

Mott Community College

Board of Trustees
Committee of the Whole Meeting
June 28, 2010

BUDGET RESOLUTIONS

***FINAL FY09-10 AMENDED
BUDGET:
General Fund***



Final FY09-10 General Fund Budget

REVENUES:

● **Tuition & Fees** ↑ +\$954 thousand, +2.90% adj. -credit-side enrollment up for Winter and Spring 2010

● **Property Taxes** ↔ no change

● **State Aid** ↔ no change

● **Other Revenue** ↑ \$51 thousand (misc revenue and auxiliary revenue increased)



**=Overall upward amendment to revenue is
+\$1 million**



+1.34% change from January 2010 amendment



Final FY09-10 General Fund Budget

EXPENDITURES:

 *Amended upward by \$1 million, 1.34% change:*

 *Salaries & Wages and Fringe Benefits*  --one time (non-recurring) charge to settle faculty contract and increased instructional costs due to higher than anticipated enrollment.

 *Non-salary related expenses*  -- savings in contracted services and utilities offset by increases in operations due to bad debt expense and recording of GM tax appeal liability.

 *Transfers*  -- contribution to Maintenance & Replacement Fund reduced to balance budget.

Final FY09-10 General Fund Budget

Summary

| | 08-09 Actual | 09-10 Amend #1 | 09-10 Amend #2 |
|-----------------------------------|---------------|----------------|----------------|
| Revenues | \$ 72,489,551 | \$ 74,866,017 | \$ 75,871,547 |
| Expenditures | 72,305,462 | 74,855,766 | 75,860,983 |
| Excess Revenues Over Expenditures | \$ 184,089 | \$ 10,251 | \$ 10,564 |
| Fund Balance – Beginning | \$ 6,598,226 | \$ 6,782,315 | \$ 6,782,315 |
| Fund Balance – Ending | \$ 6,782,315 | \$ 6,792,566 | \$ 6,792,879 |
| Fund Balance Percent* | 9.38% | 9.07% | 8.95% |

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

Final FY09-10 General Fund Budget

NET RESULTS OF AMENDMENT:

● FUND BALANCE : ↑ \$313 just slightly higher than the January Amended Budget

● 6/30/10 projected to end with \$10,564 surplus, for total of \$6.79 million

Reserves as Required by Board Policy #3930

● General Operating (01) Reserve

- Requires 5-10% of annual operating expenses.*
- 09-10 Amended Budget reserve of 8.95%*

● Maintenance & Replacement Fund (72)

- Requires 1-3% of College depreciated assets or \$3 M*
- 09-10 Amended Budget reserve of \$2.2 M*
- Amount needed to fully fund is \$.8 M*

● Building/Site Fund (78)

- Requires 1-3% of College depreciated assets or \$3 M*
- 09-10 Amended Budget reserve of \$3 M*

FUNDING SOURCES

State Aid

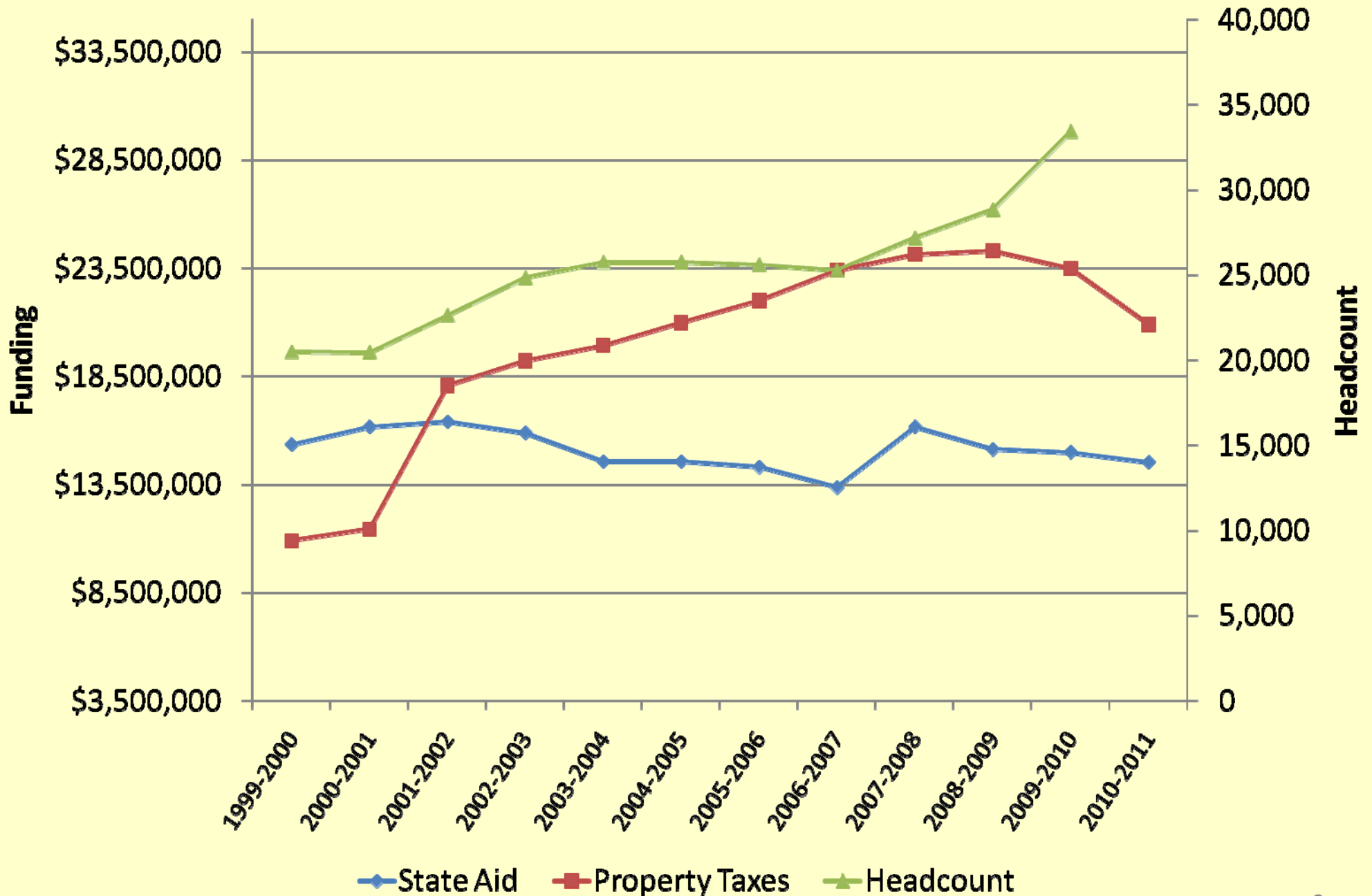
Property Taxes

-Operating

-Debt

Tuition

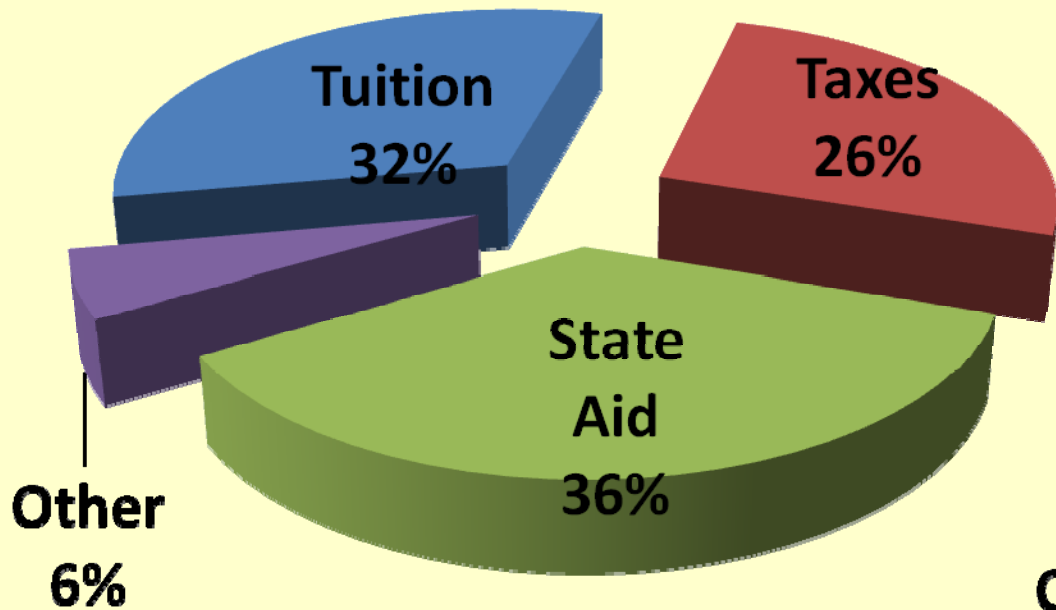
Trends in Funding Sources & Enrollment



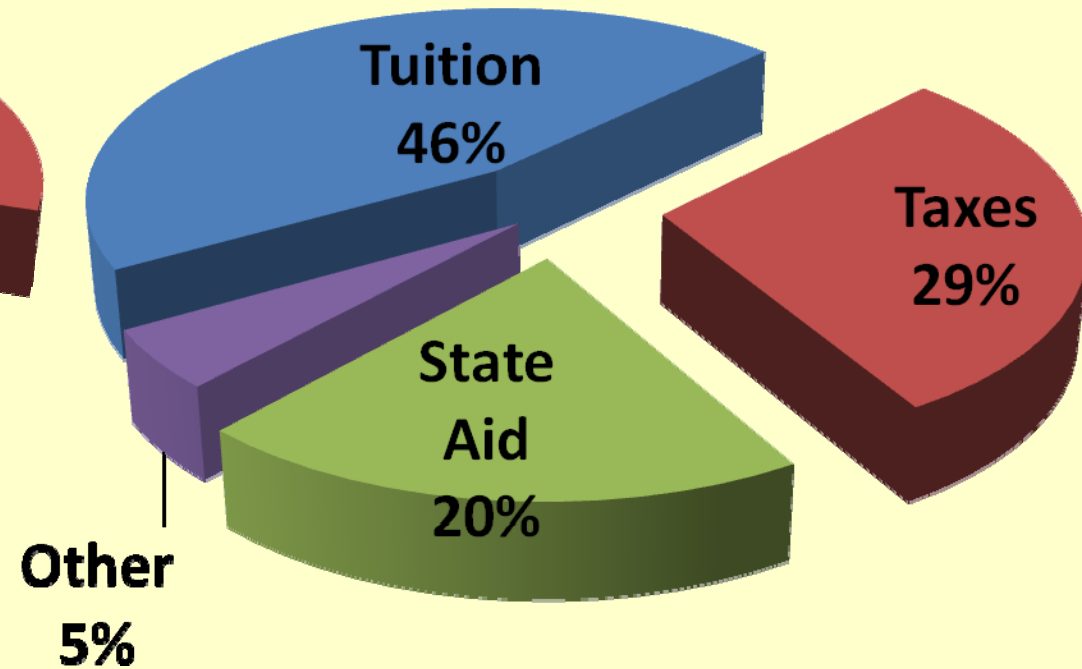
THEN and NOW

1999-2000

2010-2011

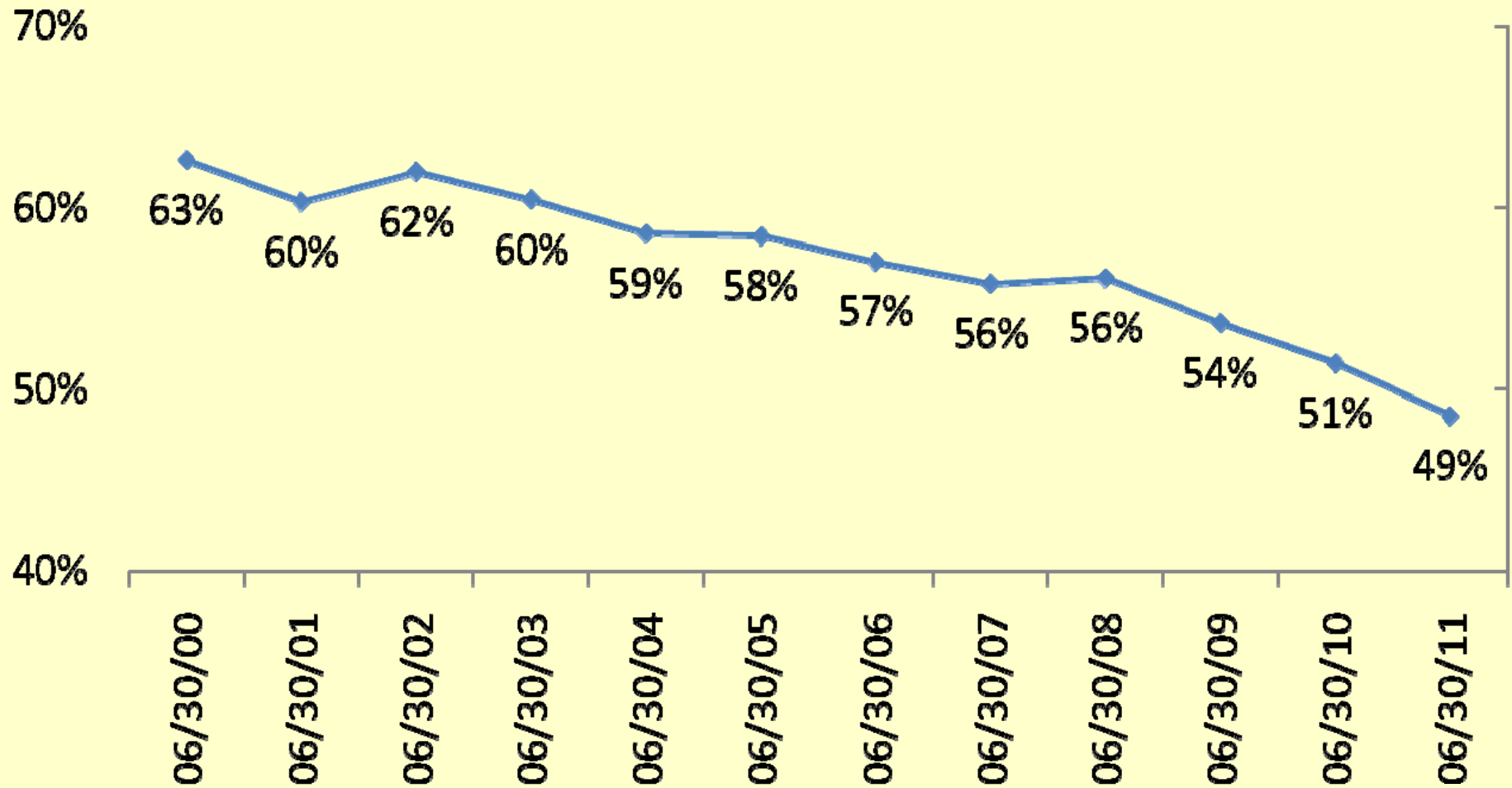


State Aid Funding
\$15,344,107

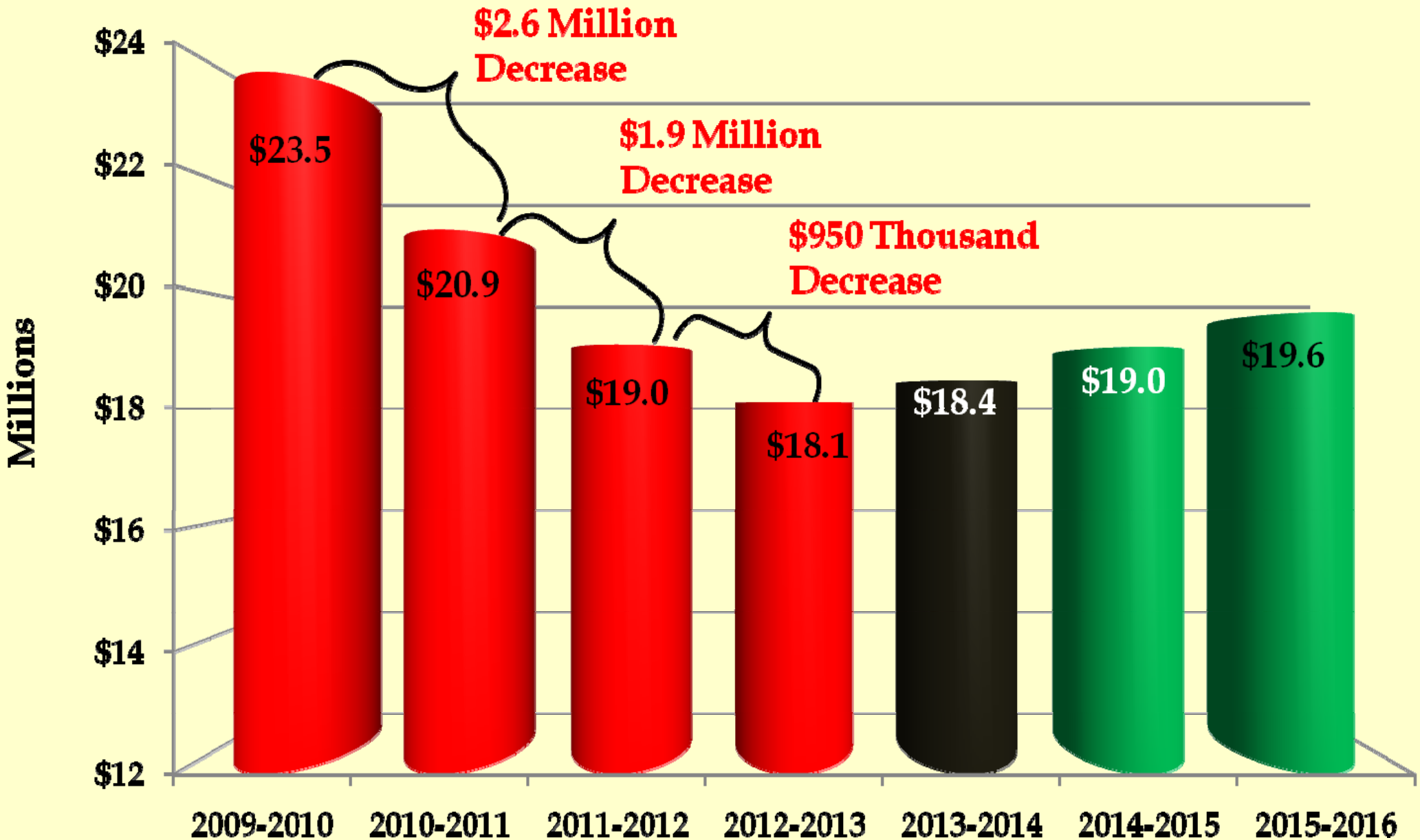


State Aid Funding
\$14,530,349

Percentage of Property Tax and State Aid of Total Funding



Projected Property Tax Funding FYE 2010 through FYE 2016

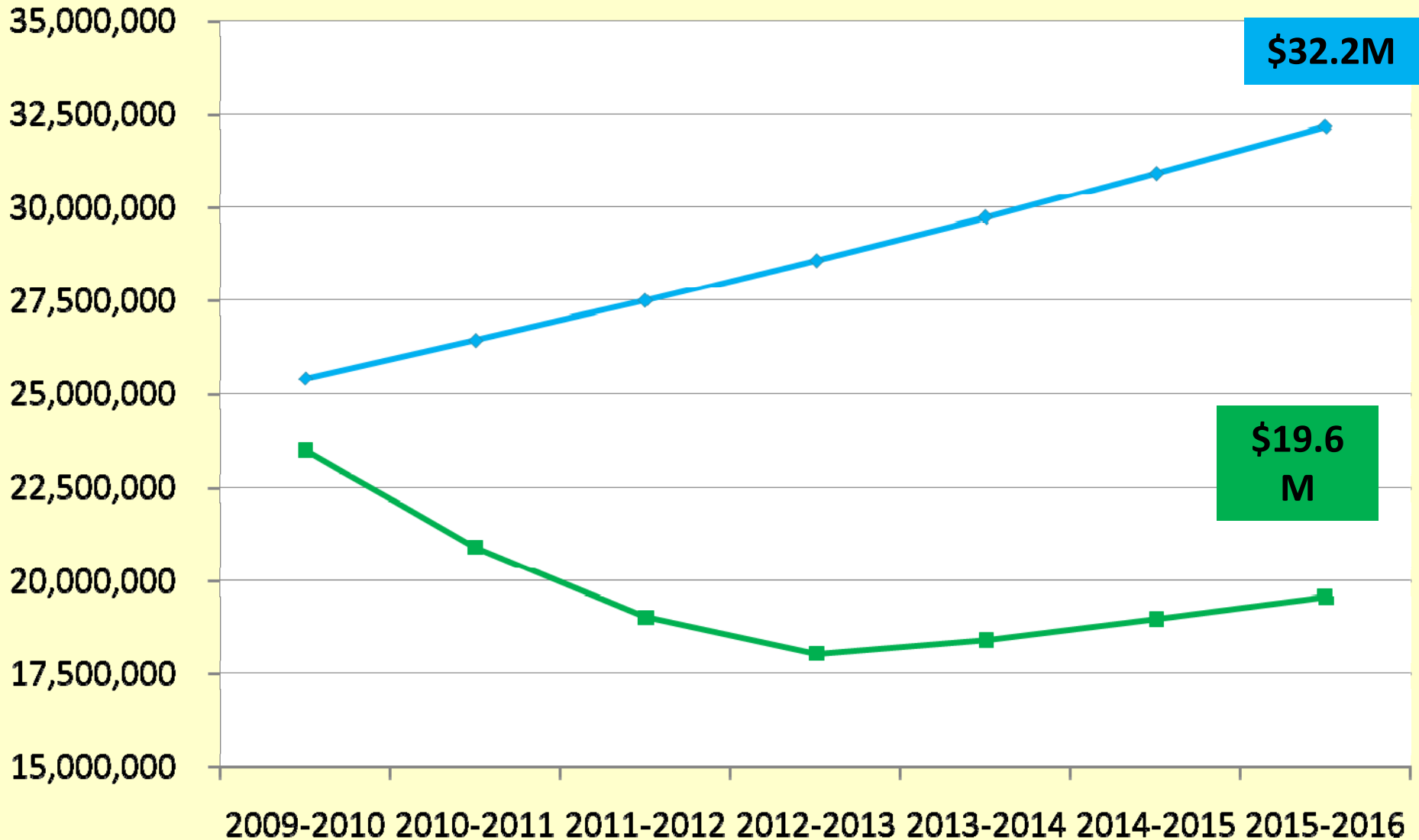


What's Happening with Property Taxes?

(Operating)

◆ Historical Average Increase

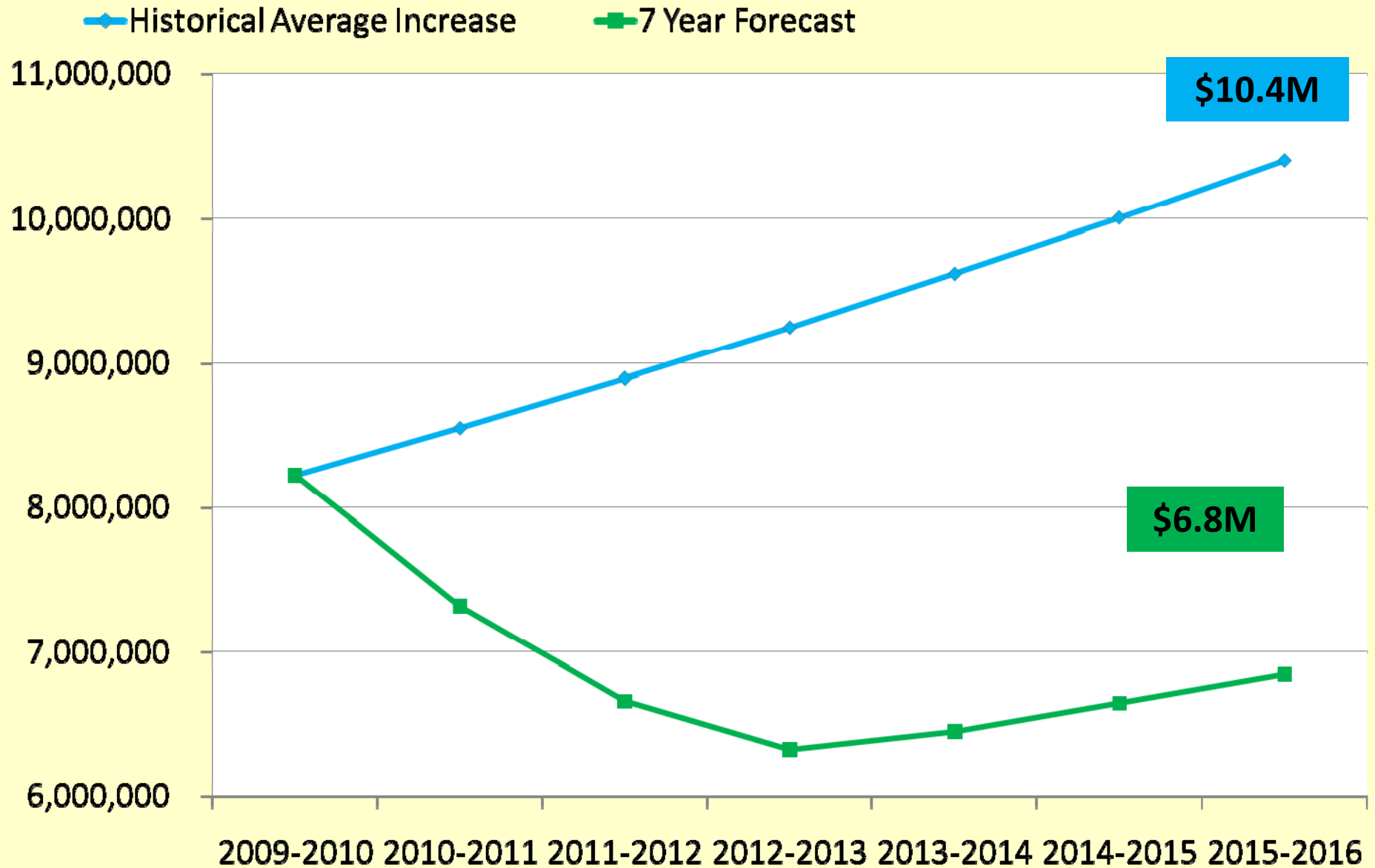
■ 7 Year Forecast



Total lost operating property tax funding over 7 year period is \$62.2 million. The average per year is \$8.9 million.

What's Happening with Property Taxes?

(Bonds)



Total lost bond tax funding over 7 year period is \$16.5 million. The average per year is \$2.4 million.

Bond Funds

1. County and City Taxable Values will decline by 11% this Budget Year
2. The Financial Impact (Shortfall) to the Bond Funds will be \$1.4 million in the 10/11 year.
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

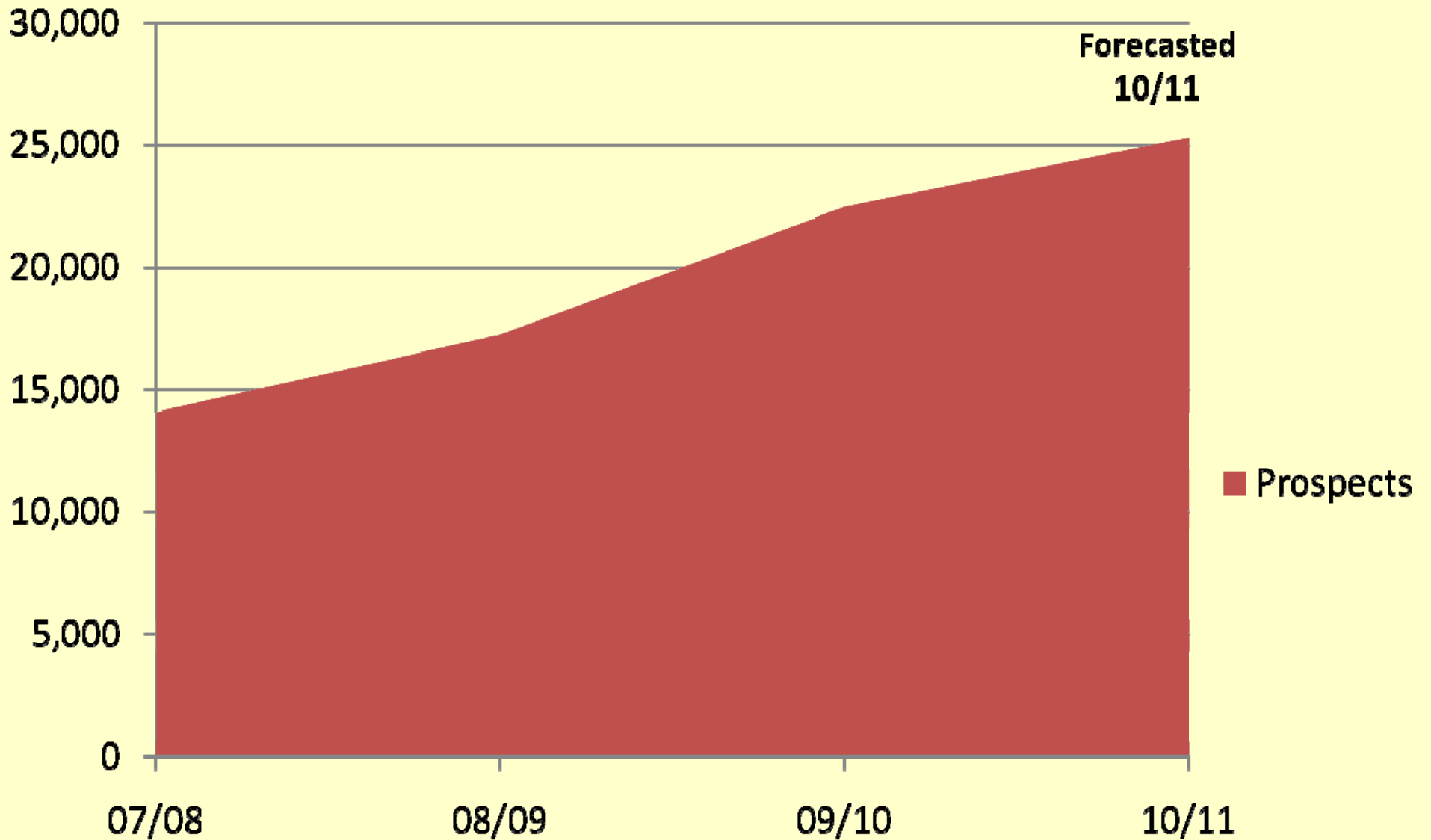
-OR-

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

The Financial Aid Challenge

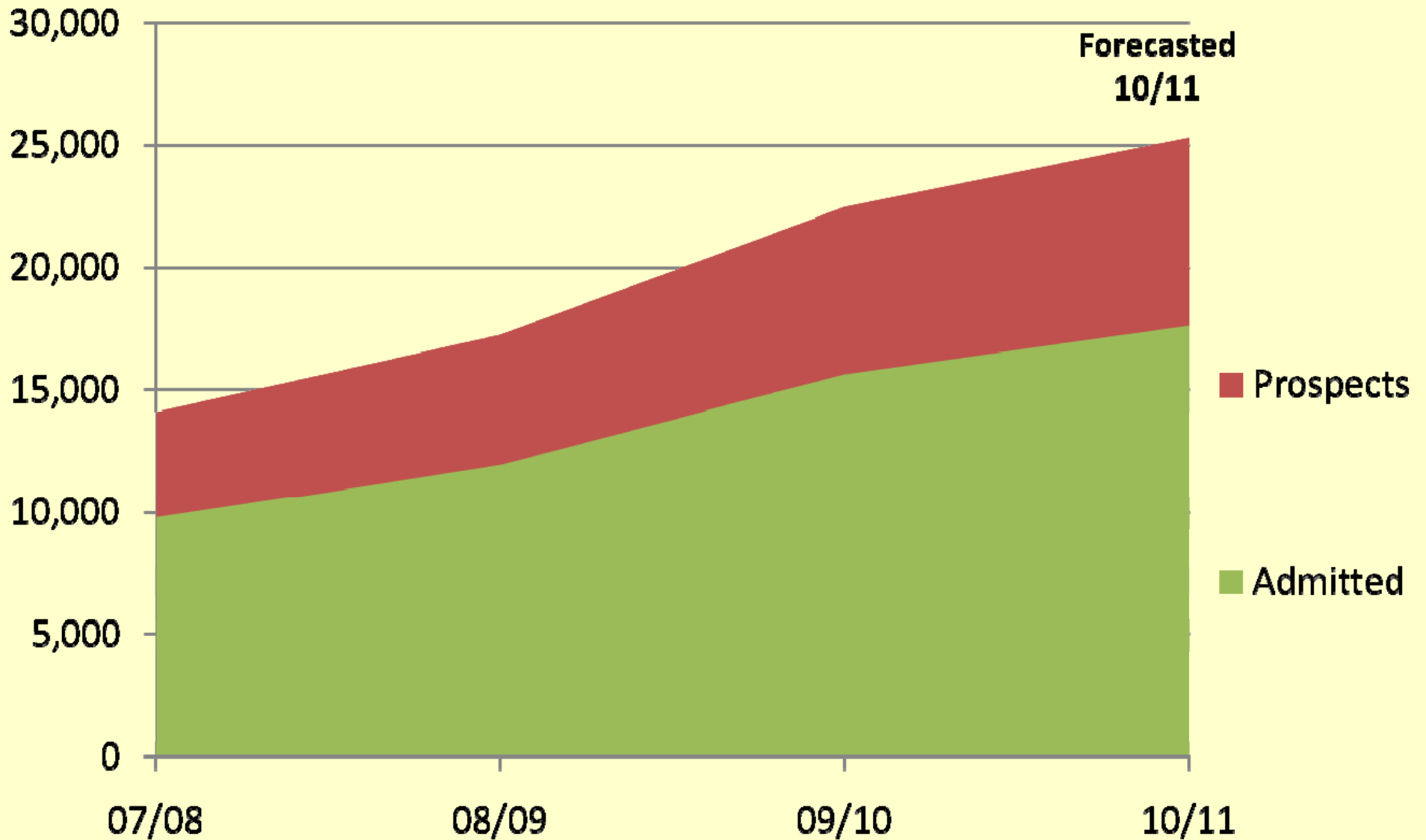
FAFSA Submissions

(Free Application for Federal Student Aid)



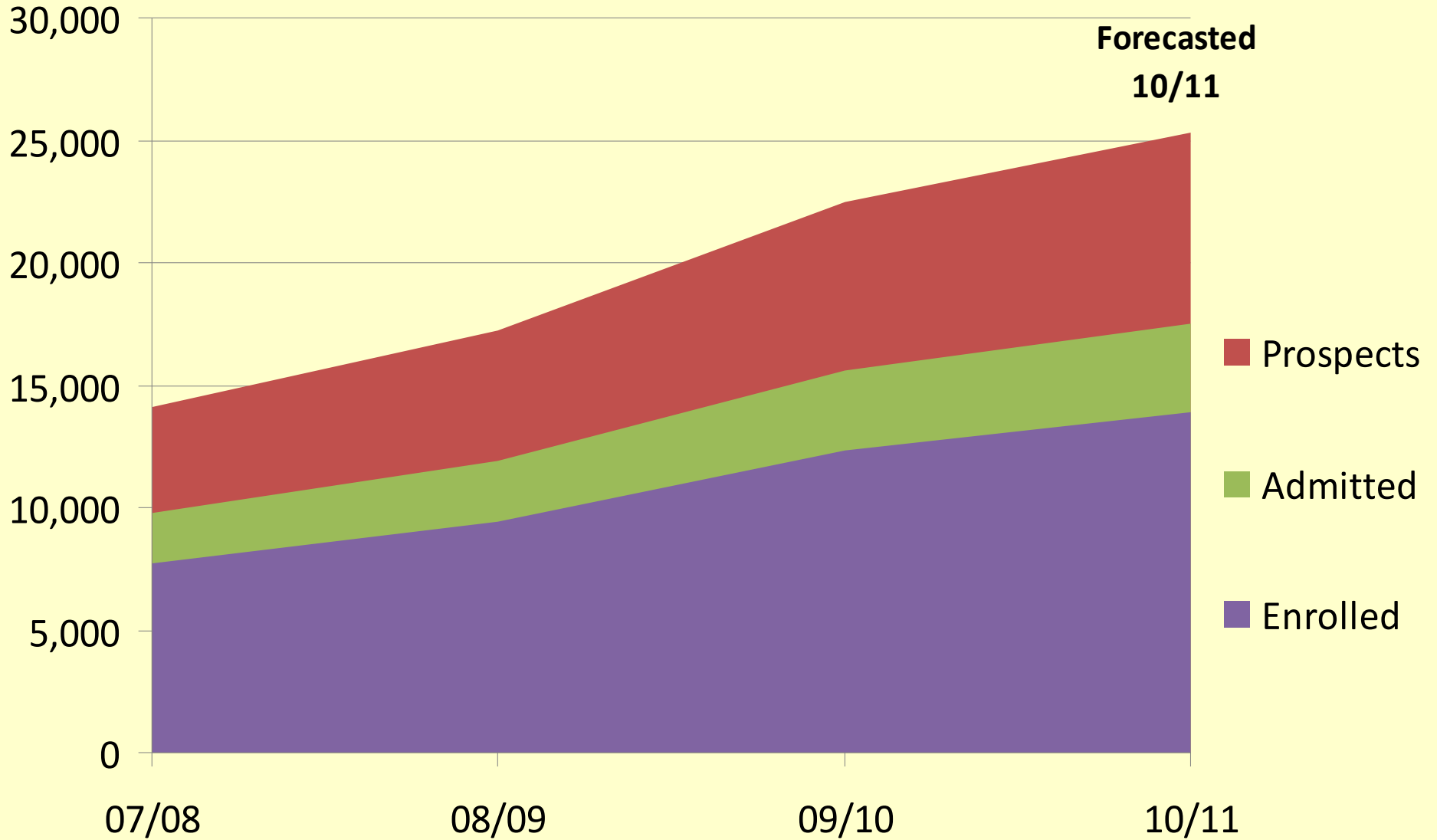
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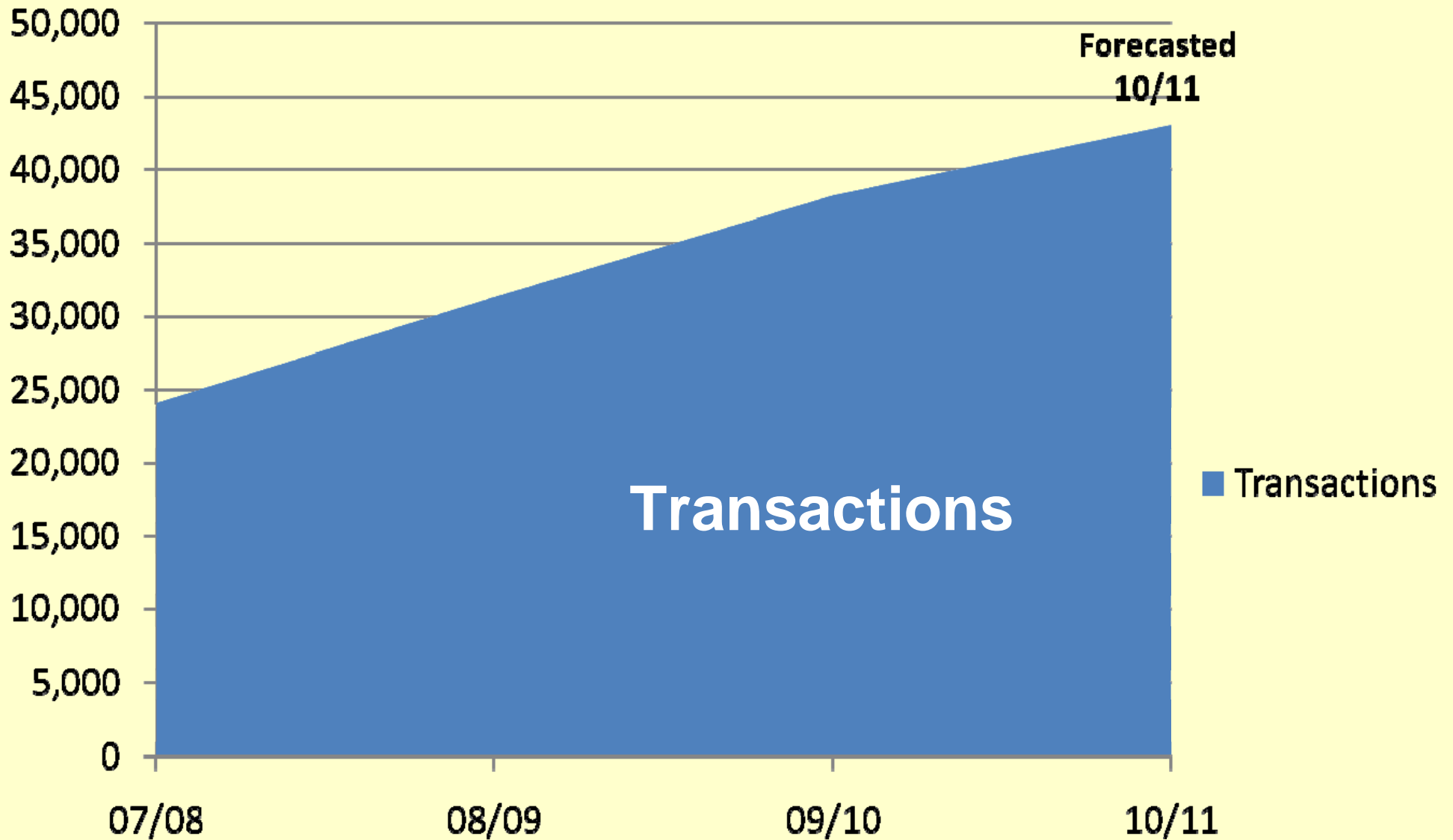
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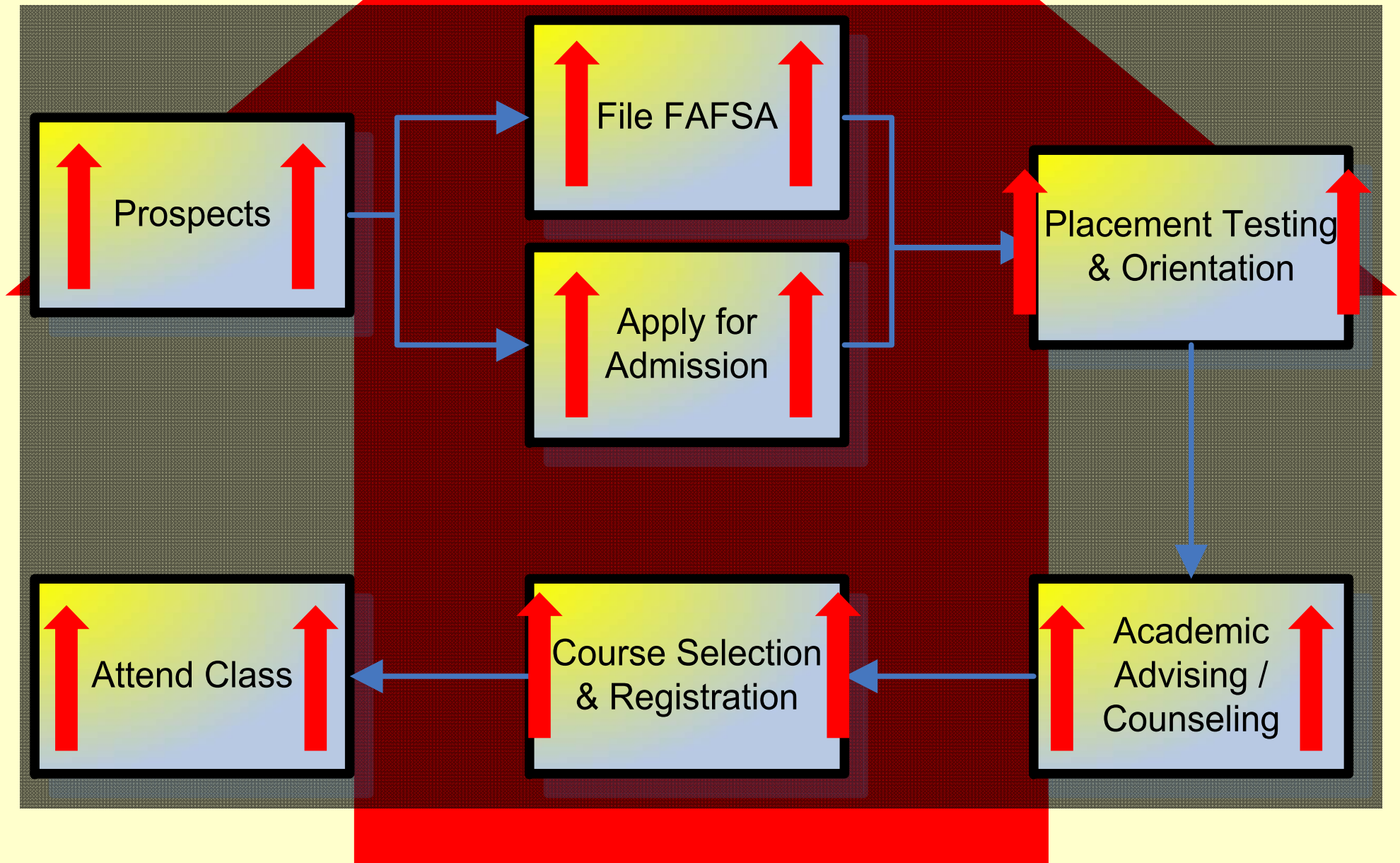


FAFSA Submissions

(Free Application for Federal Student Aid)



Increase in Student Services Workflow at Every Step



PROPOSED FY10-11 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 10-11

- *Allocation for 10-11 is \$50,000 for AQIP*
- *\$150,000 allocated for Department/Division level strategic planning*
- *Current AQIP Action Projects :*
 - *Developmental Education/Mandatory Placement*
 - *Non-Academic Student Readiness*
 - *Comprehensive Wellness Program*
 - *Wait List/Retention Alert*






PROPOSED FY10-11 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 FY10-11 BUDGET

Key Assumptions Revenues

| | |
|---|---------------------|
|  <i>Property Taxes</i> | <i>\$ 2,584,999</i> |
|  <i>State Aid</i> | <i>\$ 464,851</i> |
|  <i>Ballenger Trust</i> | <i>\$ 81,141</i> |
|  <i>Grants and Other</i> | <i>\$ 37,496</i> |
|  <i>Tuition</i> | <i>\$2,971,468</i> |

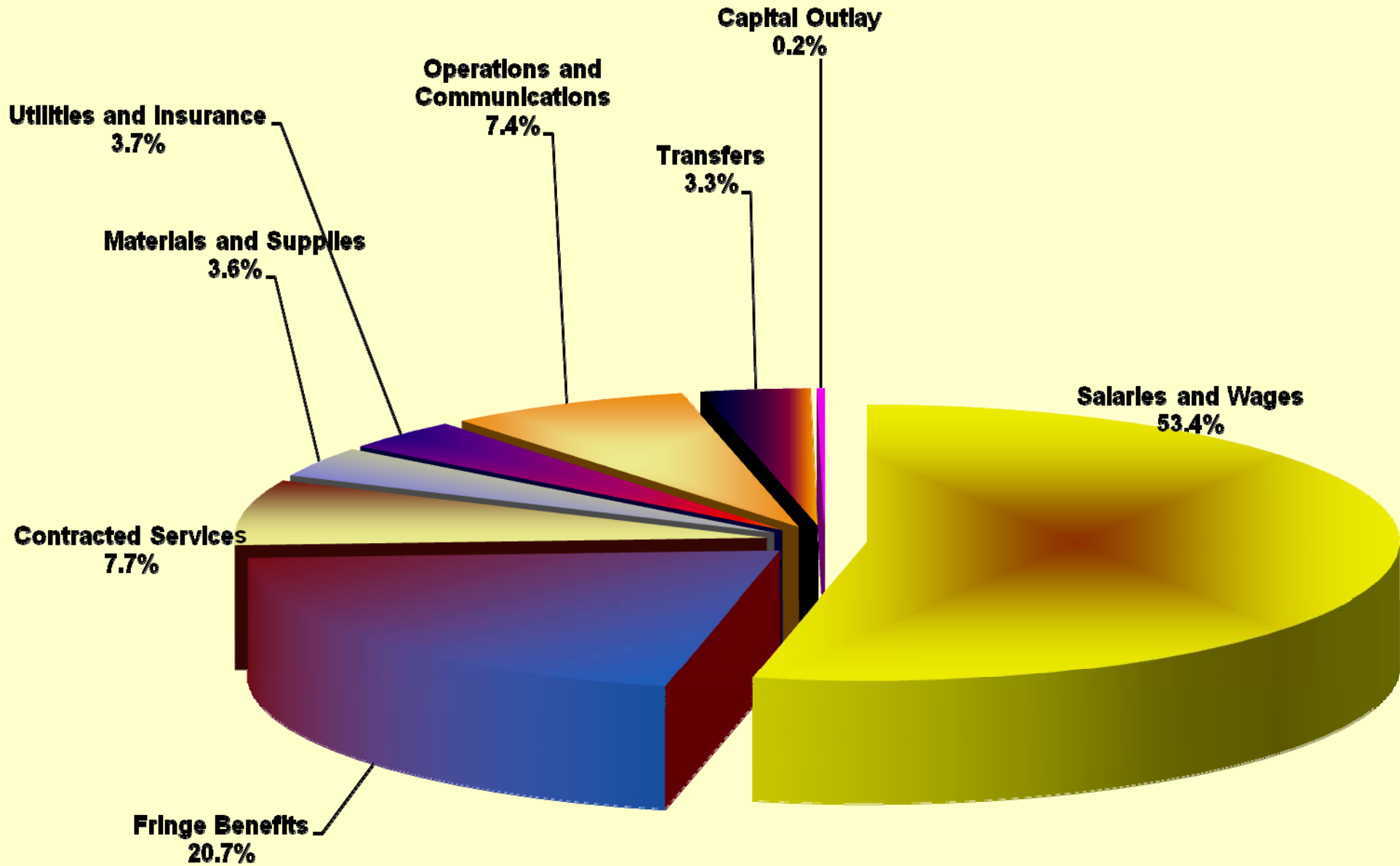
PROPOSED FY10-11 BUDGET

Key Assumptions Expenditures

| | |
|---|------------|
|  Salaries, Wages and fringes | \$ 213,494 |
|  Transfers | \$ 460,800 |
|  Utilities and Insurance | \$ 280,347 |
|  Fringe Benefits | \$ 400,528 |
|  Materials and Supplies | \$ 129,097 |

Initial General Fund Budget 2010-2011

Expenditures by Activity



Initial FY10-011 General Fund Budget

Summary

| | 09-10 Amend #2 | Initial 10-11 |
|-----------------------------------|----------------|---------------|
| Revenues | \$ 75,871,547 | \$ 75,674,528 |
| Expenditures | 75,860,983 | 75,628,377 |
| Excess Revenues Over Expenditures | \$ 10,564 | \$ 46,151 |
| Fund Balance – Beginning | \$ 6,783,315 | \$ 6,792,879 |
| Fund Balance – Ending | \$ 6,792,879 | \$ 6,839,030 |
| Fund Balance Percent* | 8.95% | 9.04% |

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

PROPOSED “OTHER FUNDS” FY10-11 BUDGETS

● *Main Point is Impact on Operating Budget:*

● Designated Fund \$2.36 Million Revenue Budget

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

● Auxiliary Enterprise Fund--\$838,400 Budget

● \$530,840 Net “profit” supplements General Fund

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

PROPOSED “OTHER FUNDS” FY10-11 BUDGETS

● *Main Point is Impact on Operating Budget:*

● Debt Retirement Fund

● *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 = \$1.62 Million per year*

● *\$1.95 million per year planned transfer from General Fund (minimum required annual expenses).*

7-YEAR FORECAST

Current Economic Environment

• *While debate remains on when the economy has turned (or will turn) around, virtually every economic indicator identifies the recession of 2008 and 2009 as the most severe economic contraction in more than 70 years (Senate Fiscal Agency)*

• *State of Michigan Projecting deficits of \$467 Million in 2009-2010 and \$268 Million in 2010-11 (Senate Fiscal Agency)*

• *State of Michigan also losing ARRA funds and enacted state income tax reduction in 2011-2012 resulting in a \$998 Million loss (Senate Fiscal Agency)*

• *Unemployment Rates in April 2010 (Senate Fiscal Agency)*

• *State of Michigan 13.7%*

• *Flint 14.9%*

• *The Michigan economy, as measured by inflation-adjusted personal income, after contracting 2.4% in 2009, is estimated to contract 0.7% in 2010 before growing .3% in 2011 (Senate Fiscal Agency)*

• *Wage and salary employment, after falling 6.8% during 2009, is expected to decline 1.2% in 2010 and 0.8% in 2011 (Senate Fiscal Agency)*





7-YEAR FORECAST

● Key Assumptions – Revenue

- *Tuition and fee revenue increases between 3.8% and 7.3% each year*
- *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 decreases for two years with slight increases thereafter*
- *Other revenues increase by 2% each year*
- *Total revenue increases by avg. of 2.3%*

7-YEAR FORECAST

Key Assumptions - Expenses

-  *Salaries and wages increase by avg. of 2.7% each year*
-  *Fringe benefits increase by avg. of 5.5% each year*
-  *Other expenses increase by avg. of 3.9% each year*
-  *Total expenses increase by avg. of 3.4% each year*

7-YEAR FORECAST

- *Projected General Fund Deficit would be \$28 Million at end of FY16-17, if current trends continued (Revenue growth of 2.3% vs. expenditure growth of 3.4%)*
- *Based on an average projected gap of \$5.8 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*

CAPITAL FUNDING

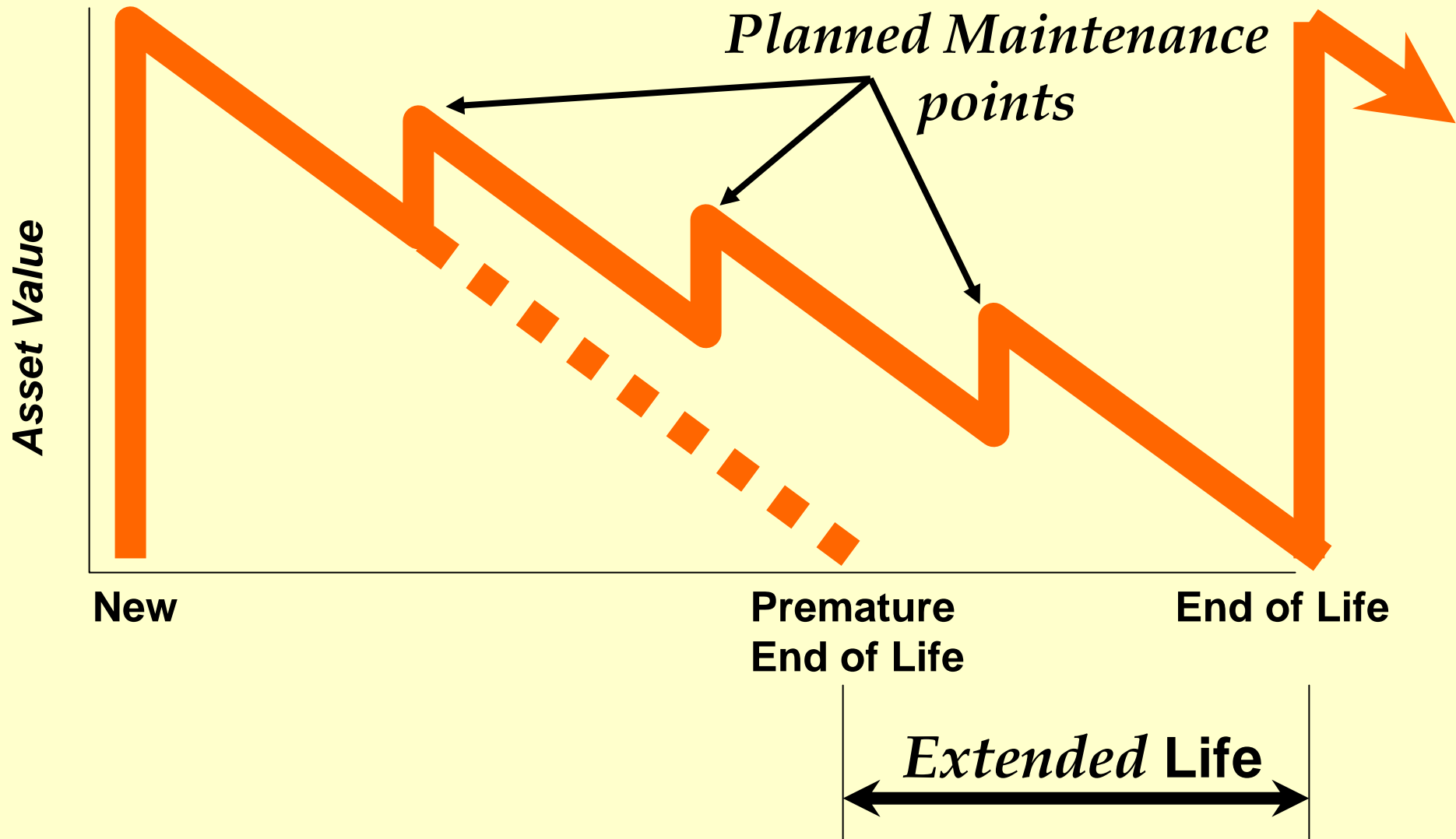


Link to Mission and Strategic Plans

- *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

- *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. \$1.6 million in tech fees annually*

Mott Community College



*Board of Trustees
Committee of the Whole Meeting
June 28, 2010*

Questions or Comments?

For More Information:

Details and Provided with Board Resolutions 1.63 and 1.64

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