

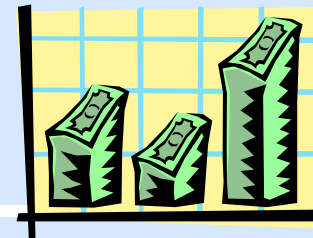
# Mott Community College

Board of Trustees

Committee of the Whole Meeting

June 18, 2007

## BUDGET RESOLUTIONS



## **RELEVANT BOARD POLICIES:**





- ❖ *3100 Budget Adoption. “Budget revisions will be brought forward for Board action as necessary, but not less than twice per year in January and June.”*
- ❖ *3920,3930 Financial Stability, Fiscal Reserves. “The College will designate and set aside appropriate fund reserves to support plans for long-term capital and operating commitments.”*
- ❖ *5100 Compensation Philosophy. “The Board has determined based on long-term budget projections, and other related budget data, that total compensation/benefits should not exceed 77% of the total operating budget.”*

# FINAL FY06-07 AMENDED BUDGET: General Fund



# FINAL FY06-07 General Fund BUDGET

## REVENUES:

- Tuition & Fees  +\$623 thousand, +2.7% adj. –credit-side enrollment up for Winter and Spring 2007
- Property Taxes  no significant change
- State Aid  -\$2.2 million – E.O.2007-3 and PA 17
- Other Revenue  +\$524 thousand – short-term investment income up, offsite location cost center transfers (offset by corresponding transfer expense)

**=Overall downward amendment to revenue is -\$1 million**

**-1.6% change from January 2007 amendment**

# FINAL FY06-07 General Fund BUDGET

## EXPENDITURES:

- **Amended downward by \$1.1 million, -1.7% change:**
  - **Salaries & Wages, and Fringe Benefits** ↓ -- MPSERS credit of \$832 thousand, salary lag, hold on 50% of vacancies
  - **Non-salary related expenses** ↓ --lower heating costs, release of contingencies, offsetting adjustments between categories
  - **Transfers** ↑ --offsite location cost center transfers (offset by transfer revenue), additional contribution to Maintenance & Replacement Fund to help 07-08

# FINAL FY06-07 General Fund BUDGET

## NET RESULTS OF AMENDMENT:

- ✓ FUND BALANCE : ↑ \$85K or 1.4% better than January Amended Budget
- ✓ 6/30/07 projected to end with \$174,000 surplus, for total of \$6.2 million

# FINAL FY06-07 General Fund BUDGET

## Summary

	05-06 <b>ACTUAL</b>	06-07 <b>AMEND #1</b>	06-07 <b>AMEND #2</b>
Revenues	\$ 63,193,382	\$ 65,350,738	\$ 64,315,020
Expenditures	62,907,643	65,261,835	64,141,170
Excess Revenues Over Expenditures	\$ 285,739	\$ 88,903	\$ 173,850
Fund Balance - Beginning	5,765,062	6,050,801	6,050,801
Fund Balance - Ending	\$ 6,050,801	\$ 6,139,704	\$ 6,224,651
Fund Balance Percent	<u>9.62%</u>	<u>9.41%</u>	<u>9.70%</u>

Target = 5% - 10% of Expenditure budget

# PROPOSED FY07-08 BUDGET



# PROPOSED FY07-08 BUDGET

**No Change in Budget Principles, even with more budget uncertainty than in past years...**

- 1. Budget must support Strategic Plans**
- 2. Minimize/Offset Impact on Students**
- 3. Avoid Overall Reduction in Staffing**
- 4. Maintain Fund Balance/Reserves**

## Jan.'07: Initial Forecast for FY07-08 General Fund

- Initial Forecast was \$2.4M deficit
- Key Budget Issues:
  - a) Bargaining year for four employee groups
  - b) MPSERS rate increase from 17.74% to 18.56%
  - c) State Aid for 2006-07 and 2007-08 unknown
  - d) Potential flattening of property value increases
  - e) Enrollment trend also flattening



# PROPOSED FY07-08 BUDGET

## BUDGET BALANCING STEPS=

### COST CONTAINMENT

- ✓ Continued holds on filling vacant positions
- ✓ Lower MPERS rate than originally issued (16.72% vs. 18.56% )
- ✓ Total non-salary related expenses reduced during budgeting process by \$100,000
- ✓ Contingencies needed for state aid and retirement contribution cost uncertainty

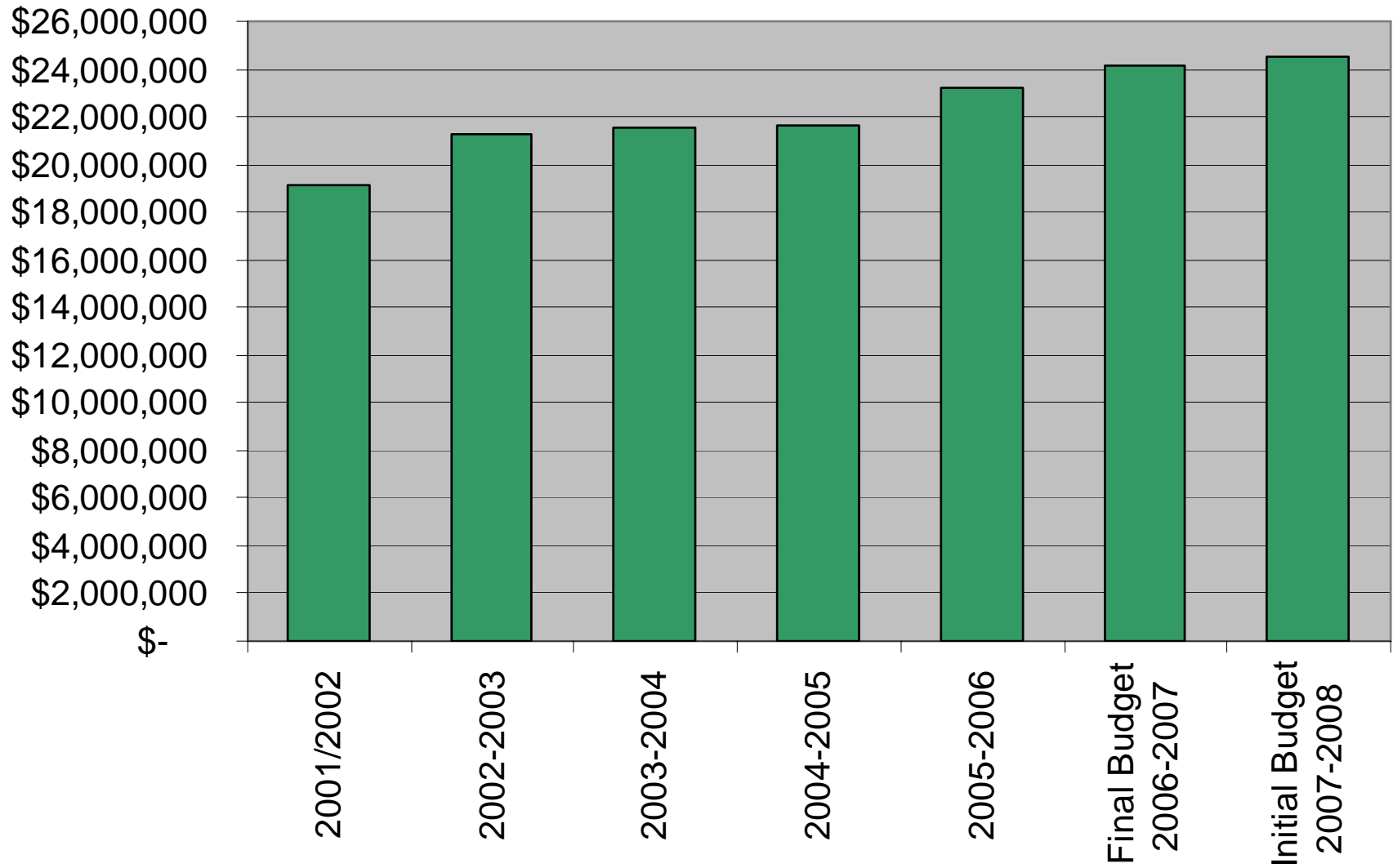
# PROPOSED FY07-08 BUDGET

## KEY ASSUMPTIONS - REVENUES

- TUITION & FEES

- 3.2% (inflation-level) rate increases on credit side included in budget
- Offsite locations (Lapeer, Fenton, Howell, Clio) also expected to see 3.2% increase in revenues over FY06-07.

## Tuition and Fees



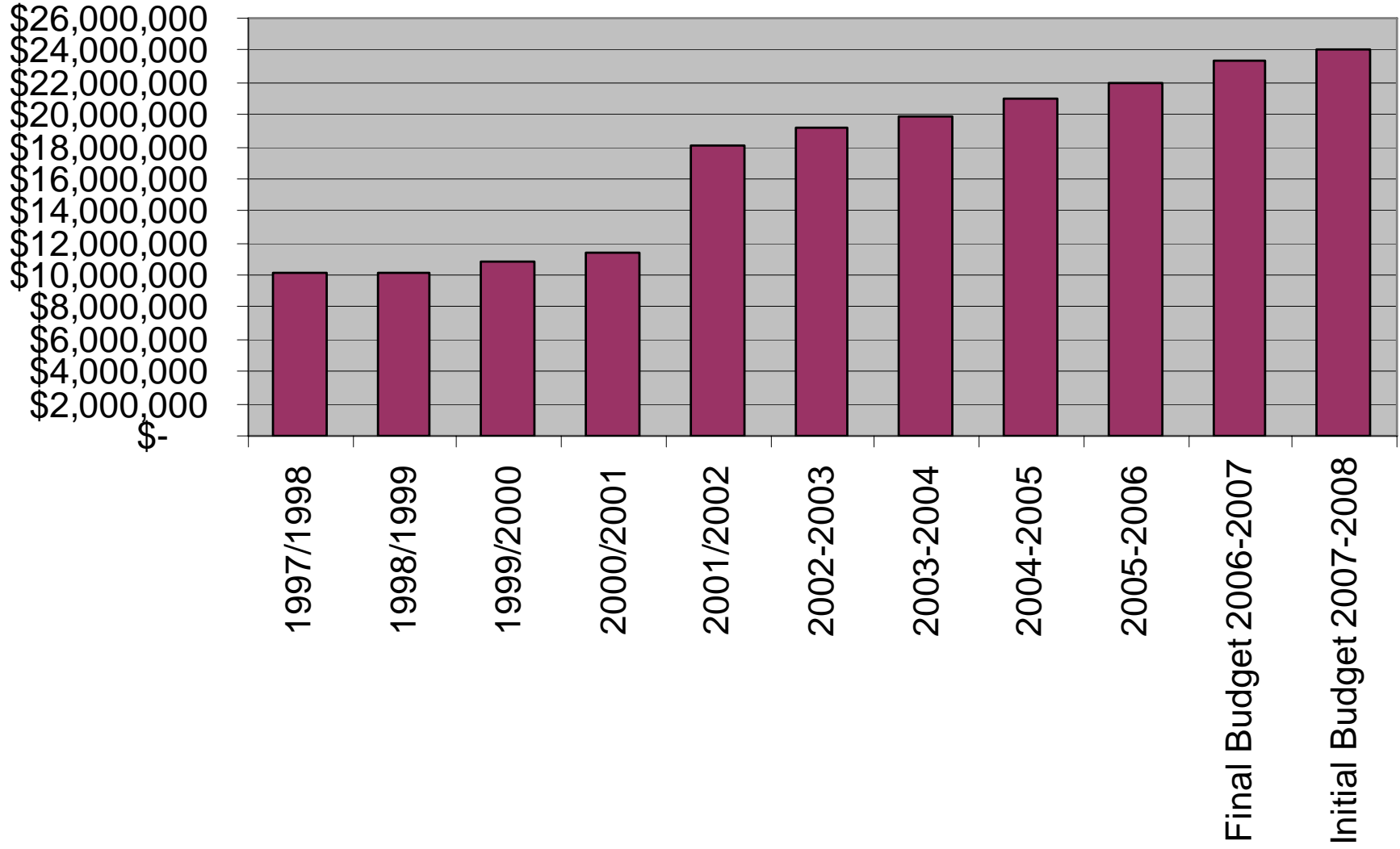
# PROPOSED FY07-08 BUDGET

## KEY ASSUMPTIONS - REVENUES

### • PROPERTY TAXES

- Up \$0.7 million from 06-07 due to a 4.7% property value increase—lower than past 5%-6% trend.
- Millage Rate is not rolled back by Headlee this year, and stays at 1.9896

## Property Taxes



# PROPOSED FY07-08 BUDGET

## KEY ASSUMPTIONS - REVENUES

### • STATE APPROPRIATIONS –

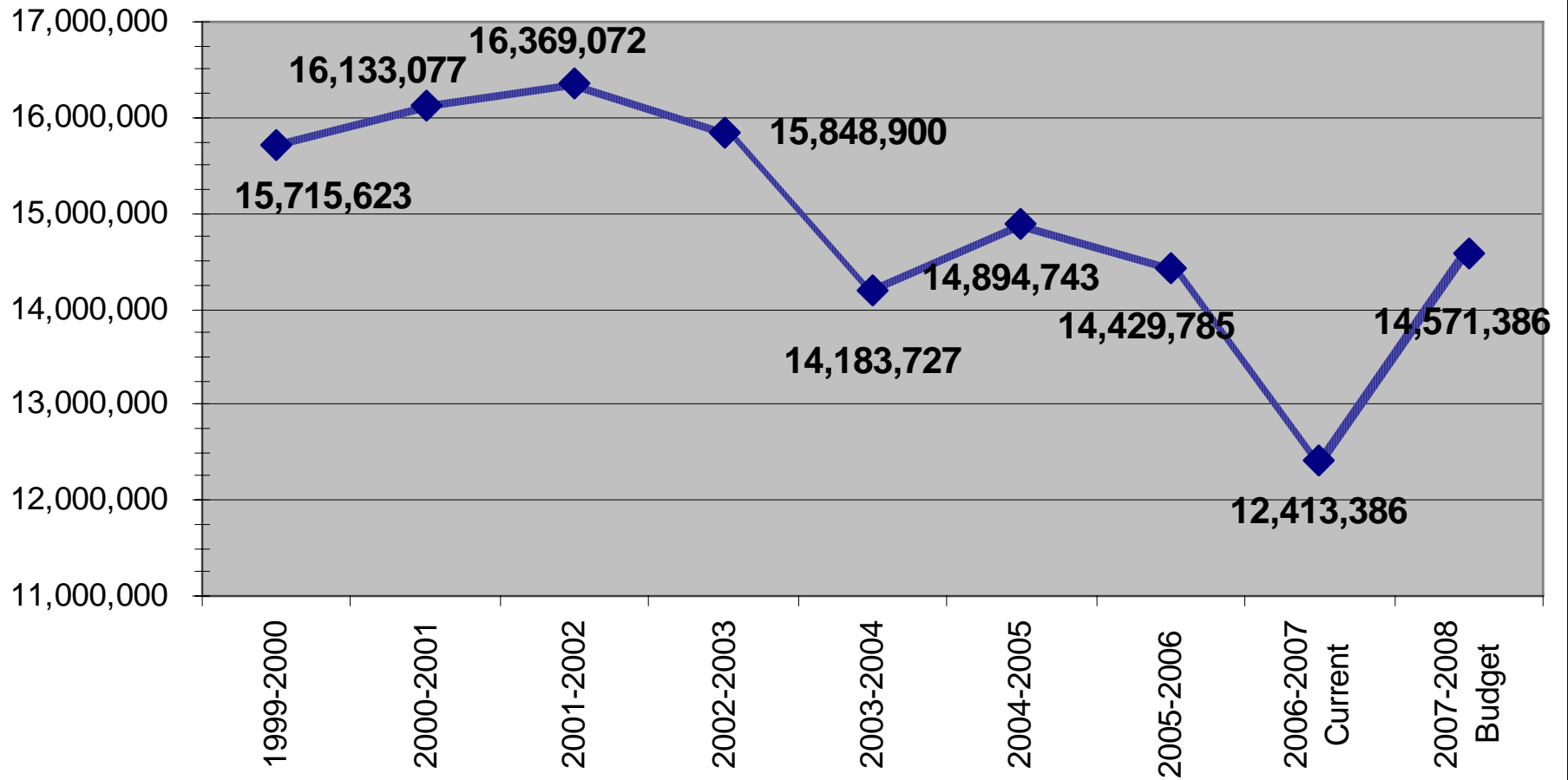
(NOT YET DETERMINED BY LEGISLATURE)

- Executive Recommendation includes 2.5% increase...but no legislation yet
- State still faces \$1.5 billion budget deficit for FY07-08
- MCC budget assumes funding equal to prior year initial appropriation of \$14.6 million
- Mid-year budget adjustments are inevitable

# State Appropriations Status

FY2006-07 and FY2007-08			
<b>State Aid - Operations</b>	(in millions)		
06-07 Original Base Approp.	\$	14.6	
E.O. 2007-3 (Delay of 1/2 August pmt)	\$	(0.7)	< intended for repayment in October 2007 (FY07-08)
E.O. 2007-3 (Cut)	\$	(0.8)	< will be repaid within FY06-07 with MPSERS cost credit
PA 17 Negative Supplemental (Delay of other 1/2 August pmt)	\$	(0.7)	repayment in October 2007
Total enacted cuts to 06-07 state aid	\$	(2.2)	14.8% total cut
<b>Current Situation: 06-07 budgeted state aid</b>		<b>\$</b>	<b>12.4</b>
<b>Budget Impact :</b>			
Worst Case: delay of Aug'07 not paid in '08		\$	(1.3)
Best Case: delay of Aug'07 paid in '08; 2.5% increase over '07 original		\$	0.4
Level of uncertainty		\$	(1.7)

## MCC State Appropriations Revenue



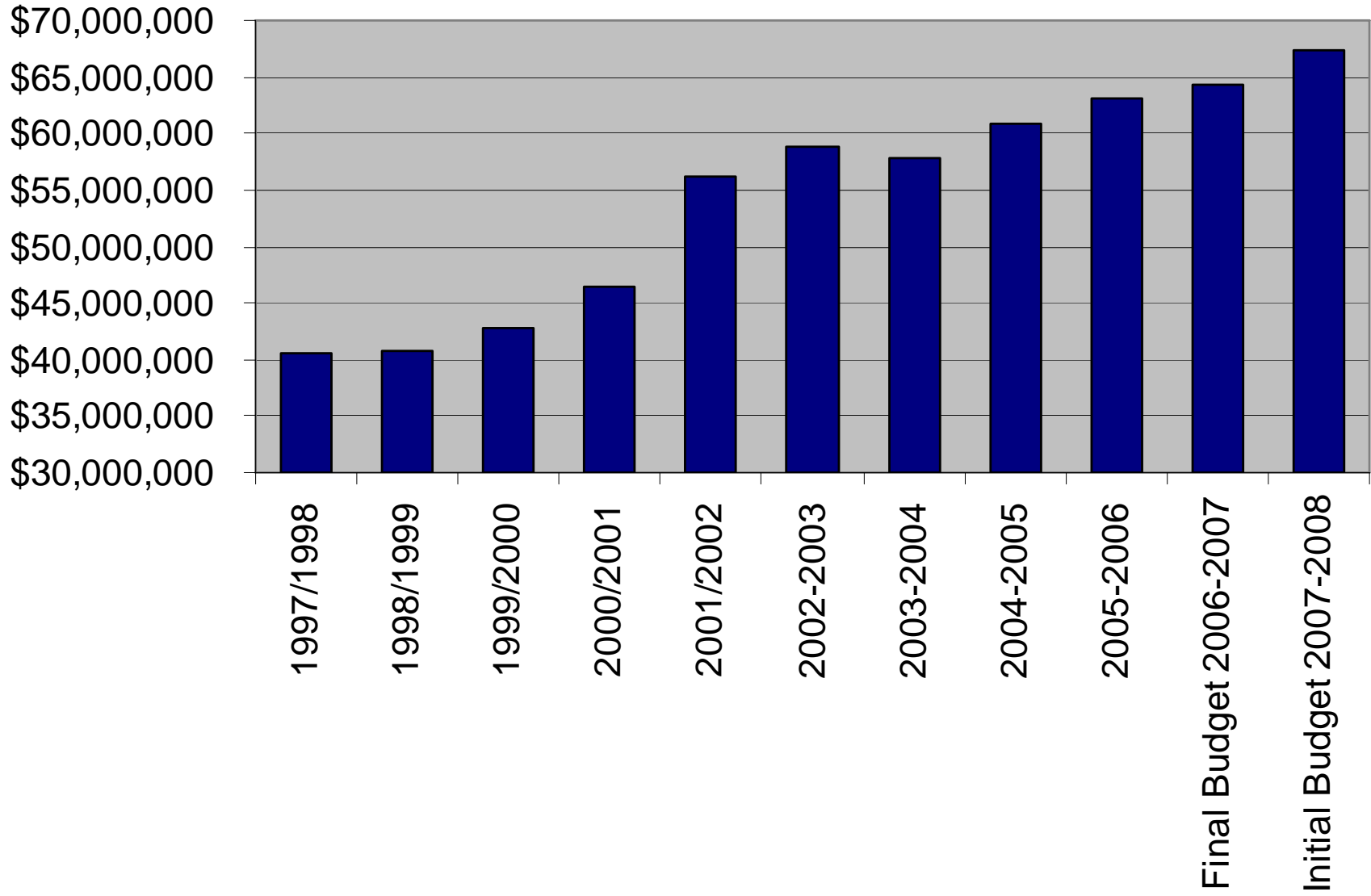
Source: MCC Audited financial statements and budgets (as of June 2007)

# PROPOSED FY07-08 BUDGET

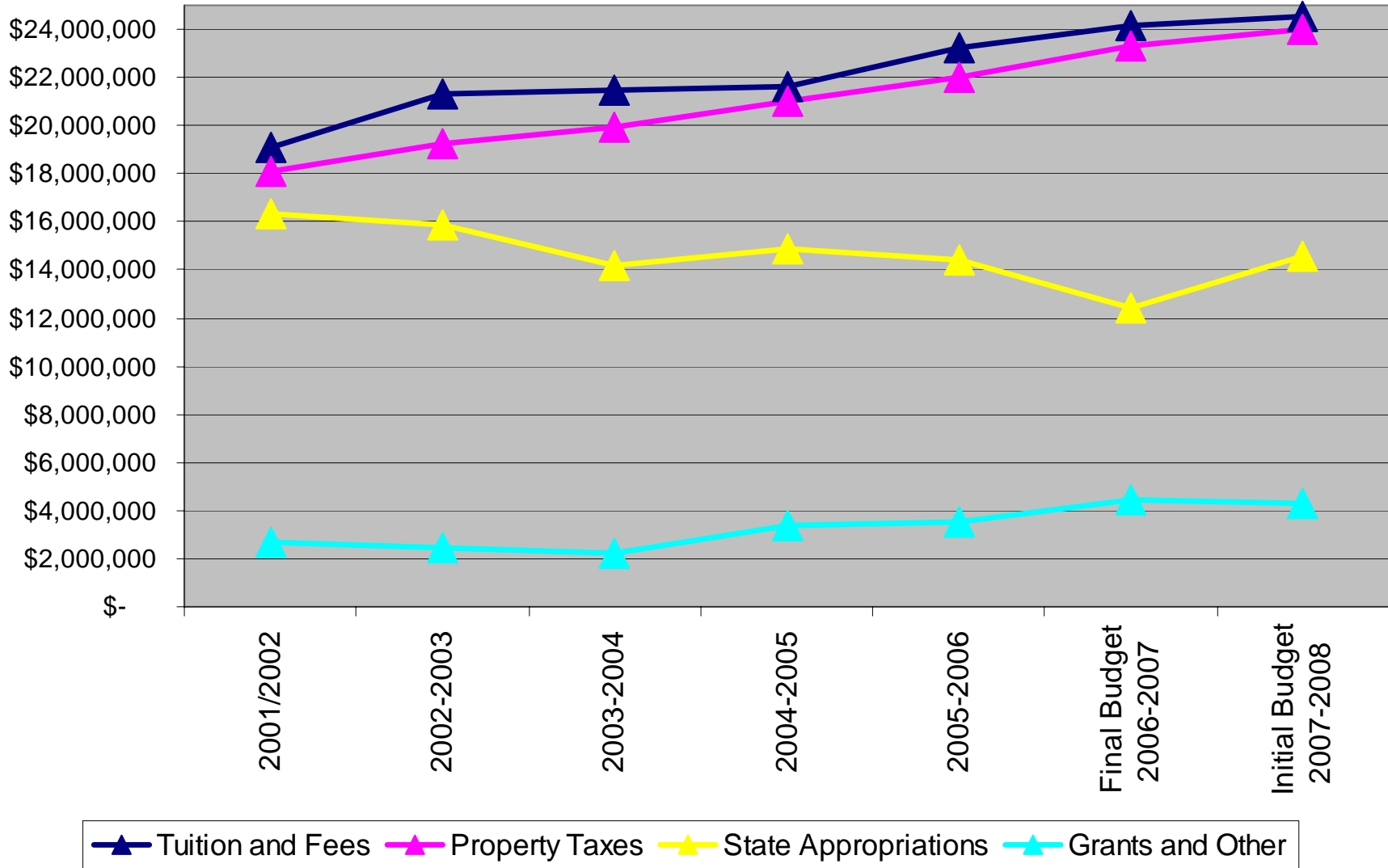
## KEY ASSUMPTIONS - REVENUE

- **Total Revenues for 07-08 are projected to be \$67.4 million, an increase of 4.8% from the final 06-07 budget**

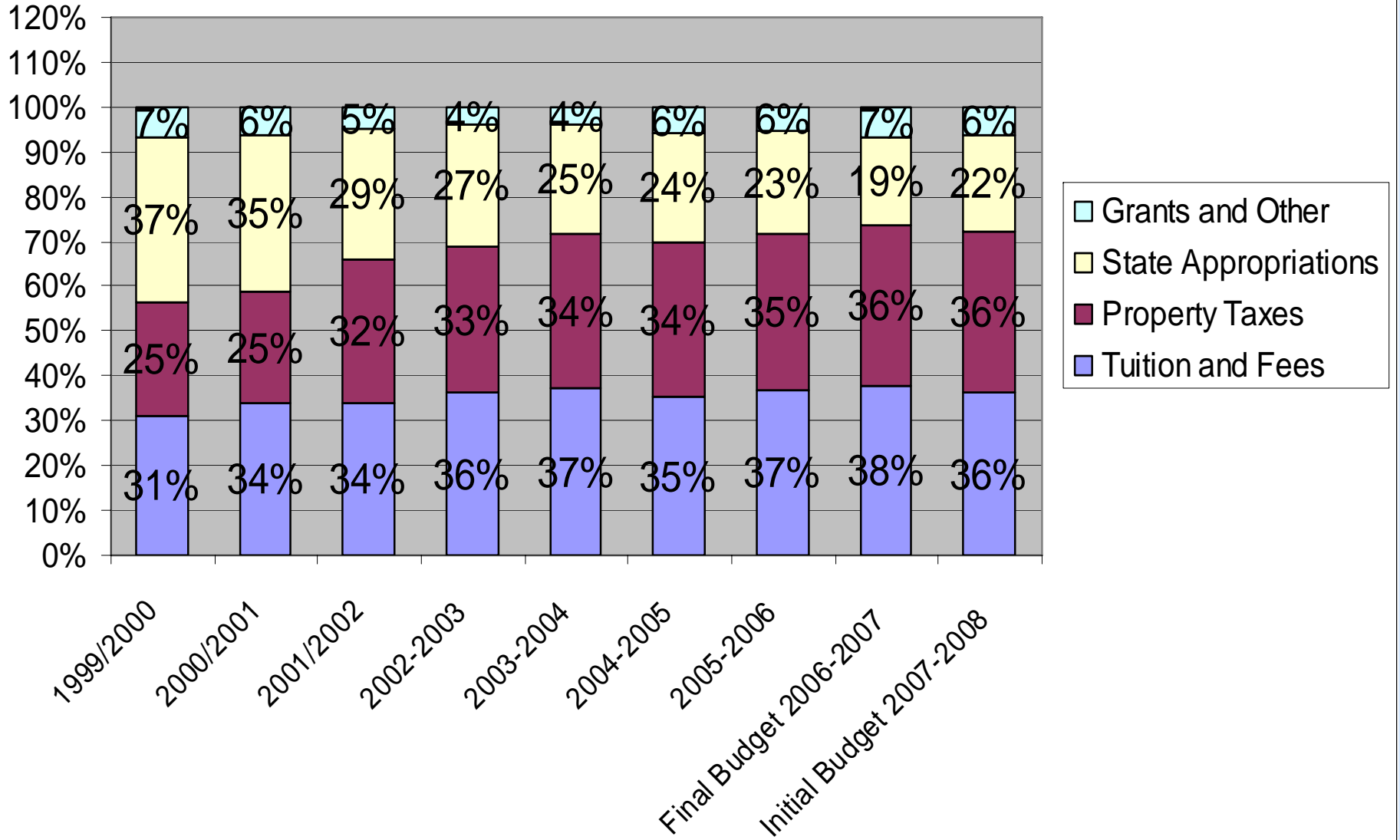
### MCC Total General Fund Revenue



# MCC GENERAL FUND REVENUE TRENDS



## General Fund Revenue Proportions



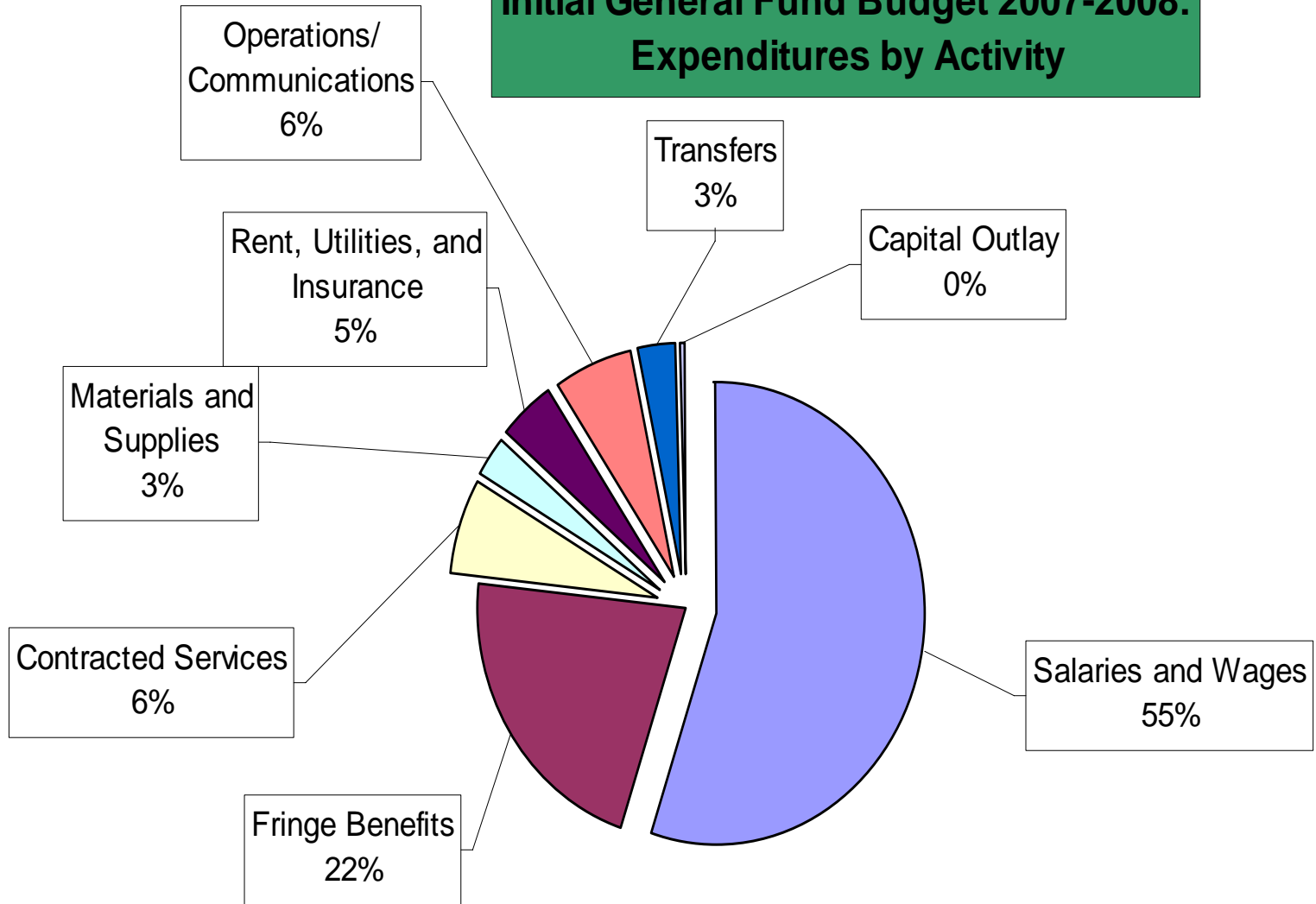
# PROPOSED FY07-08 BUDGET

## KEY ASSUMPTIONS-- EXPENDITURES:

Overall increase of \$3.1 million or 4.8% over the final 06-07 budget.

- **Salaries & Wages: +6%** includes negotiated step and pay scale increases, replenishment of vacant position budget pool
- **Fringe Benefits: +6.7%** to account for health insurance and retirement contribution rate increases
  - ✓ **Total compensation = 77%**, as required by policy
- **Non-Salary: slight increase +0.5%** due to necessary spending restraint

## Initial General Fund Budget 2007-2008: Expenditures by Activity



# PROPOSED FY07-08 BUDGET: General Fund

## SUMMARY

	05-06 <b>ACTUAL</b>	06-07 <b>AMEND #2</b>	07-08 <b>INITIAL</b>
Revenues	\$ 63,193,382	\$ 64,315,020	\$ 67,414,299
Expenditures	62,907,643	64,141,170	67,230,275
Excess Revenues Over Expenditures	\$ 285,739	\$ 173,850	\$ 184,024
Fund Balance - Beginning	5,765,062	6,050,801	6,224,651
Fund Balance - Ending	\$ 6,050,801	\$ 6,224,651	\$ 6,408,675
Fund Balance Percent	<u>9.62%</u>	<u>9.70%</u>	<u>9.53%</u>

Target = 5% - 10% of Expenditure budget

# PROPOSED FY07-08 BUDGET

## Planned Results:

- Balanced budget, with small surplus in general fund
- Continued commitment from General Fund to cover capital needs in maintenance & replacement fund
- No Reduction in Force
- Short-term savings achieved through position vacancies
- Intentional constraint on non-salary (discretionary) spending base
- Strategic Goals (AQIP process) and 7-year impact considered throughout process

# PROPOSED “OTHER FUNDS” FY07-08 BUDGETS

## Main Point is Impact on Operating Budget:

- Designated Fund—\$2.1 million revenue budget  
(Scholarships, Student Enrichment, Copy Machines,  
Paid Parking, Designated Technology Fee)
  - \$ 342,000 funded with General Fund budget (expense)
- Auxiliary Enterprise Fund--\$639,000 budget  
(Catering, Vending, Bookstore, Computer Lab  
Printing, Lapeer Campus Auxiliary)
  - \$332,000 net “profit” supplements General Fund (revenue)

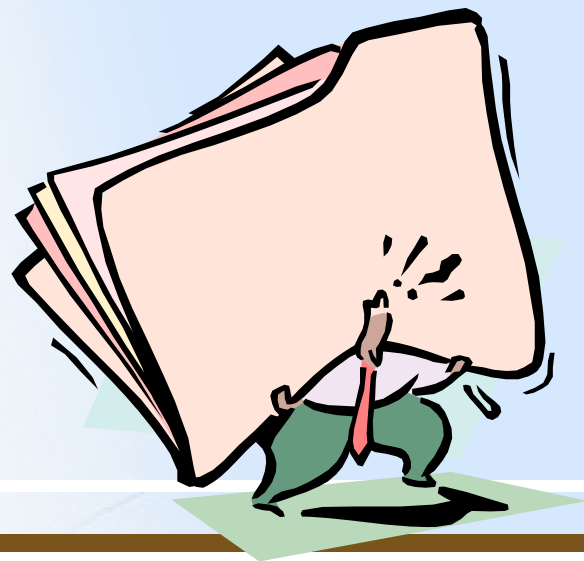
# PROPOSED “OTHER FUNDS” FY07-08 BUDGETS

## Main Point is Impact on Operating Budget:

- Debt Retirement Fund—no General Fund impact
  - Millage Rate stays same, at 0.69 mill; Property taxes restricted
- Capital Funds—repair, upgrade of buildings, equipment, technology, vehicles (\$100 million in net value)
  - Instructional Technology Fee = \$1 Million per year
  - \$1.8 million per year planned transfer from General Fund still needed ; 07-08 transfer lowered to \$1.3 million because of early transfer in 06-07
  - \$15 million in Series 2006 Bond Proceeds will fund projects through FY07-08



STRATEGIC INITIATIVES FOR 07-08:  
LINKED TO BUDGET PROCESS and to  
new AQIP METHODOLOGY

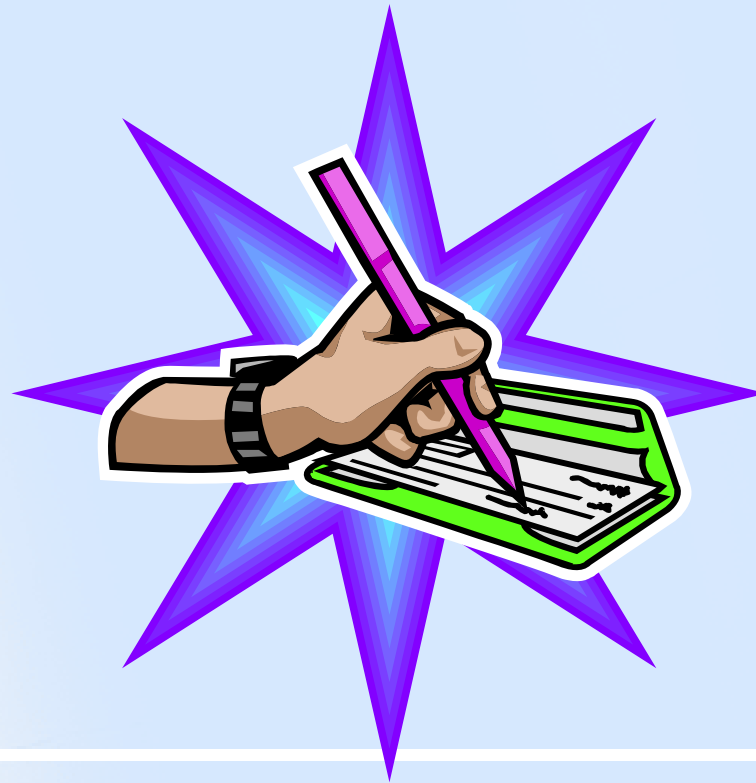


## STRATEGIC INITIATIVES FOR 07-08

- Allocation for 07-08 is \$270,000, including both AQIP and department level projects
- Department/Division level planning produces requests for annual funding
- Top Three AQIP Action Projects :
  - 1) Provide on-going, cross-functional training to develop all employees' professional skills.
  - 2) Cooperative education and experiential learning.
  - 3) Advising for degree completion and transfer students.



# 7-YEAR FORECAST



# 7-YEAR FORECAST

- Key Assumptions - Revenue
  - Tuition and fee revenue increases at 4.5% each year (impact of rates and enrollment)
  - Property tax revenue increases at 3% each year
  - 0.6410 Mill Voted Operating Millage is renewed for 10 years starting with FY08-09
  - State appropriations increase by 1% in FY08-09, and 2% each year thereafter
  - Other revenues increase by 2% each year
  - Total revenue increases by avg. of 3.5% each year

# 7-YEAR FORECAST

- Key Assumptions - Expenses
  - Salaries and wages increase by avg. of 4.8% each year
  - Fringe benefits increase by avg. of 8.3% each year
  - Other expenses increase by avg. of 3.1% each year
  - Total expenses increase by avg. of 5.2% each year

# 7-YEAR FORECAST

- Summary

- Projected General Fund Deficit would be \$32 Million at end of FY13-14, if current trends continued (Revenue growth of 3.5% vs. expenditure growth of 5.2%)
- Based on an average projected gap of \$5.5 million per year to be filled with budget-balancing solutions
- Short-term savings and flexibility continues to be key
- Long-term strategy of reducing compensation costs continues as focus has to be on controllables



# CAPITAL FUNDING



FUTURE OUTLOOK:  
Next Steps and  
Key Issues for Consideration



# Capital Funding

## ✓ Funding Sources :

- ✓ \$45 M Voted Bond Authority Passed June 2004
- ✓ -\$15 M Series 2004 was spent from 2004-2006
- ✓ -\$15 M Series 2006 to be spent by April 2008
  - ✓ = \$15 M Remaining voted authority
  - ✓ + \$13 M Commitment of Operating Funds
  - ✓ + \$ 7 M projected from Student Tech. Fees
  - ❖ =\$50 M Secured from now through 2011
  - ❖ \$4 M pending approval from State Capital Outlay
- ❖ Future needs will require ongoing deferral and continued requests for voted bond authority and state capital outlay assistance

## **FUTURE OUTLOOK:** **Key Issues**

- 1. 0.6410 Operating Millage** request for voter renewal on August 7, 2007
- 2. Reducing Compensation costs** – Long-term budget challenge remains to control rising expenditure levels
- 3. Academic and Service Operations** continue to be studied for strategic fit; efficiency; feasibility
- 4. State's budget** – \$1.5 billion projected deficit even after SBT is replaced in full
- 5. 2007-2012 Strategic Planning through AQIP** requires continuous improvement methods

# FY07-08 BUDGET

## Next Board Actions—

- FY06-07 Audit Acceptance:
  - Oct/Nov'07
- FY07-08 Budget Amendment:
  - Winter'08



MCC Board of Trustees  
Committee of the Whole Meeting  
June 18, 2007

**Questions or Comments?**

**For More Information:**

Details are Provided with Board Resolutions 1.54 and 1.56

**Kelli Sproule, Chief Financial Officer**  
810-762-0525, [Kelli.Sproule@mcc.edu](mailto:Kelli.Sproule@mcc.edu)

