Mott Community College

All Employee Forum

February 19, 2008
General Fund Revenue Sources

- Tuition/Fees: 36.1%
- Property Taxes: 34.8%
- State Appropriation: 23.1%
- Other: 6.0%
- Ballenger Trust: 2.6%
General Fund Expenditures

- Salaries/Fringes: 72%
- Operations: 20%
- Transfers: 8%
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 Objectives

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

- Board Policy has established reserve requirements
  - Currently we have 4 funds set up in our budget to reflect these (01 General Fund, 02 Rainy Day, 72 Reserve, 78 Capital Projects)
  - With the exception of the 01 Fund Reserve, all are currently funded at the low end of the range.
07-08 AMENDED BUDGET: General Fund
Amended 07-08
General Fund BUDGET

REVENUES:

• Tuition & Fees $843 thousand, +3.4% adj. –credit-side enrollment up for Winter 2008 and Fall 2007
• Property Taxes $475 thousand, +1.2%
• State Aid $1.7 million, +$1.3 million restoration of 2007 August State Aid
• Other Revenue no significant change

Overall upward amendment to revenue is $3 million, +4.5% change
AMENDED FY07-08
General Fund BUDGET

EXPENDITURES:

• Amended upward by $3 million, +4.5% change:
  • Salaries & Wages, and Fringe Benefits ↓ $672 thousand -- effect of unfilled positions, salary lag on positions filled
  • Contracted Services ↑ $506 thousand – Datatel conversion consultants and other contract labor filling vacant positions on an interim basis
  • Transfers ↑ $2.9 million – funding to 02 rainy day fund to meet Board Policy requirements, continued additional funding in reserves to help offset long-term projected deficit, additional contribution to Maintenance & Replacement Fund for existing maintenance needs.
AMENDED FY07-08 General Fund BUDGET

NET RESULTS OF AMENDMENT:

✓ **FUND BALANCE**: $70K or 1% better than June Initial Budget

✓ 6/30/08 projected to end with $189,000 surplus, for total of $6.5 million
### Summary

<table>
<thead>
<tr>
<th></th>
<th>06-07 ACTUAL</th>
<th>07-08 INITIAL</th>
<th>07-08 AMEND #1</th>
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<tr>
<td><strong>Revenues</strong></td>
<td>$64,191,247</td>
<td>$67,414,299</td>
<td>$70,460,958</td>
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<td><strong>Expenditures</strong></td>
<td>63,952,476</td>
<td>67,230,275</td>
<td>70,271,468</td>
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<tr>
<td><strong>Excess Revenues Over Expenditures</strong></td>
<td>$238,771</td>
<td>$184,024</td>
<td>$189,490</td>
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<tr>
<td><strong>Fund Balance - Beginning</strong></td>
<td>6,050,800</td>
<td>6,289,571</td>
<td>6,289,571</td>
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<td><strong>Fund Balance - Ending</strong></td>
<td>$6,289,571</td>
<td>$6,473,595</td>
<td>$6,479,061</td>
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<tr>
<td><strong>Fund Balance Percent</strong></td>
<td>9.73%</td>
<td>9.63%</td>
<td>9.22%</td>
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Target = 5% - 10% of Expenditure budget
ONGOING BUDGET IMPLICATIONS
On-Going Budget Considerations

a) Three employee groups contracts unsettled
b) MPSERS rate as of October 1, 2008 is 16.54%
c) State Aid for 2007-2008 – 2.7% increase
d) Potential flattening of property value increases
   -SEV vs. Taxable Value
e) Enrollment trend also flattening
   3.4% increase in tuition revenue
   3.2% increase in tuition rate
7-YEAR FORECAST
7-YEAR FORECAST

- **Key Assumptions - Revenue**
  - Tuition and fee revenue reflects a 4% increase in tuition rates with a decline in enrollment in years 1-3 and leveling off in the remaining years.
  - Property tax revenue increases at an average of 3.18%.
  - State appropriations increase by 1.5%.
  - Other revenues increase by 2% each year.
  - Total revenue increases by avg. of 2.7% each year.
7-YEAR FORECAST

- **Key Assumptions - Expenses**
  - Salaries and wages increase by avg. of 2.7% each year
  - Fringe benefits increase by avg. of 5.6% each year
  - Other expenses increase by avg. of 3.5 each year
  - Total expenses increase by avg. of 4.05% each year
7-YEAR FORECAST

Summary

- Projected General Fund Deficit would be $4 Million at end of FY13-14, if current trends continued (Revenue growth of 2.7% vs. expenditure growth of 4.05%)
- Based on an average projected gap of $1.9 million per year to be filled with budget-balancing solutions
- Financial flexibility continues to be key
- Long-term strategy of reducing compensation costs continues as focus has been on controllables
7-YEAR OPERATING FORECAST
(in millions), as of December 2007

<table>
<thead>
<tr>
<th></th>
<th>Initial Budget 07-08</th>
<th>Proposed Budget 07-08</th>
<th>Forecast: 08-09</th>
<th>09-10</th>
<th>10-11</th>
<th>11-12</th>
<th>12-13</th>
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<td>Revenues</td>
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<td>Tuition and Fees</td>
<td>24.5</td>
<td>25.4</td>
<td>25.9</td>
<td>26.5</td>
<td>27.1</td>
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<td>Property Taxes</td>
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<td>26.4</td>
<td>27.4</td>
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<td>State Appropriations</td>
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<td>15.5</td>
<td>15.7</td>
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<td>4.4</td>
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<td>4.6</td>
<td>4.7</td>
<td>4.8</td>
<td>4.9</td>
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<td>Total Revenue:</td>
<td>67.4</td>
<td>70.5</td>
<td>71.0</td>
<td>72.9</td>
<td>74.8</td>
<td>77.0</td>
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<td>Revenue Increases:</td>
<td></td>
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<td>4.6%</td>
<td>.07%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>3.0%</td>
<td>2.8%</td>
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<td>Expenditures</td>
<td></td>
<td></td>
<td>4.6%</td>
<td>4.8%</td>
<td>4.7%</td>
<td>3.7%</td>
<td>3.7%</td>
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<td>Salaries</td>
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<td>All Others</td>
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<td>18.3</td>
<td>19.0</td>
<td>19.7</td>
<td>20.6</td>
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<td>Total Expend.:</td>
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<td>79.3</td>
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<td>Expend. Increases:</td>
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<td>4.6%</td>
<td>4.8%</td>
<td>4.7%</td>
<td>3.7%</td>
<td>3.7%</td>
<td>3.7%</td>
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<td>Surplus/(Deficit):</td>
<td>0.2</td>
<td>0.2</td>
<td>.4</td>
<td>(1.0)</td>
<td>(1.7)</td>
<td>(2.3)</td>
<td>(3.1)</td>
<td>(4.1)</td>
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<td>6.5</td>
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<td>6.9</td>
<td>5.9</td>
<td>4.2</td>
<td>1.9</td>
<td>(1.2)</td>
<td>(5.3)</td>
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</table>

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.
FUTURE OUTLOOK: Key Issues

1. 0.6410 Operating Millage request renewed on August 7, 2007

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

3. Academic and Service Operations continue to be studied for strategic fit; efficiency; feasibility

4. State’s budget – Projections not favorable for increases to support Higher Education

5. 2007-2012 Strategic Planning through AQIP requires continuous improvement methods
PHYSICAL PLANT and CAPITAL FUNDING
Comprehensive Planning Process

- Five-Year Campus Master Plans – Submitted Annually to State DMB
- Independent Facilities Assessments – Identification of Building Deficiencies and Backlog of Deferred Maintenance Projects
- Technology Plans – Life-Cycle Replacement and Upgrade Needs
- Enrollment Trends, Strategic and Curricular Plans and Priorities
- Input from Management Team, Faculty, Staff, Community
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 to be spent by April 2008
  - =$15 M Remaining voted authority (January 2008 resolution for March 2008 Sale)
- **+$13 M** Commitment of Operating Funds
- **+$  7 M** projected from Student Tech. Fees
- =$50 M 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
Capital Budget – 7-Year Needs

- **Instructional Equipment** - Computers in classrooms and student labs, audio-visual items
- **Computers & Technology** – Life cycle replacement and systems upgrades
- **Facilities Maintenance and Upgrade** - Deferred items such as asbestos and outdated heating and cooling systems
- **Space Utilization Plans** – Realignment and upgrade of programs, instructional labs and other spaces to create efficiency and improved learning environments, including:
  - Library
  - Gorman Science Center

Total = $45 Million
Acceptable Bond Uses under Voter Approved Bond Language

- “Shall Charles Stewart Mott Community College, Genesee County, Michigan, borrow the sum of not to exceed Forty-Five Million Dollars ($45,000,000) and issue its bonds therefore in one or more series for the purpose of making permanent improvements to, renovating, remodeling, improving, equipping, reequipping, furnishing and refurnishing College buildings and sites and other buildings to be used by the College for instructional purposes; acquiring buildings and sites for buildings; and constructing buildings and additions to buildings?”
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.”
Key Initiatives Supporting 2007-2012 Strategic Plan:

- Creation of 7-year comprehensive capital budget
- Implementation of $4.00 per contact hour Board Designated Instructional Technology Fee
- Commitment of 3% of annual operating budget for ongoing maintenance and replacement
- New Board policies that support long-range funding strategies and institutional fiscal stability.

- Long-term capital financing plan to coincide with the continuous seven-year capital outlay budget forecast.
Debt Portion of Property Taxes

- MCC levied the same rate—0.50 of a mill—for many years, through the 2000 tax year.
- The rate was increased to 0.85 in 2001, and has decreased to 0.69 since then.
- MCC has committed no increase to the taxpayers

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Debt Levy</th>
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<tbody>
<tr>
<td>2001</td>
<td>0.85</td>
</tr>
<tr>
<td>2002</td>
<td>0.82</td>
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<td>2003</td>
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<td>2005</td>
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<td>2006</td>
<td>0.69</td>
</tr>
<tr>
<td>2007</td>
<td>0.69</td>
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THE SIMPLE MESSAGE

- Mott Community College is a great community asset but must be maintained.
- We can’t teach our students old technology in an economy where technology is rapidly changing.
- The College has continuously relied on bond proceeds throughout its 80-year history for investments in physical assets.
- Renewal of this bond authority may be the only feasible and the most fiscally responsible solution to the need for capital funding.
- **Bond renewal would not increase the property tax rate above the current rate.**

*The Capital Funding needs of the College have not decreased from 2004.*
All Employee Open Forum
February 19, 2008

Questions or Comments?
For More Information:
Please Contact the Office
of the CFO at MCC

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810-762-0525, Larry.Gawthrop@mcc.edu