Mott Community College

Board of Trustees
Meeting
June 22, 2009

BUDGET RESOLUTIONS
FINAL FY08-09 AMENDED BUDGET:
General Fund
# Final FY08-09 General Fund Budget

## Summary

<table>
<thead>
<tr>
<th></th>
<th>07-08 Actual</th>
<th>08-09 Amend #1</th>
<th>08-09 Amend #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 70,832,466</td>
<td>$ 71,165,658</td>
<td>$ 72,055,509</td>
</tr>
<tr>
<td>Expenditures</td>
<td>70,523,814</td>
<td>71,009,066</td>
<td>71,899,591</td>
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<tr>
<td>Excess Revenues Over</td>
<td>$ 308,652</td>
<td>$ 156,592</td>
<td>$ 155,918</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance – Beginning</td>
<td>$ 6,289,572</td>
<td>$ 6,598,224</td>
<td>$ 6,598,224</td>
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<tr>
<td>Fund Balance – Ending</td>
<td>$ 6,598,224</td>
<td>$ 6,754,816</td>
<td>$ 6,754,142</td>
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<tr>
<td>Fund Balance Percent*</td>
<td>9.36%</td>
<td>9.51%</td>
<td>9.39%</td>
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</tbody>
</table>

*Target = 5% - 10% of Expenditure budget*
NET RESULTS OF AMENDMENT:

FUND BALANCE: $674 or -.43% less than January Amended Budget

6/30/09 projected to end with $155,918 surplus, for total of $6.75 million
Reserves as Required by Board Policy #3930

General Operating (01) Reserve
- Requires 5-10% of annual operating expenses.
- 08-09 Amended Budget reserve of 9.39%

Maintenance & Replacement Fund (72)
- Requires 1-3% of College depreciated assets or $3 M
- 08-09 Amended Budget reserve of $2 M
- Amount needed to reach 3% - $1 M

Building/Site Fund (78)
- Requires 1-3% of College depreciated assets or $3 M
- 08-09 Amended Budget reserve of $3 M
Navigating Our College’s Finances
What is Visible

Balanced Approach

Increased Workforce Development Funding

CURRENT ENROLLMENT

Tax Dollars Lost in Debt Funds

Property Tax Losses in GF

5 of 6 Contracts Settled

Summer/Fall Tuition Freeze
What Lies Beneath...

State Funding Unstable

GM Property Tax Appeal

Funding of Capital Needs

MPSERS Rate?

Stimulus Money?

Where's the Bottom in Property Tax Values?
PROPOSED FY09-10 BUDGET
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.”
STRATEGIC PLAN

7-0. Budget/Finance

7-1. Focus on controllable revenues and costs to sustain our current reputation and facilities and provide funding for strategic priorities

7-2. Establish short and long-term budget and finance priorities that provide a balanced approach to the needs of a learning organization with the flexibility to realign resources

7-3. Implement a comprehensive strategy to address the long-term deficit which enables us to continue to provide affordable high quality education
STRATEGIC INITIATIVES
FOR 2009-2010

- Allocation for 09-10 is $112,000 for AQIP
- Additional $150,000 allocated for Department/Division level planning.

Current AQIP Action Projects:
- Advising for degree completion and transfer students.
- Data Integration
PROPOSED FY09-10 BUDGET
SUMMARY

No Change in Budget Principles. Uncertainty still remains.

- Budget must support Strategic Plans
- Minimize/offset impact on Students
- Avoid overall reduction in Staffing
- Maintain Fund Balance/Reserves
- Maintain flexibility in Budget
- Balanced Approach
Initial General Fund Budget 2009-2010 Expenditures by Activity

- Salaries and Wages: 52.48%
- Fringe Benefits: 20.93%
- Contracted Services: 6.55%
- Operations and Communications: 7.94%
- Transfers: 4.56%
- Utilities and Insurance: 4.27%
- Materials and Supplies: 2.98%
- Capital Outlay: 0.30%
## Initial FY09-010 General Fund Budget

### Summary

<table>
<thead>
<tr>
<th></th>
<th>08-09 Amend #2</th>
<th>Initial 09-10</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>$72,055,509</td>
<td>$70,968,187</td>
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<tr>
<td><strong>Expenditures</strong></td>
<td>71,899,591</td>
<td>70,901,002</td>
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<tr>
<td><strong>Excess Revenues Over Expenditures</strong></td>
<td>$155,918</td>
<td>$67,185</td>
</tr>
<tr>
<td><strong>Fund Balance – Beginning</strong></td>
<td>$6,598,224</td>
<td>$6,574,142</td>
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<tr>
<td><strong>Fund Balance – Ending</strong></td>
<td>$6,754,142</td>
<td>$6,821,327</td>
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<tr>
<td><strong>Fund Balance Percent</strong>*</td>
<td>9.39%</td>
<td>9.62%</td>
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</table>

*Target = 5% - 10% of Expenditure budget*
Main Point is Impact on Operating Budget:

**Designated Fund**  $2.3 Million Revenue Budget

(Scholarships, Student Enrichment, Copy Machines, Paid Parking, Designated Technology Fee)

**Auxiliary Enterprise Fund** --$692,500 Budget

$425,050 Net “profit” supplements General Fund

(Catering, Vending, Bookstore, Computer Lab Printing, Lapeer Campus Auxiliary)
PROPOSED “OTHER FUNDS” FY09-10 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.
  - Instructional Technology Fee = $1.28 Million per year
  - $2.71 million per year planned transfer from General Fund.
7-YEAR FORECAST
Current Economic Environment

- Dow Jones Industrial Average declined 46.8% between December 2007 and February 2009 - The largest 14 month decline since 1938 (Senate Fiscal Agency)

- State of Michigan Projecting deficits of $931 Million in 2008-2009 and $1.5 billion in 2009-10 (Senate Fiscal Agency)

- Unemployment Rates in April 2009 (Senate Fiscal Agency)
  - State of Michigan 12.9%
  - Flint 14.2%

- Home prices dropped 20% from September 04 to November 06 and another 21.9% from December 07 to March 09 (S&P/Case-Shiller 20-city seasonally adjusted composite)

- Housing Starts down 54.2% compared with April 2008, and 79.9% from record high in January 2006 (Senate Fiscal Agency)
Projected General Fund Deficit would be $45 Million at end of FY15-16, if current trends continued (Revenue growth of .55% vs. expenditure growth of 3.5%)

Based on an average projected gap of $8.7 million per year to be filled with budget-balancing solutions

Short-term savings and flexibility continues to be key

Long-term strategy of managing total compensation costs
# 7 Year Forecast at June 2009

## Forecasts:

<table>
<thead>
<tr>
<th></th>
<th>Amended Budget 08-09</th>
<th>Initial Budget 09-10</th>
<th>10-11</th>
<th>11-12</th>
<th>12-13</th>
<th>13-14</th>
<th>14-15</th>
<th>15-16</th>
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<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Tuition and Fees</td>
<td>27.6</td>
<td>28.8</td>
<td>29.8</td>
<td>30.4</td>
<td>30.9</td>
<td>31.2</td>
<td>31.5</td>
<td>31.8</td>
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<td>Property Taxes</td>
<td>24.4</td>
<td>23.5</td>
<td>21.9</td>
<td>21.0</td>
<td>20.8</td>
<td>20.8</td>
<td>21.0</td>
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<td>State Appropriations</td>
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<td>15.0</td>
<td>15.0</td>
<td>15.2</td>
<td>15.4</td>
<td>15.7</td>
<td>15.9</td>
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<tr>
<td>All Others</td>
<td>4.0</td>
<td>3.7</td>
<td>3.7</td>
<td>3.8</td>
<td>3.9</td>
<td>4.0</td>
<td>4.1</td>
<td>4.1</td>
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<td><strong>Total Revenue</strong></td>
<td>71.2</td>
<td>71.0</td>
<td>70.4</td>
<td>70.2</td>
<td>70.8</td>
<td>71.4</td>
<td>72.3</td>
<td>73.2</td>
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<td><strong>Revenue Increase (Decrease):</strong></td>
<td>1.2%</td>
<td>(0.02)%</td>
<td>(.08)%</td>
<td>(.03)%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.2%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

## Expenditures

<p>| | | | | | | | | |</p>
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<tr>
<td>Salaries</td>
<td>36.7</td>
<td>37.5</td>
<td>38.7</td>
<td>39.8</td>
<td>41.0</td>
<td>42.1</td>
<td>43.3</td>
<td>44.5</td>
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<td>Fringe Benefits</td>
<td>14.8</td>
<td>15.0</td>
<td>15.8</td>
<td>16.7</td>
<td>17.6</td>
<td>18.5</td>
<td>19.6</td>
<td>20.6</td>
</tr>
<tr>
<td>All Others</td>
<td>19.5</td>
<td>18.4</td>
<td>18.9</td>
<td>19.5</td>
<td>20.1</td>
<td>20.7</td>
<td>21.3</td>
<td>22.0</td>
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<tr>
<td><strong>Total Expend.:</strong></td>
<td>71.0</td>
<td>70.9</td>
<td>73.4</td>
<td>76.0</td>
<td>78.7</td>
<td>81.3</td>
<td>84.2</td>
<td>87.1</td>
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<td><strong>Expend. Increase(Decrease):</strong></td>
<td>1.2%</td>
<td>(1.4)%</td>
<td>3.6%</td>
<td>3.4%</td>
<td>3.4%</td>
<td>3.5%</td>
<td>3.5%</td>
<td>3.5%</td>
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</tbody>
</table>

## Surplus/(Deficit): 

|                      | 0.2                  | 0.1                  | (3.0) | (5.8) | (7.9) | (9.9) | (11.9) | (13.9) |

## Fund Balance 

|                      | 6.8                  | 6.8                  | 3.8   | (2.0) | (9.8) | (19.7) | (31.7) | (45.6) |

*Note: the forecast illustrates performa data if current trends were to continue. The College is obligated to balance it’s budget each year and will take necessary steps to do so.*
Property Tax Revenue Comparison

7 Year Forecast

Historical Average 4%
CAPITAL FUNDING
MCC’s mission statement directs the college to...

“maintain its campuses, state-of-the-art equipment, and other physical resources that support quality higher education. The college will provide the appropriate services, programs, and facilities to help students reach their maximum potential.”
Typical Asset Cycle

1. **Design & Engineering**
2. **Delivery & Installation**
3. **Strategic & Project Planning**
4. **Commissioning**
5. **Operation & Maintenance**
MCC Asset Value vs Time (Asset Life)

Planned Maintenance points

Extended Life
Deferred Maintenance

- Planned maintenance not performed when scheduled
- Usually lack of funding – carried as a liability
- Leads to earlier asset replacement due to premature end of life
Deferred Replacement

- Planned asset replacement not performed when scheduled
  - Usually lack of funding
  - Carried as a liability on the books
- “Run-to-failure” mode of operation
  - Uses capital that should be scheduled for other purposes
Capital Asset Funding

• 2004
  • $65M Needs
  • $45M Bonds
  • $13M Operating Commitment
  • $7M Student Tech Fees

• Current 10 year needs $78 million
  • Taxable Values Declining
  • Availability of Bonds?
  • Approx. $1.3 million in tech fees annually