

Mott Community College

Board of Trustees
Committee of the Whole Meeting
June 27, 2011

BUDGET RESOLUTIONS

For Consideration and Vote

- *Final Amended 2010-2011 Budget*
- *Initial 2011-2012 Budget*
- *Millage Authorization (Operating, Debt)*
- *Tuition Recommendation beginning Winter 2012*

***FINAL FY10-11 AMENDED
BUDGET:
General Fund***



Final FY10-11 General Fund Budget

REVENUES:

● **Tuition & Fees** ↑ +\$1.5 million, +4.2% adj. -credit-side enrollment and projections up for Winter and Spring 2011

● **Property Taxes** ↓ -\$350 thousand due to projected increased delinquencies

● **State Aid** ↔ no change

● **Other Revenue** ↑ \$87 thousand (misc revenue and auxiliary revenue increased)

**=Overall upward amendment to revenue is
+\$1.2 million**

+1.66% change from January 2011 amendment

Final FY10-11 General Fund Budget

EXPENDITURES:

● *Amended upward by \$1.1 million, 1.5% change:*

● *Salaries & Wages and Fringe Benefits* ↑ --increased instructional costs due to higher than anticipated enrollment .

● *Non-salary related expenses* ↓ -- savings in almost all other areas, most significantly in contracted services and material and supplies.

● *Transfers* ↓ -- reduction of designated scholarships and transfers amongst campuses to reflect actual anticipated activity.

Final FY10-11 General Fund Budget

Summary

	09-10 Actual	10-11 Amend #1	10-11 Amend #2
Revenues	\$ 76,470,893	\$ 75,293,170	\$ 76,540,428
Expenditures	75,979,329	75,227,729	76,358,646
Excess Revenues Over Expenditures	\$ 491,564	\$ 65,441	\$ 181,782
Fund Balance – Beginning	\$ 6,782,315	\$ 7,273,879	\$ 7,273,879
Fund Balance – Ending	\$ 7,273,879	\$ 7,339,320	\$ 7,455,661
Fund Balance Percent*	9.57%	9.76%	9.76%

**Target = 5% - 10% of Expenditure budget*

Final FY10-11 General Fund Budget

NET RESULTS OF AMENDMENT:

● FUND BALANCE : ↑ \$116 just slightly higher than the January Amended Budget

● 6/30/11 projected to end with \$181,782 surplus, for a total of \$7.46 million

Reserves as Required by Board Policy #3930

● General Operating (01) Reserve

- Requires 5-10% of annual operating expenses.*
- 10-11 Amended Budget reserve of 9.76%*

● Maintenance & Replacement Fund (72)

- Requires 1-3% of College depreciated assets or \$3.1 M*
- 10-11 Amended Budget reserve of \$2.1 M*
- Amount needed to fully fund is \$1 M*

● Building/Site Fund (78)

- Requires 1-3% of College depreciated assets or \$3.1 M*
- 10-11 Amended Budget reserve of just under \$3 M*

FUNDING SOURCES

(2011-2012)

State Aid

Property Taxes

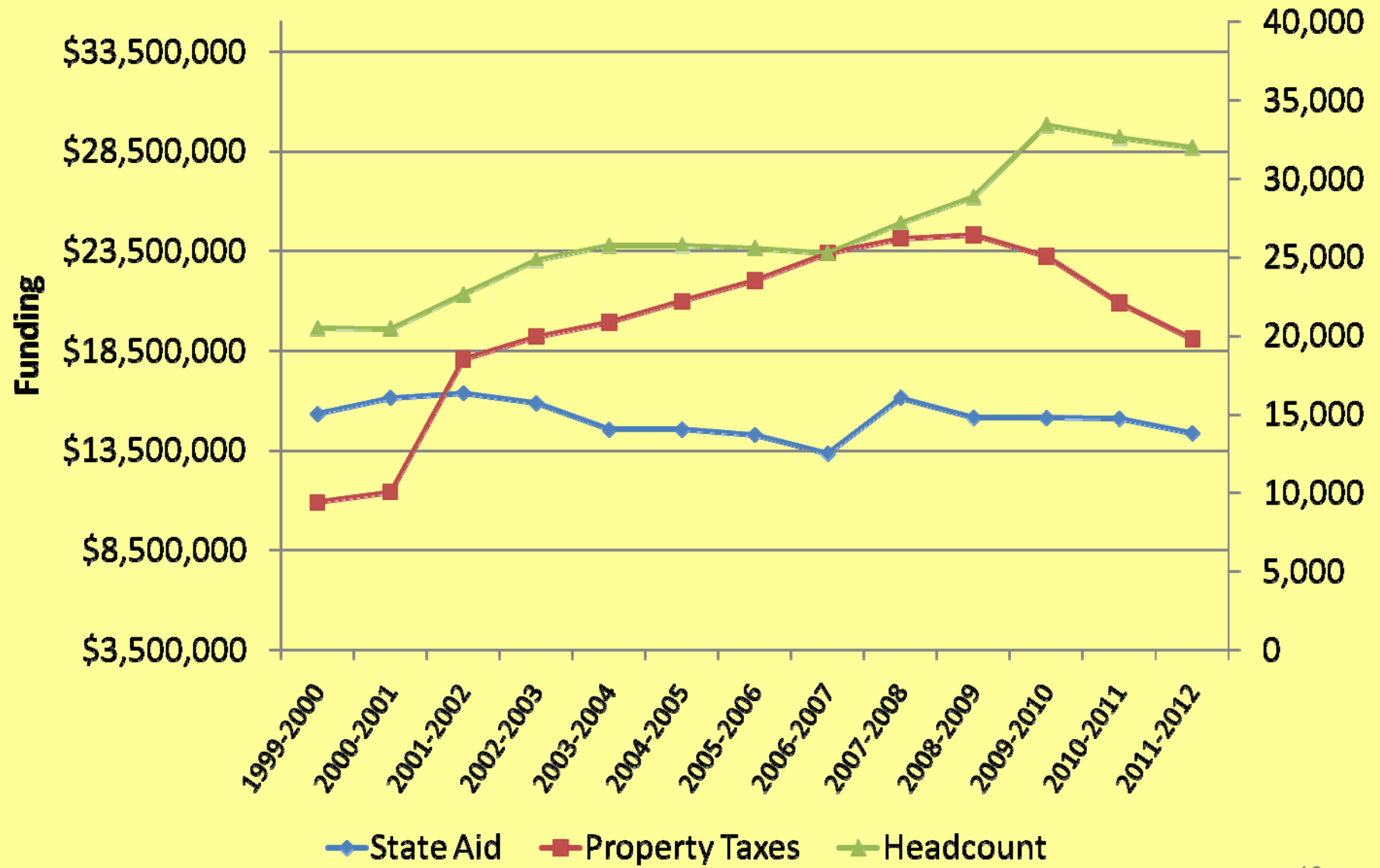
-Operating

-Debt

Tuition

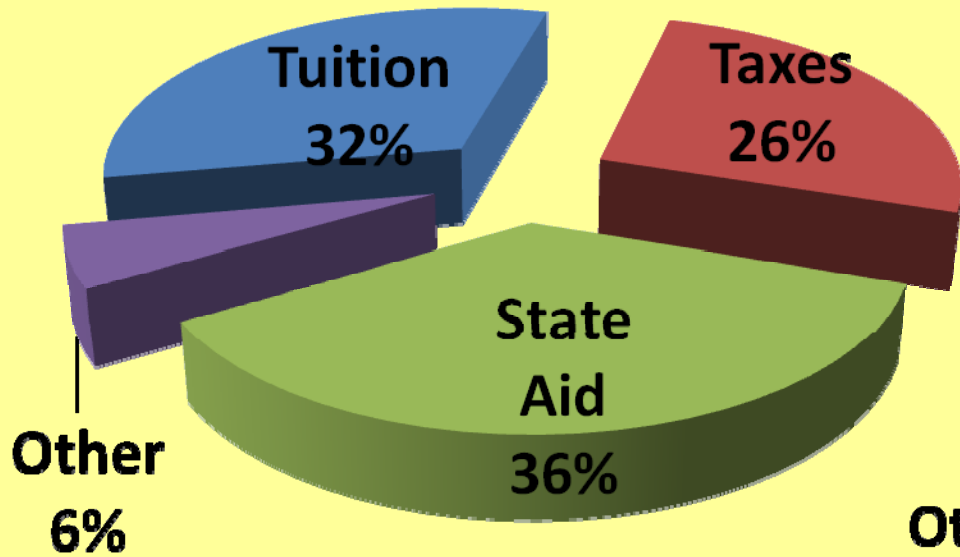


Trends in Funding Sources & Enrollment



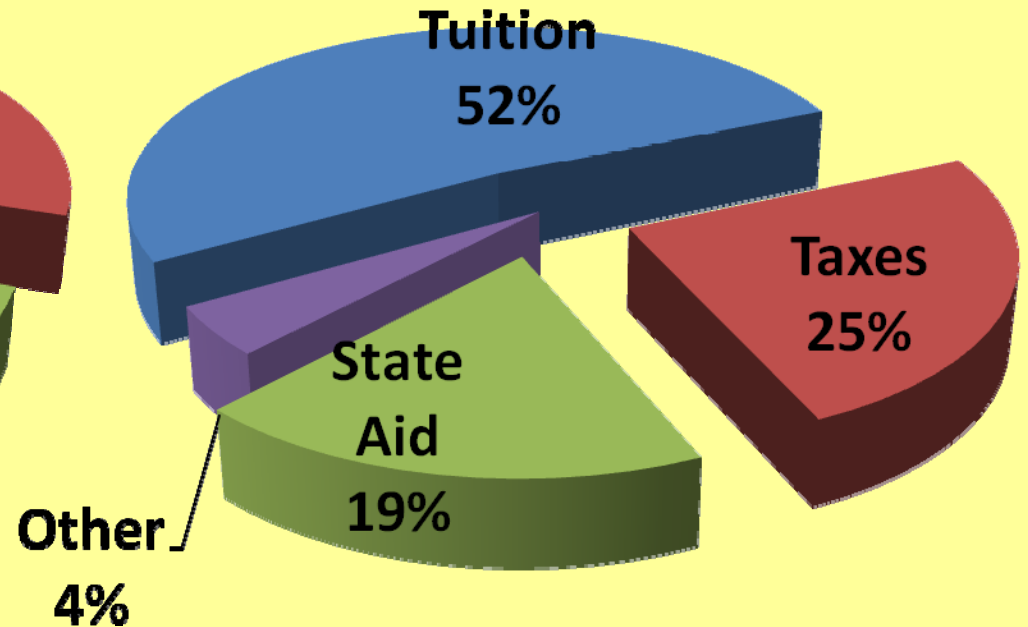
THEN and NOW

1999-2000



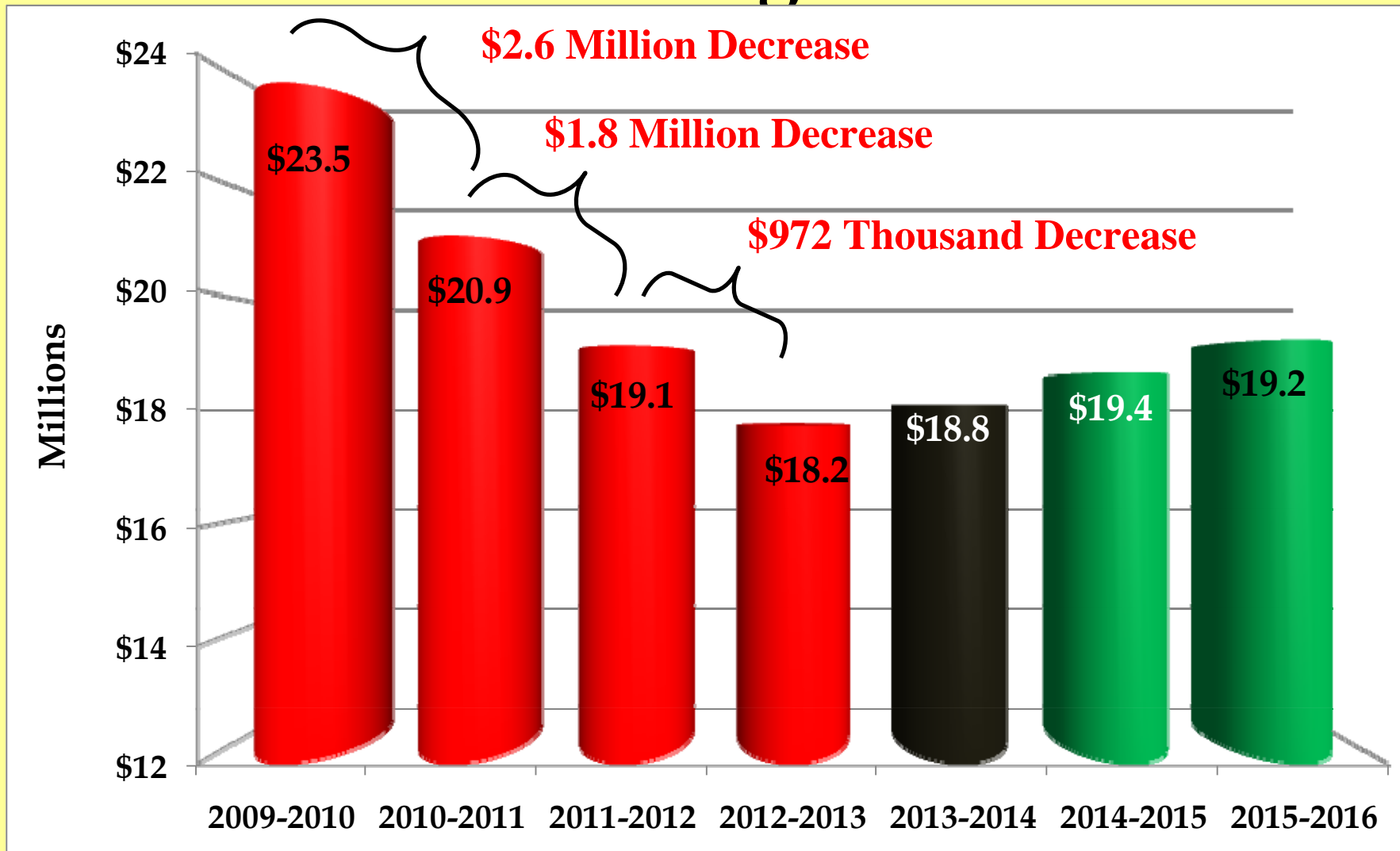
State Aid Funding
\$15,344,107

2011-2012

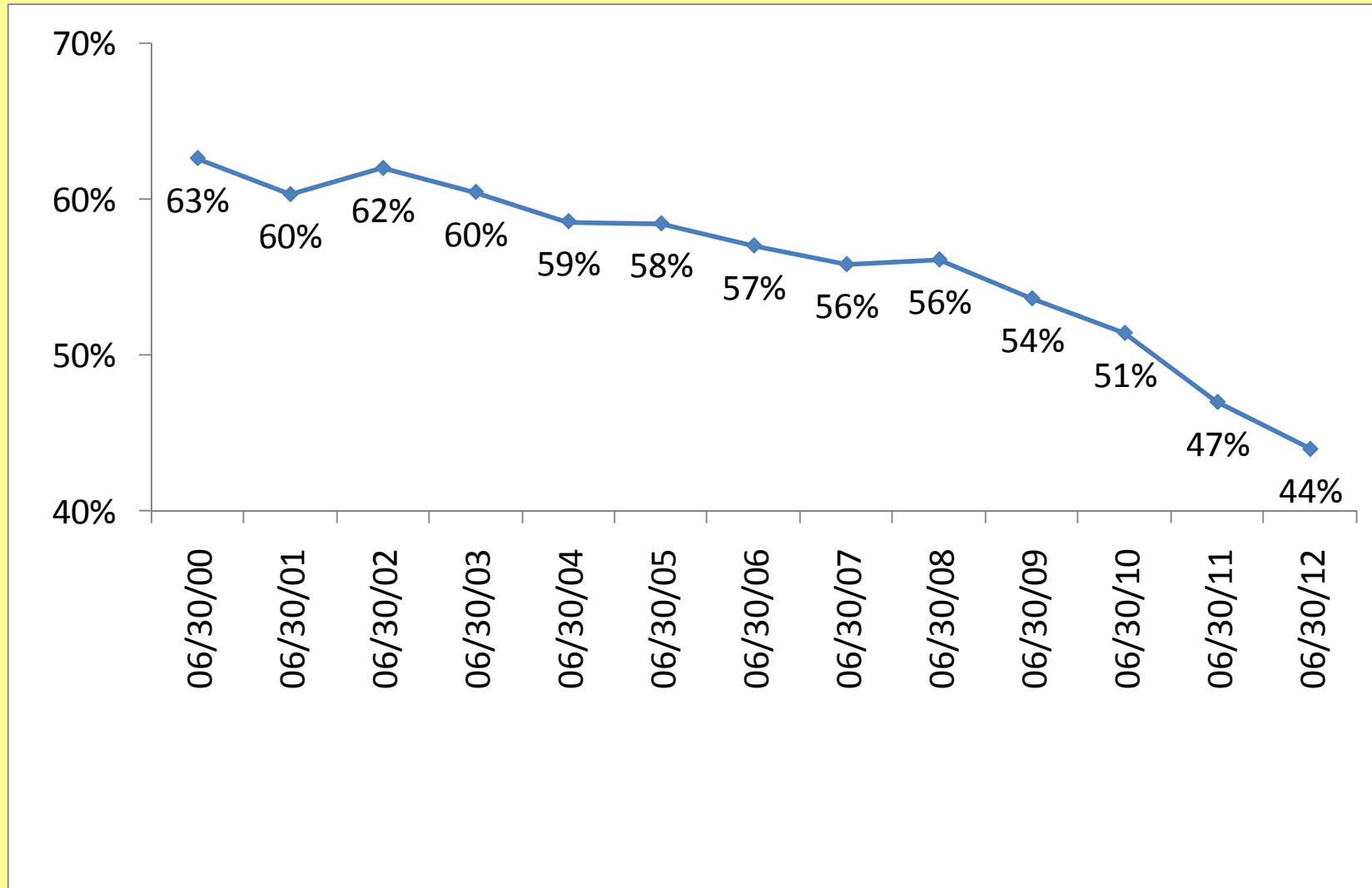


State Aid Funding
\$14,383,600

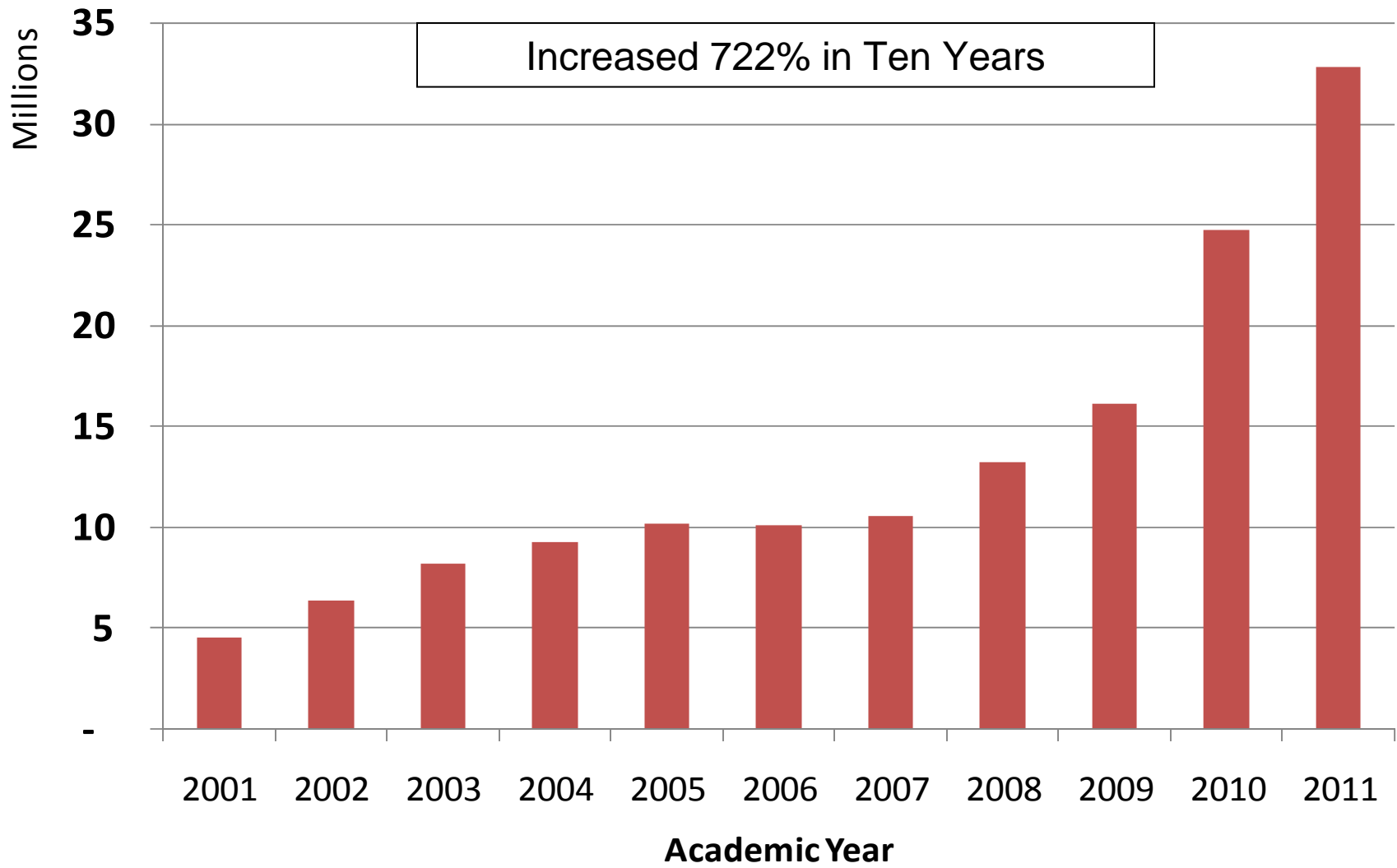
Projected Property Tax Funding FYE 2010 through FYE 2016



Percentage of Property Tax and State Aid of Total Funding



Pell Awards



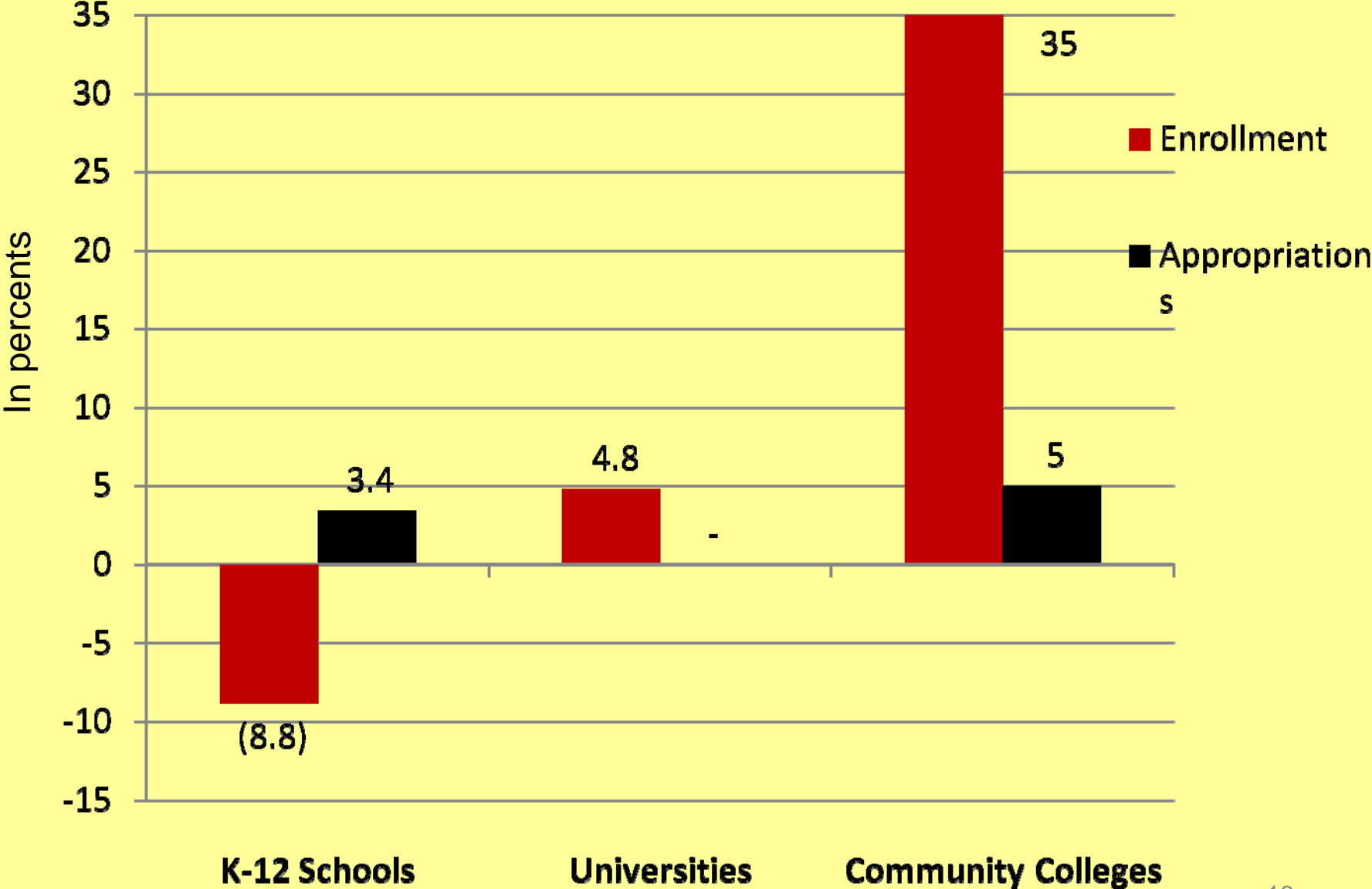
Pell Distribution – 10/11

Sample of Approx. 9,540
Students

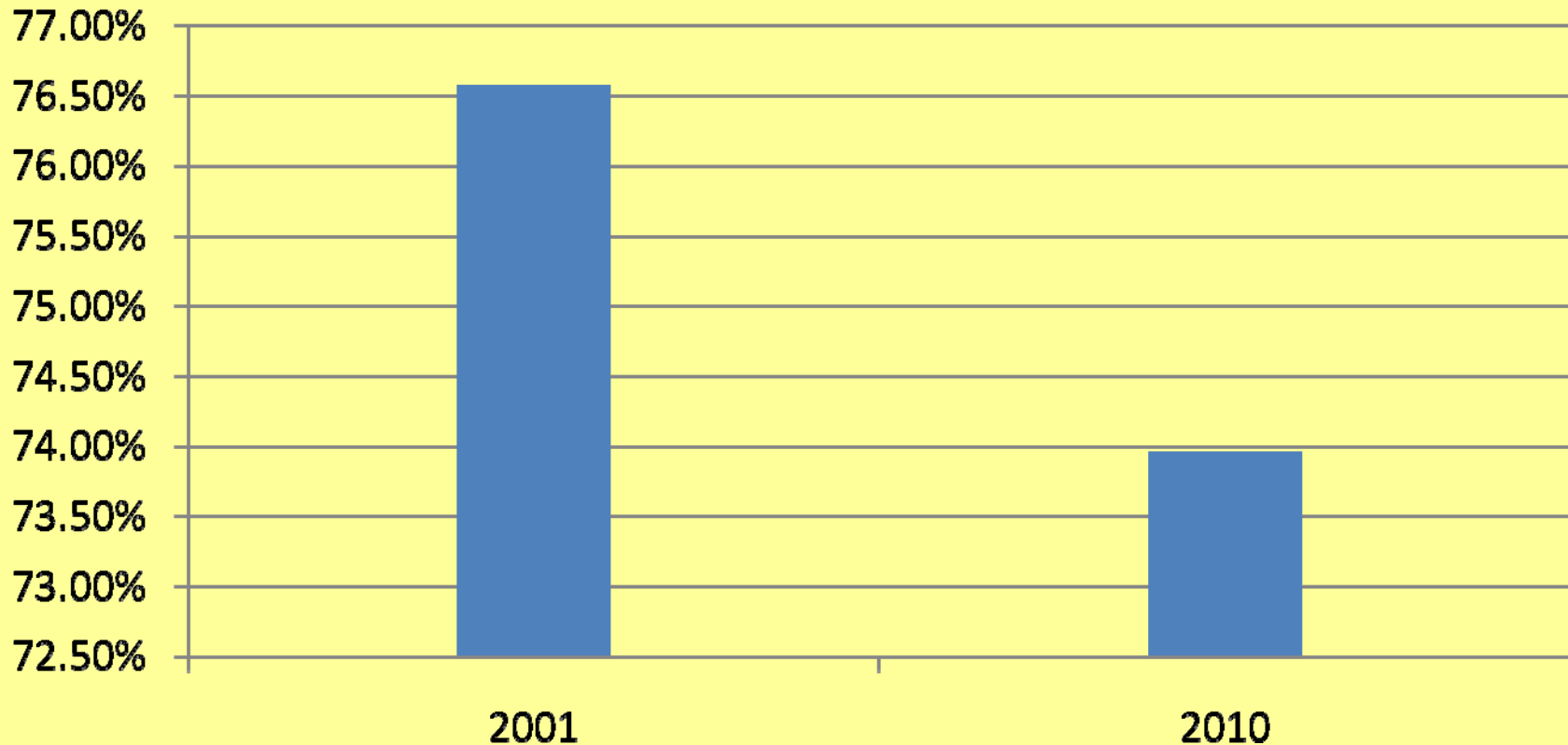
Awarded	Educational Tuition & Fees	Educational Books & Supplies Charges	Non- Educational Govt. Refund
\$27,919,272	\$18,729,369	\$4,491,705	\$4,698,199

Enrollment vs. Appropriations

FY 06 – FY11



Compensation as a Percentage of the General Fund Budget



Compensation expense would be \$1.96 M higher if it was at 2001 levels as a percentage of budget.

Ten year average salary increases are 1.62%.

PROPOSED FY 11-12 BUDGET





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.”*

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 11-12

- *Allocation for 11-12 is \$50,000 for AQIP*
- *\$55,000 allocated for Department/Division level strategic planning*
- *Current AQIP Action Projects :*
 - *Developmental Education/Mandatory Placement*
 - *Campus Cultural/Behavioral Readiness*
 - *Comprehensive Wellness Program*
 - *Wait List/Retention Alert*






PROPOSED FY11-12 BUDGET

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*






PROPOSED FY11-12 BUDGET

Key Assumptions Revenues

 <i>Property Taxes</i>	<i>\$ 1,439,550</i>
 <i>State Aid</i>	<i>\$ 738,280</i>
 <i>Ballenger Trust</i>	<i>\$ 100,000</i>
 <i>Grants and Other</i>	<i>\$ 164,577</i>
 <i>Tuition</i>	<i>\$ 2,292,994</i>

PROPOSED FY11-12 BUDGET

Key Assumptions Expenditures

 <i>Salaries, Wages and fringes</i>	\$ 164,596
 <i>Transfers</i>	\$ 643,300
 <i>Fringe Benefits</i>	\$ 1,030,150
 <i>Contracted Services</i>	\$ 1,134,537
 <i>Materials and Supplies</i>	\$ 378,050

Initial FY11-012 General Fund Budget

Summary

	10-11 Amend #2	Initial 11-12
Revenues	\$ 76,540,428	\$ 76,920,169
Expenditures	76,358,646	78,340,501
Excess(Deficit) Revenues Over Expenditures	\$ 181,782	\$ (1,420,332)
Fund Balance – Beginning	\$ 7,273,879	\$ 7,455,661
Fund Balance – Ending	\$ 7,455,661	\$ 6,035,329
Fund Balance Percent*	9.76%	7.70%

**Target = 5% - 10% of Expenditure budget*

PROPOSED "OTHER FUNDS" FY11-12 BUDGETS

● *Main Point is Impact on Operating Budget:*

● Designated Fund \$2.67 Million Revenue Budget

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

● Auxiliary Enterprise Fund--\$813,400 Budget

● \$499,040 Net "profit" supplements General Fund

● (Catering, Vending, Bookstore, Computer Lab Printing, Lapeer Campus Auxiliary)

PROPOSED “OTHER FUNDS” FY11-12 BUDGETS

- *Main Point is Impact on Operating Budget:*

- Debt Retirement Fund

- *Millage Rate increases to 0.87 mill to meet debt obligations*

- Capital Funds – repair, upgrade of buildings, equipment, technology, vehicles (\$102 million in net value)

- *Instructional Technology Fee = \$1.69 Million per year*

- *\$1.45 million per year planned transfer from General Fund (minimum required annual expenses).*

Bond Funds

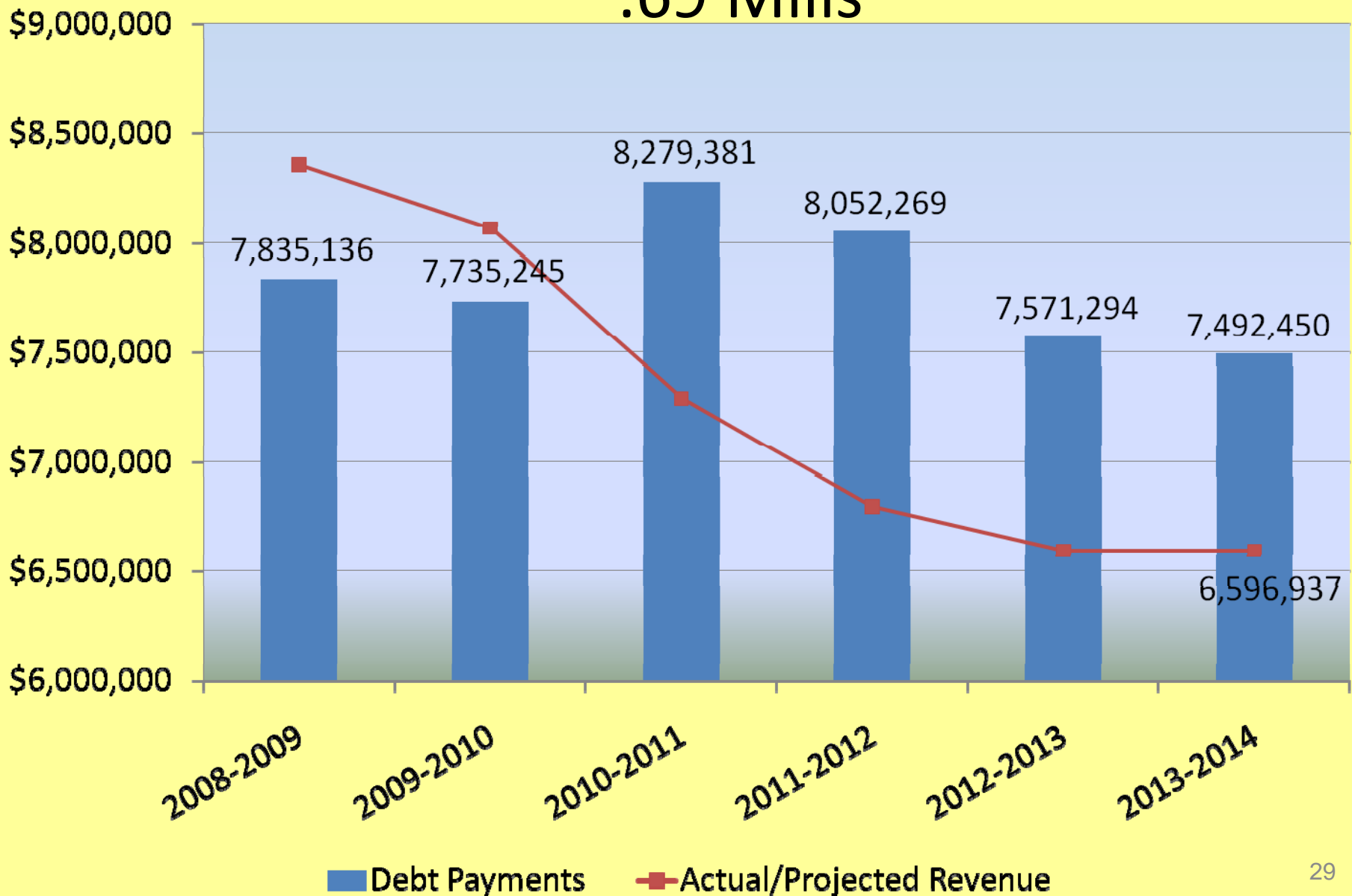
1. County and City Taxable Values will decline by 7% for 2011-2012
2. The Financial Impact (Shortfall) to the Bond Funds will be \$ 850,000 in 11/12.
3. We are legally required to levy a millage rate that will be sufficient to collect enough dollars to make the current year required payments

-OR-

Have enough funds available from other sources to cover any shortfall from a lower millage rate.

4. Commitment made to voters in 2004 to keep millage at .69 through 2011. (GF contribution \$1.4 million last year)

Bonded Debt Payments vs. Tax Collections at .69 Mills



CAPITAL FUNDING

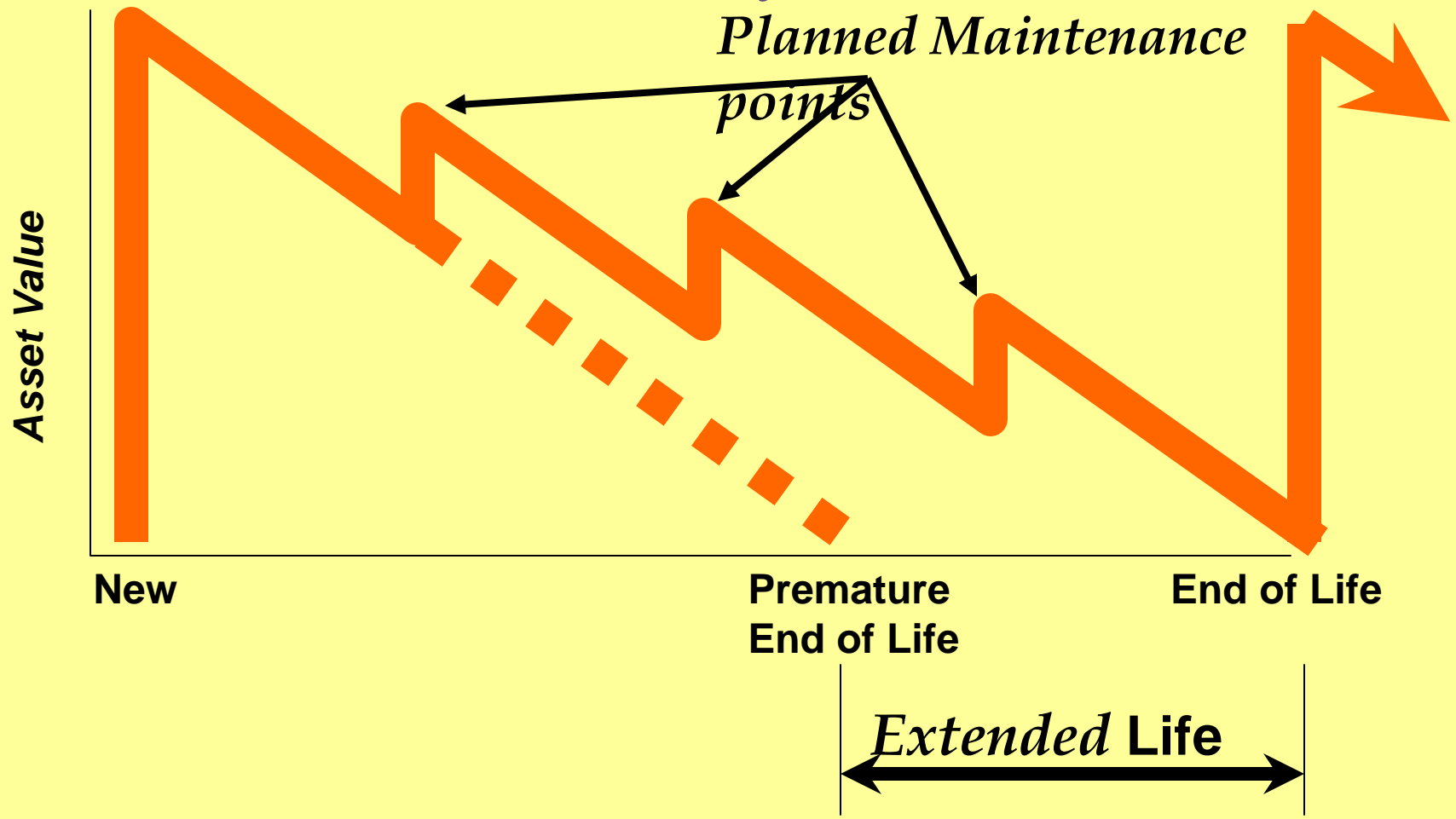


Link to Mission and Strategic Plans

- *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.”

MCC Asset Value vs. Time (Asset Life)



Deferred Maintenance

- *Planned maintenance not performed when scheduled*
- *Usually lack of funding – can be 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*
 - *Can be a liability for the College*
- *“Run-to-failure” mode of operation*
 - *Uses capital that should be scheduled for other purposes*



Capital Asset Funding

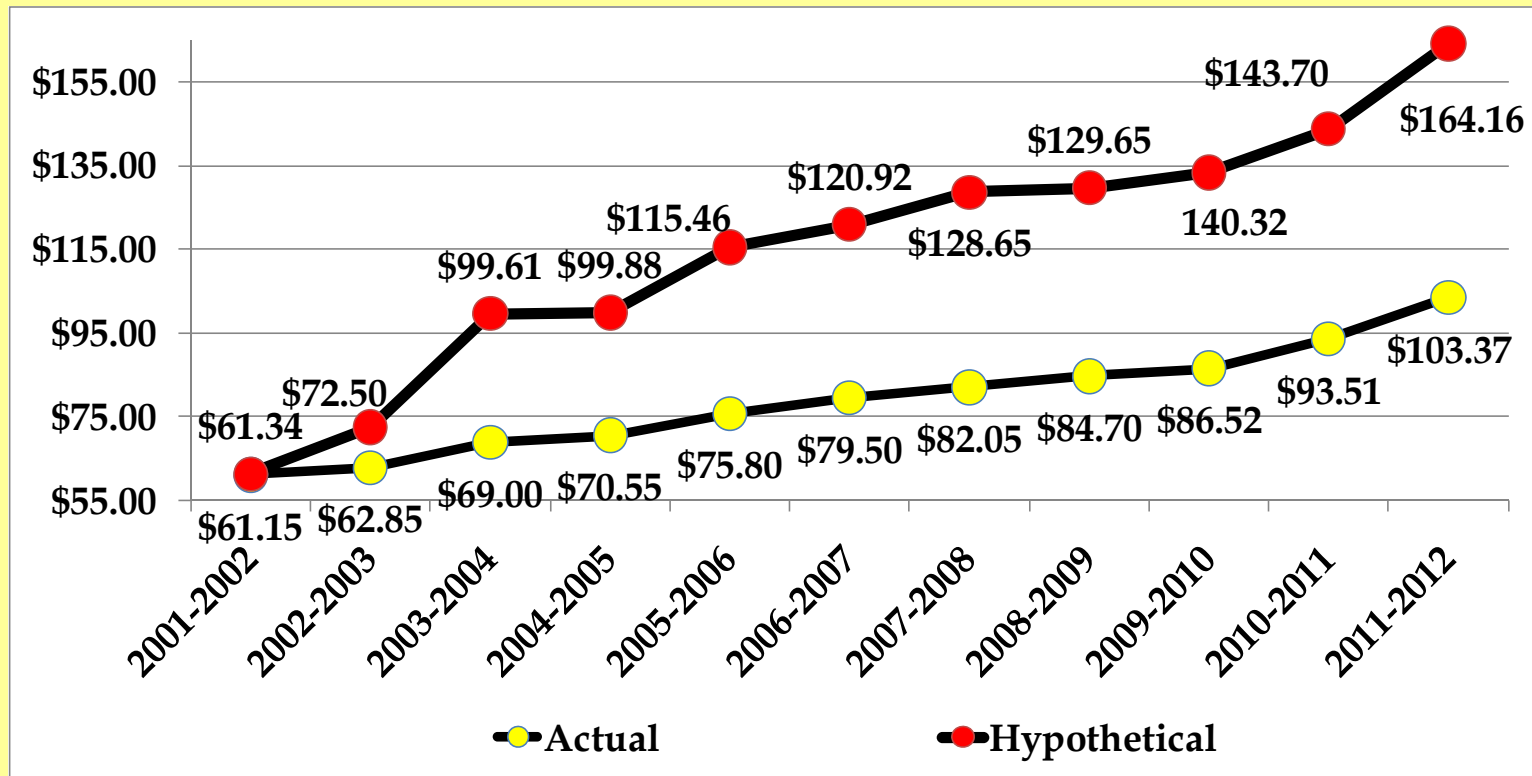
- *Current 10 year needs are approximately \$78 million*
 - *Taxable Values Declining*
 - *Availability of Bonds?*
 - *Approx. \$1.7 million in tech fees annually*

TUITION PROPOSAL (CALENDAR YEAR 2012)

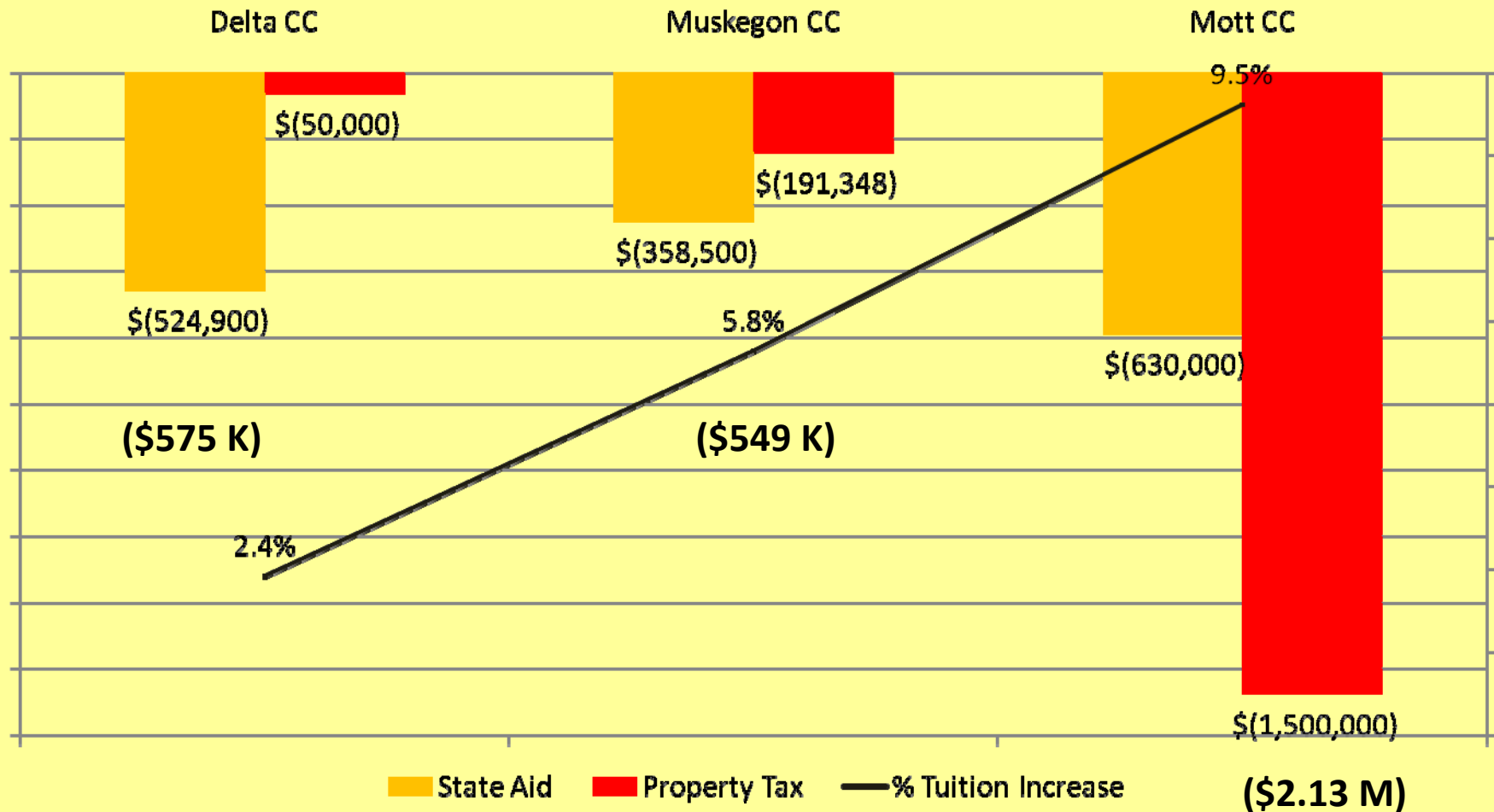


What If Tuition Covered State Aid Losses?

Add in Property tax loss = \$250.16



Tuition Increases Relative to State Aid & Property Tax Revenue Decreases



PERCENTAGES CAN BE MISLEADING

	Mott Community College In-District		Saginaw Valley State University In-State		University of Michigan - Flint In-State	
Current Tuition (30 contact hours)	\$2,960		\$6,870		\$9,692	
	Tuition Change	Contact Hour Change	Tuition Change	Contact Hour Change	Tuition Change	Contact Hour Change
9.5% increase	\$ 281	\$ 9				
6.9% increase			\$ 474	\$ 16		
6.8% increase					\$ 659	\$ 22

Total \$ increase for Mott	\$ 2,629,575		\$ 4,674,800		\$ 6,427,850	
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% tuition increase MCC would need to equal			16.2%		22.2%	
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Tuition Recommendation

		<u>2011 Calendar</u> <u>Year Rate</u>	<u>2012 Calendar</u> <u>Year Rate</u>	<u>Increase</u>
Per Contact	In-District Rate	\$ 98.68	\$ 108.05	\$ 9.37
Hour:	Out of District Rate	\$ 147.72	\$ 161.75	\$ 14.03
	Out of State Rate	\$ 197.13	\$ 215.86	\$ 18.73
	Institutional Technology Fee	\$ 5.65	\$ 6.19	\$ 0.54
	Student Services Fee	\$ 98.68	\$ 108.05	\$ 9.37

7-YEAR FORECAST

7-YEAR FORECAST

● Key Assumptions – Revenue

- *Tuition and fee revenue increases at 4.4% each year*
- *Property tax revenue decreases for 1 year with slight increases (1-3%) thereafter*
- *0.6410 Mill Voted Operating Millage is renewed for 10 years starting with FY08-09*
- *State appropriations flat for one year with slight increases thereafter (1-1.5%)*
- *Other revenues increase by 2% each year*
- *Total revenue increases by avg. of 2.2%*

7-YEAR FORECAST


● Key Assumptions - Expenses

- *Salaries and wages increase by 2.4% for two years and then 3.8% and 3.7% thereafter*
- *Fringe benefits are kept flat for two years and at minimal increases (2.8%) thereafter due to expected mandated health care contributions*
- *Other expenses increase by avg. of 2.6% each year*
- *Total expenses increase by avg. of 2.8% each year*

7-YEAR FORECAST

- *Projected General Fund Deficit would be \$13.7 Million at end of FY17-18, if current trends continued (Revenue growth of 2.2% vs. expenditure growth of 2.8%)*
- *Based on an average projected gap of \$3.3 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*

Mott Community College



*Board of Trustees
Committee of the Whole Meeting
June 27, 2011*

Questions or Comments?

For More Info.: Contact Larry Gawthrop, CFO (810) 762-0525 or larry.gawthrop@mcc.edu

Details Provided with Board Resolutions 1.39 and 1.40