 2019 Board of Education Budget Update

Titan Store Report

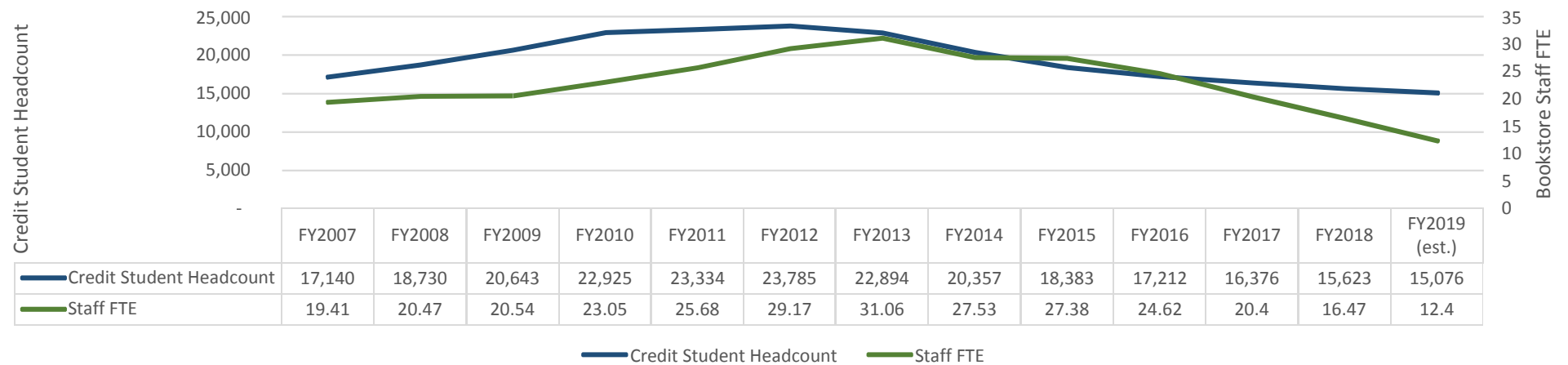
	2015	2016	2017	2018	2019 Est.
Credit Student Headcount	18,383	17,212	16,376	15,623	15,400
Revenue	\$ 5,119,981	\$ 4,540,269	\$ 3,767,507	\$ 3,117,322	\$ 2,493,900
Personnel					
Contracted Management	\$ 59,825	\$ 61,180	\$ 63,795	\$ 74,877	\$ 56,800
Contracted Staff	539,571	459,109	441,691	370,440	231,700
PT Staff	319,329	283,502	243,403	201,998	202,000
OPE	504,885	441,076	416,364	368,591	266,300
	<u>\$ 1,423,610</u>	<u>\$ 1,244,867</u>	<u>\$ 1,165,253</u>	<u>\$ 1,015,906</u>	<u>\$ 756,800</u>
Materials and Supplies	\$ 4,165,525	\$ 3,474,339	\$ 2,850,186	\$ 2,422,146	\$ 1,995,100
Operating Income	\$ (469,154)	\$ (178,937)	\$ (247,932)	\$ (320,730)	\$ (258,000)
Capital Outlay	48,979	214	-	-	-
General Fund Contribution	50,731	550,000	500,000	500,000	500,000
Ending Fund Balance	\$ 2,817,861	\$ 2,088,710	\$ 1,340,778	\$ 520,048	\$ (237,952)
Sales/Student	\$ 279	\$ 264	\$ 230	\$ 200	\$ 162
Current Staff	Headcount	FTE	Notes		
Management	1	0.6	one manager split 60/40 with P&G		
Contracted Classified	5	3.5	2 staff partially reassigned		
Part-Time Classified	49	7.0	average 24 hours/month fall term 2018		

Bookstore Operating Income (Loss) and Staff FTE FY2007 through FY2019



The bookstore has reduced contracted staff from 12 staff FTE plus 1 manager FTE in FY2015 to 3.15 contracted staff FTE plus .6 manager FTE in FY2020. Part-time staffing to support rush and peak periods has been reduced commensurately. Despite these dramatic reductions, which limit the store's ability to provide service to students, the store continues to realize significant operating losses.

Credit Student Headcount and Bookstore Staff FTE FY2007 through FY2019



In pre-enrollment surge FY2007, the credit student headcount to bookstore staff FTE ratio was 883 and the store's operating income was \$610,526. In FY2019, the student to staff ratio has increased to 1,216 and the store has a projected operating loss of \$258,000.