Mott Community College

Board of Trustees
Committee of the Whole Meeting
June 23, 2008

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."
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
FINAL FY07-08 AMENDED BUDGET: General Fund
FINAL FY07-08 General Fund BUDGET

REVENUES:

• Tuition & Fees \( \uparrow \) +$801 thousand, +3.2\% adj. –credit-side
  enrollment up for Winter and Spring 2008

• Property Taxes and State Aid \( \leftrightarrow \) no change

Other Revenue \( \downarrow \) -$121 thousand (rental revenue and indirect cost recovery revenue down slightly)

= Overall upward amendment to revenue is +$0.7 million

+.97\% change from January 2008 amendment
EXPENDITURES:

• Amended upward by $700 thousand, .9% change:
  • Salaries & Wages and Fringe Benefits — updated salary projections and closer to actual figures on benefits
  • Non-salary related expenses — lower heating costs, release of contracted services contingencies, offsetting adjustments between categories
  • Transfers — additional contribution to Maintenance & Replacement Fund to help 07-08
Transfers are comprised of:

- Fund 02 Designated Scholarships $423,297
- Grant Matching 5,500
- Fund 78 Building & Site Reserve 250,000
- Fund 02 Rainy Day 200,000
- Fund 72 Maintenance & Replacement 4,955,000
- Lapeer Site (Capital Outlay) 65,000

Total $5,898,797
FINAL FY07-08 General Fund BUDGET

**NET RESULTS OF AMENDMENT:**

- **FUND BALANCE**: $46K or .71% better than January Amended Budget

- 6/30/08 projected to end with $229,000 surplus, for total of $6.5 million
## Summary

<table>
<thead>
<tr>
<th></th>
<th>06-07 Actual</th>
<th>07-08 Amend #1</th>
<th>07-08 Amend #2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$64,191,247</td>
<td>$70,455,169</td>
<td>$71,135,526</td>
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<td>$63,952,477</td>
<td>$70,271,468</td>
<td>$70,906,155</td>
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<tr>
<td><strong>Excess Revenues Over Expenditures</strong></td>
<td>$238,770</td>
<td>$183,701</td>
<td>$229,371</td>
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<tr>
<td><strong>Fund Balance - Beginning</strong></td>
<td>$6,050,801</td>
<td>$6,289,571</td>
<td>$6,289,571</td>
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<tr>
<td><strong>Fund Balance - Ending</strong></td>
<td>$6,289,571</td>
<td>$6,473,272</td>
<td>$6,518,942</td>
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<tr>
<td><strong>Fund Balance Percent</strong></td>
<td>9.83%</td>
<td>9.21%</td>
<td>9.19%</td>
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</table>

Target = 5% - 10% of Expenditure budget
Reserves as Required by Board Policy #3930

- General Operating (01) Reserve
  - Requires 5-10% of annual operating expenses.
  - 07-08 Amend Budget shows reserve of 9.2%

- Maintenance & Replacement Fund (72)
  - Requires 1-3% of College depreciated assets or $3 M
  - 07-08 Amended Budget shows $1 M
  - Additional amount needed to fully fund $2 M

- Building/Site Fund (78) 1-3% of depreciated assets
  - Requires 1-3% of College depreciated assets or $3 M
  - 07-08 Amended Budget shows $1.4 M
  - Additional amount needed to fully fund $1.6 M
PROPOSED FY08-09 BUDGET
PROPOSED FY08-09 BUDGET

No Change in Budget Principles, uncertainty still remains.

1. Budget must support Strategic Plans
2. Minimize/Offset Impact on Students
3. Avoid Overall Reduction in Staffing
4. Maintain Fund Balance/Reserves
PROPOSED FY08-09 BUDGET

KEY ASSUMPTIONS - REVENUES

TUITION & FEES

• 3.2% (inflation-level) rate increases on credit side included in budget coupled with 2% enrollment decrease netting a 1% overall increase in tuition and fee revenue.
Tuition and Fees

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Initial Budget</th>
<th>Final Budget</th>
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<tbody>
<tr>
<td>2002-2003</td>
<td>$15,000,000</td>
<td>$20,000,000</td>
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<td>2003-2004</td>
<td>$10,000,000</td>
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<td>2007-2008</td>
<td></td>
<td>$30,000,000</td>
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<tr>
<td>2008-2009</td>
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</table>
PROPOSED FY08-09 BUDGET

KEY ASSUMPTIONS - REVENUES

PROPERTY TAXES

• Down $60 thousand from 07-08 due to property tax value decreases—this trend is expected to worsen.

• Millage Rate is not rolled back by Headlee this year and stays at 1.9896
Property Taxes

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Tax Revenue</th>
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<tbody>
<tr>
<td>2003-2004</td>
<td>$2,000,000</td>
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<tr>
<td>2004-2005</td>
<td>$4,000,000</td>
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<td>2005-2006</td>
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<tr>
<td>2006-2007</td>
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<td>2007-2008</td>
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<td>2008-2009</td>
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<td>2009-2010</td>
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<td>2010-2011</td>
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<td>2011-2012</td>
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<td>2012-2013</td>
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<td>2013-2014</td>
<td>$22,000,000</td>
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<tr>
<td>2014-2015</td>
<td>$24,000,000</td>
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<tr>
<td>2015-2016</td>
<td>$26,000,000</td>
</tr>
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</table>
PROPOSED FY08-09 BUDGET

KEY ASSUMPTIONS - REVENUES

• STATE APPROPRIATIONS –
  • 2.9% increase approved by House & Senate
  • State still faces budget uncertainties for FY08-09
  • MCC budget assumes 2.9% increase from adjusted prior year appropriation or $15.1 million
  • Mid-year budget adjustments possible
MCC State Appropriation Revenue

Data as of June 2008; Source – MCC Audited Financial Statements and Budgets
PROPOSED FY08-09 BUDGET

KEY ASSUMPTIONS - REVENUE

- Total Revenues for 08-09 are projected to be $70.3 million, a decrease of 1.2% from the final 07-08 budget
MCC Total General Fund Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
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<tbody>
<tr>
<td>2002-2003</td>
<td>$50,000,000</td>
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<tr>
<td>2003-2004</td>
<td>$55,000,000</td>
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<tr>
<td>2004-2005</td>
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<td>$65,000,000</td>
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<tr>
<td>2006-2007</td>
<td>$70,000,000</td>
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<tr>
<td>2007-2008</td>
<td>$75,000,000</td>
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<tr>
<td>2008-2009</td>
<td>$70,000,000</td>
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Bar chart showing the revenue from 2002-2003 to 2007-2008, with a significant increase in the initial budget for 2008-2009.
PROPOSED FY08-09 BUDGET

**KEY ASSUMPTIONS-- EXPENDITURES:**

Overall decrease of $.8 million or 1.1% over the final 07-08 budget.

- **Salaries & Wages and Fringe Benefits:** Only slight increases (.2%) as 4 employee groups are in the process of bargaining and costs are uncertain. Contingencies have been built into the 08-09 budget to account for these expenditures.

- **Total compensation = 74%, within Board Policy**

- **Non-Salary:** decrease of 5.2% due to necessary spending restraints to maintain a balanced budget
Initial General Fund Budget 2008-2009: Expenditures by Activity

- Salaries and Wages: 53%
- Fringe Benefits: 21%
- Contracted Services: 6%
- Materials and Supplies: 3%
- Facilities Rent: 0%
- Utilities and Insurance: 4%
- Operations/Communications: 8%
- Transfers: 5%
- Capital Outlay: 0%
PROPOSED FY08-09 BUDGET

BUDGET BALANCING STEPS=

COST CONTAINMENT

- Continued holds on filling vacant positions
- Total non-salary related expenses reduced during budgeting process by $1.0M (including transfers)
- Contingencies needed for employee group bargaining cost uncertainty
### PROPOSED FY08-09 BUDGET: General Fund

#### SUMMARY

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PROPOSED FY08-09 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” FY08-09 BUDGETS

Main Point is Impact on Operating Budget:

• **Designated Fund**—$2.4 million revenue budget
  (Scholarships, Student Enrichment, Copy Machines, Paid Parking, Designated Technology Fee)
  • **$423,000 funded with General Fund budget (expense)**

• **Auxiliary Enterprise Fund**—$603,000 budget
  (Catering, Vending, Bookstore, Computer Lab Printing, Lapeer Campus Auxiliary)
  • **$312,000 net “profit” supplements General Fund (revenue)**
PROPOSED “OTHER FUNDS” FY08-09 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 = $1.2 Million per year
  - $1.6 million per year planned transfer from General Fund.
  - $15 million in Series 2008 Bond Proceeds will fund projects through FY09-10
STRATEGIC INITIATIVES FOR 08-09: LINKED TO BUDGET PROCESS and to AQIP METHODOLOGY
STRATEGIC INITIATIVES FOR 08-09

• Allocation for 08-09 is $200,000, 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 between 2.4% and 4% each year (impact of rates and enrollment)
- Property tax revenue decreases for 3 years with slight increases thereafter
- 0.6410 Mill Voted Operating Millage is renewed for 10 years starting with FY08-09
- State appropriations increase by 1.5% each year Other revenues increase by 2% each year
- Total revenue increases by avg. of 1.7% each year
7-YEAR FORECAST

Key Assumptions - Expenses

- Salaries and wages increase by avg. of 2.5% each year
- Fringe benefits increase by avg. of 5.5% each year
- Other expenses increase by avg. of 4.5% each year
- Total expenses increase by avg. of 3.7% each year
Summary

- Projected General Fund Deficit would be $31 Million at end of FY14-15, if current trends continued (Revenue growth of 1.7% vs. expenditure growth of 3.7%)
- Based on an average projected gap of $6.3 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
7-YEAR OPERATING FORECAST
(in millions), as of June 2008

Note: the forecast illustrates pro forma data if current trends were to continue. The college is obligated to balance its budget each year and will take necessary steps to do so.
CAPITAL FUNDING
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 was spent by April 2008
  ✓ **$15 M** Series 2008 to be spent by April 2010
    ✓ **+$18 M** Commitment of Operating Funds
    ✓ **+$8 M** projected from Student Tech. Fees
  ✓ =$41M 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:

Next Steps and Key Issues for Consideration
FUTURE OUTLOOK:
Key Issues

1. Containing Compensation costs – Long-term budget challenge remains to control rising expenditure levels

2. Property Tax values have decreased and are expected to decline over the next several years

3. Maintaining Sufficient reserves – Supporting the Strategic Plan and ensuring financial health

4. State’s budget – continues to be uncertain at this point

5. 2007-2012 Strategic Planning through AQIP requires continuous improvement methods
Next Board Actions...

- FY07-08 Audit Acceptance:
  - Oct/Nov’08

- FY08-09 Budget Amendment:
  - Winter’09
MCC Board of Trustees
Committee of the Whole Meeting
June 23, 2008

Questions or Comments?
For More Information:
Details and Provided
with Board Resolutions 1.54 and 1.56

Larry Gawthrop, Interim Chief Financial Officer
810-762-0525, Larry Gawthrop@mcc.edu