Mott Community College

Board of Trustees
Committee of the Whole Meeting
January 22, 2007

2006-07 AMENDED BUDGETS
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.”
Budget Principles:

1. Budget must support Strategic Plans
2. Minimize/Offset Impact on Students
3. Avoid Overall Reduction in Staffing
4. Maintain Fund Balance/Reserves
FY2006-07 AMENDED BUDGETS
GENERAL FUND -
Budget amendment process overview

1. FY2005-06 Audit results-beginning balances for FY2006-07 updated
2. Adjusted enrollment expectations
3. Student affordability/access - no mid-year tuition increase
4. Contingency built in to anticipate mid-year cut (executive order) in state aid revenue
5. Significant increase in Ballenger Trust income distributions
6. Every revenue line item reviewed and budgets revised accordingly
GENERAL FUND –
Budget amendment process overview

7. No change in # of authorized FTEs (446)
8. No change in short-term savings strategy using vacant authorized position budgets
9. Last summer’s bargaining results built in
10. Fair share rebate payments 12/06 included
11. Input from managers on necessary line item adjustments
GENERAL FUND – Budget amendment process overview

12. Total compensation cost is at Board policy limit of 77%

13. Maintains commitment to contribute capital outlay funding, and build reserves toward Board policy targets

14. 7-Year Forecast updated to reflect 2006-07 amended budgets
GENERAL FUND

REVENUE ADJUSTMENTS:

• Tuition & Fees $876 thousand (-3.6% adj.)
  Enrollment below budgeted levels

• Property Taxes 122 thousand (-1/2% adj.)
  Consumers Energy tax appeal refunds

• Ballenger Trust $942 thousand (+125.6% adj.)
  Court-approved change in distribution method

• Other Revenue $58 thousand (+2.7% adj.)
  Interest income, indirect cost recovery

Net +$3 thousand change to revenues

Negligible change from June 2006 budget
GENERAL FUND

EXPENDITURE ADJUSTMENTS:

• Salaries & Wages, and Fringe Benefits  $514 thousand
  Terms of new faculty CBA, Dec’06 Fair Share Employee Rebates

• Utilities & Insurance  -$16 thousand
  Heating costs down, offset by 12% electricity cost hike Jan’07

• Operations/Communications  -$269 thousand
  Timing of strategic initiative/AQIP projects

• Other Categories  -$5 thousand net
  Budget transfers, reallocation of discretionary savings

=Net  +$224 thousand (+0.35%) increase from June 2006 budget
GENERAL FUND

NET RESULTS OF BUDGET AMENDMENT:

✓ Balanced budget with very small surplus expected

✓ Surplus of $89K: -$221 thousand less than initial budget (mainly due to non-recurring expenses, i.e. fair share rebates)

✓ FUND BALANCE of $6.1M: +$1.0M (+20.6%) more than initial budget (mainly due to June 30, 2006 required prior period balance sheet adjustment)
## GENERAL FUND

<table>
<thead>
<tr>
<th></th>
<th>05-06 ACTUAL</th>
<th>06-07 INITIAL</th>
<th>06-07 AMEND #1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$63,193,382</td>
<td>$65,347,665</td>
<td>$65,350,738</td>
</tr>
<tr>
<td>Expenditures</td>
<td>62,907,643</td>
<td>65,037,447</td>
<td>65,261,835</td>
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<tr>
<td>Excess Revenues Over Expenditures</td>
<td>$285,739</td>
<td>$310,218</td>
<td>$88,903</td>
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<tr>
<td>Fund Balance - Beginning</td>
<td>5,765,062</td>
<td>4,779,567</td>
<td>6,050,801</td>
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<tr>
<td>Fund Balance - Ending</td>
<td>$6,050,801</td>
<td>$5,089,785</td>
<td>$6,139,704</td>
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<tr>
<td>Fund Balance Percent</td>
<td>9.62%</td>
<td>7.83%</td>
<td>9.41%</td>
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</tbody>
</table>

Target = 5% - 10% of Expenditure budget
MCC General Fund Balance History

- 1997-98
- 1998-99
- 1999-00
- 2000-01
- 2001-02
- 2002-03
- 2003-04
- 2004-05
- 2005-06
- 2006-07 Budgeted

(500,000)
(1,000,000)
(1,500,000)

Bar chart showing the MCC General Fund Balance History from 1997-98 to 2006-07, with a projected budget for 2006-07.
STATE AID UPDATE
MICHIGAN’S ECONOMIC OUTLOOK

According to the House and Senate Fiscal Agencies (Jan.2007)…

– The state has lost an average of 1,850 jobs per month over the past year. Employment is approximately the same level as in 2003

– Unemployment predicted to get worse through 2008

– Of the total nationwide decline in manufacturing employment over the past 12 months, Michigan’s manufacturing employment losses accounted for 70% of them

– Soft housing market
MICHIGAN’S ECONOMIC OUTLOOK

According to the House and Senate Fiscal Agencies (Jan. 2007) . . .

– Last Q of 2006 tax revenues worse than predicted; The GF/GP fund for FY06 is estimated to close out at $102.6 million worse than thought when the FY07 budget was built

– 2007 spending pressures: DHS caseloads, lower tobacco settlement $, health care costs in corrections system

– Inflation is expected to be relatively low: Detroit CPI projected at 3.0% for 2006, 1.4%-1.7% for 2007 and 2.1%-2.5% for 2008
MICHIGAN’S ECONOMIC OUTLOOK

According to the House and Senate Fiscal Agencies (Jan.2007)…

– The GF/GP projected deficit for 2007 is -$0.4 billion million (5% of a $9 billion budget)

– SBT expires at end of 2007, leaving another $1 Billion potential hole

– Even if SBT is fully replaced, the state’s General Fund/General Purpose revenue is projected to grow by only 0.3% into 2008
Data as of January 2007; Source – MCC Audited Financial Statements and Budgets
State Appropriations as % of GF Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007 current</th>
<th>2007 with 5% cut</th>
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<tbody>
<tr>
<td>%</td>
<td>36%</td>
<td>37%</td>
<td>37%</td>
<td>35%</td>
<td>29%</td>
<td>27%</td>
<td>24%</td>
<td>24%</td>
<td>23%</td>
<td>22%</td>
<td>21%</td>
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Tuition and Fees, Property Taxes and Ballenger Trust have grown, while state appropriations and grants & other have decreased.
## Peer Comparison: Taxable Value and Millage Rates
(2004-05 ACS Data)

<table>
<thead>
<tr>
<th>GROUP 3</th>
<th>TAXABLE VALUE (’000)</th>
<th>FYES</th>
<th>LEVIED OPERATING</th>
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<tbody>
<tr>
<td>WAYNE COUNTY</td>
<td>$28,966,809</td>
<td>7,599</td>
<td>2.4844</td>
</tr>
<tr>
<td>GRAND RAPIDS</td>
<td>$18,364,399</td>
<td>9,363</td>
<td>1.7865</td>
</tr>
<tr>
<td>SCHOOLCRAFT</td>
<td>$13,332,206</td>
<td>6,815</td>
<td>1.7967</td>
</tr>
<tr>
<td>WASHTENAW</td>
<td>$12,539,706</td>
<td>7,430</td>
<td>3.4148</td>
</tr>
<tr>
<td>DELTA</td>
<td>$10,665,874</td>
<td>6,547</td>
<td>2.0427</td>
</tr>
<tr>
<td>MOTT</td>
<td>$10,612,707</td>
<td>6,234</td>
<td>1.9907</td>
</tr>
<tr>
<td>KALAMAZOO VALLEY</td>
<td>$6,801,268</td>
<td>6,300</td>
<td>2.4089</td>
</tr>
<tr>
<td>HENRY FORD</td>
<td>$4,386,238</td>
<td>8,363</td>
<td>2.4596</td>
</tr>
<tr>
<td><strong>Peer Average</strong></td>
<td><strong>$13,208,651</strong></td>
<td></td>
<td><strong>2.2980</strong></td>
</tr>
<tr>
<td><strong>State Average</strong></td>
<td><strong>$8,710,379</strong></td>
<td></td>
<td><strong>2.1907</strong></td>
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</table>

MCC ranks 6\textsuperscript{th} of 8 among peers (below average) for taxable value and operating millage rate.
OTHER BUDGETARY FUNDS
AMENDED “OTHER FUNDS”
FY06-07 BUDGETS

Main Point is Impact on Operating Budget:

• **Designated Fund**—$2 million budget
  (Scholarships, Student Enrichment, Copy Machines, Paid Parking, Designated Technology Fee)
  • $347,000 funded with General Fund budget (expense)

• **Auxiliary Enterprise Fund**—$667,000 budget
  (Catering, Vending, Bookstore, Computer Lab Printing, Lapeer Campus Auxiliary)
  • $346,000 net “profit” supplements General Fund (revenue)
Main Point is Impact on Operating Budget:

- **Debt Retirement Fund**—no General Fund impact
  - 0.69 mill levy (calculated each yr) restricted for bond debt repayment
- **Capital Funds**—repair, upgrade of buildings, equipment, technology, vehicles ($99 million in net value)
  - Instructional Technology Fee = $1 Million per year
  - $1.8 million per year planned transfer from General Fund still needed; 06-07 transfer lower at $1.2 million because of early transfer in 05-06
  - $15 million in Series 2006 Bond Proceeds funding projects through FY06-07 and into FY07-08
7-YEAR FORECAST
This forecast shows -$2.4M projected initially for FY07-08, and -$23M at the end of FY12-13, assuming millage renewal in 07-08, and before steps are taken to balance these budgets. It shows what would happen if current trends were to continue. MCC must implement a balanced budget each year.
7-YEAR FORECAST

What changed from June 2006 to Jan. 2007 forecast?

- **Property Taxes** -- Lowered future expected rate of increase in property values to avg 4.3% over 7 yrs
- **Tuition and Fees** -- Lowered future expected rate of increase due to leveling off enrollment trend
- **Other Revenues** -- Increased by approx. $1M/yr due to change in Ballenger Trust distribution income
- **Extended forecast to FY12-13**

=REVENUES: $16 M higher than Jun’06 forecast
What changed from June 2006 to January 2007 forecast?

- **Salaries & Fringes** -- results of latest bargaining contracts increased some pay scales but lowered benefits costs
- **Non-Salary Lines** – lowered discretionary spending budgets based on revised 2006-07 budgeted spending
- Extended forecast to FY12-13

EXPENDITURES = $18 million higher over 7 years than Jun’06 forecast
7-YEAR FORECAST

• Bottom Line
  – Current Forecast is -$23 Million at end of FY12-13
  – This is $1 Million worse than Jun’06 Forecast
  – The Forecast still assumes 0.65 Mill Voted Operating Millage is renewed for FY08-09 and beyond
  – The increase in Ballenger Trust income made a significant improvement in the revenue base
  – Future state aid is difficult to predict
  – Short-term savings and flexibility continues to be key
  – Long-term strategy of reducing compensation costs continues as focus on expense side
CAPITAL FUNDING
Capital Funding

Funding Sources:

✓ $45M Voted Bond Authority Passed June 2004
✓ -$15M Series 2004 was spent from 2004-2006
✓ -$15M Series 2006 to be spent by Apr 2008
  ✓ =$15M Remaining voted authority
  ✓ +$13M Commitment of Operating Funds
  ✓ +$7M projected from Student Tech. Fees
  ✓ =$50M Secured from now through 2011
  ✓ $4M 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:
Next Steps and
Key Issues for Consideration
FUTURE OUTLOOK: STRATEGIC PLANNING

VISION...STUDENTS. MCC is a future-focused organization where student success and student learning come first.

RESOURCES ARE VITAL. On the local level, MCC is reliant on tax base revenue and tuition for 2/3 of budget, and therefore vulnerable to area population shift, changing demographics, and rapid loss of manufacturing sector employment. “

HIGH PERFORMANCE = FOCUS. MCC is called upon to be many things to many people; as a result, we must develop the ability to prioritize and focus our efforts on the most critical of our services and functions in order to effectively accomplish our institutional mission.

(excerpts from draft 2007-2012 strategic planning documents; from AQIP MCC’s Strategy for Action workbook)
Summary of College Financial Indicators
(from Draft 2007-2012 Strategic Planning Documents)

- MCC is financially stable and manages its resources well in spite of negative external conditions
- Long-term financial challenges are present and must be addressed
- State support proportion not expected to increase much if at all
- Millage renewal in ’08 is absolutely critical
- Voted bond authority renewal in ’10 is also critical
- Emphasis on performance funding will increase
- Pressure to maintain affordability will continue
- Strategic plans should drive the budget, and not the other way around
- Efficiency improvements must continue with operating budget
Some Enabling Steps:

1. Successfully renew **0.65 Operating Millage** within 2007-08 and Voted Bond Authority by 2010

2. **Reduce Compensation costs** – Long-term budget challenge remains to control rising expenditure levels

3. **Continue to study Academic and Service Operations** for contribution to student learning and success, strategic fit, efficiency, feasibility

4. **Position for flexibility to offset results of diminishing proportionate state support**

5. **Support continuous improvement projects and strategy with budget commitment and resource allocation**

6. **Help grow and better utilize resources of the Foundation for MCC**
Next Board Actions —

- FY06-07 Final Budget Amendment:
- FY07-08 Initial Budget:
  - June 2007
MCC Board of Trustees
Committee of the Whole Meeting
January 22, 2007

Questions or Comments?
For More Information:
Details are Provided with Board Resolution 1.28

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