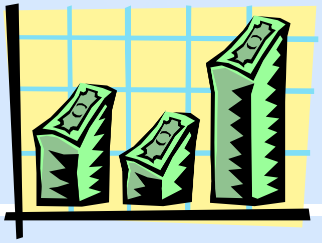
Mott Community College

Board of Trustees

Committee of the Whole Meeting

June 18, 2007

BUDGET RESOLUTIONS



RELEVANT BOARD POLICIES:

- ***3100 <u>Budget Adoption.</u> "Budget revisions will be brought forward for Board action as necessary, but not less than twice per year in January and June."***

- ***3920,3930 <u>Financial Stability, Fiscal Reserves</u>. "The College will designate and set aside appropriate fund reserves to support plans for long-term capital and operating commitments."***

- ***5100 <u>Compensation Philosophy.</u> "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."***

FINAL FY06-07 AMENDED BUDGET: General Fund

FINAL FY06-07 General Fund BUDGET

REVENUES:

- **Tuition & Fees ⬆ +$623 thousand, +2.7% adj. –credit-side enrollment up for Winter and Spring 2007**
- **Property Taxes ⬌ no significant change**
- **State Aid ⬇ -$2.2 million – E.O.2007-3 and PA 17**
- **Other Revenue ⬆ +$524 thousand – short-term investment income up, offsite location cost center transfers (offset by corresponding transfer expense)**

=Overall downward amendment to revenue is -$1 million

-1.6% change from January 2007 amendment

FINAL FY06-07 General Fund BUDGET

EXPENDITURES:

- **Amended downward by $1.1 million,   -1.7% change:**

  - **Salaries & Wages, and Fringe Benefits** ⬇ -- MPSERS credit of $832 thousand, salary lag, hold on 50% of vacancies
  - **Non-salary related expenses** ⬇ --lower heating costs, release of contingencies, offsetting adjustments between categories
  - **Transfers** ⬆ --offsite location cost center transfers (offset by transfer revenue), additional contribution to Maintenance & Replacement Fund to help 07-08

FINAL FY06-07 General Fund BUDGET

NET RESULTS OF AMENDMENT:

✓ FUND BALANCE : ⬆ $85K or 1.4% better than January Amended Budget

✓ 6/30/07 projected to end with $174,000 surplus, for total of $6.2 million

FINAL FY06-07 General Fund BUDGET

Summary

	05-06 **ACTUAL**	06-07 **AMEND #1**	06-07 **AMEND #2**
Revenues	$ 63,193,382	$ 65,350,738	$ 64,315,020
Expenditures	62,907,643	65,261,835	64,141,170
Excess Revenues Over Expenditures	$ 285,739	$ 88,903	$ 173,850
Fund Balance - Beginning	5,765,062	6,050,801	6,050,801
Fund Balance - Ending	$ 6,050,801	$ 6,139,704	$ 6,224,651
Fund Balance Percent	9.62%	9.41%	9.70%

Target = 5% - 10% of Expenditure budget

PROPOSED FY07-08 BUDGET

PROPOSED FY07-08 BUDGET

No Change in Budget Principles, even with more budget uncertainty than in past years…

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

Jan.'07: Initial Forecast for FY07-08 General Fund

- Initial Forecast was $2.4M deficit
- Key Budget Issues:
  a) Bargaining year for four employee groups
  b) MPSERS rate increase from 17.74% to 18.56%
  c) State Aid for 2006-07 and 2007-08 unknown
  d) Potential flattening of property value increases
  e) Enrollment trend also flattening

Jan'07 : Initial Forecast for 07-08

	Audited Actuals 05-06	Initial Budget 06-07	Amended Budget 06-07	Forecasts:>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>> 07-08	08-09	09-10	10-11	11-12	12-13
Total Revenue:	**$ 63.1**	**$ 65.3**	**$ 65.3**	**$ 67.6**	**$ 70.0**	**$ 72.5**	**$ 75.1**	**$ 77.8**	**$ 80.8**
Revenue Increases:	**2.8%**	**3.5%**	**3.5%**	**3.5%**	**3.6%**	**3.6%**	**3.5%**	**3.7%**	**3.8%**
Total Expenditures:	**$ 62.8**	**$ 65.0**	**$ 65.2**	**$ 70.0**	**$ 73.3**	**$ 76.8**	**$ 80.3**	**$ 84.2**	**$ 88.3**
Expend. Increases:	**3.1%**	**3.5%**	**3.8%**	**7.4%**	4.7%	4.7%	4.6%	4.8%	4.9%
Surplus/(Deficit):	**0.3**	**0.3**	**0.1**	**(2.4)**	**(3.4)**	**(4.3)**	**(5.3)**	**(6.4)**	**(7.5)**
Fund Balance - End:	**$ 6.0**	**$ 5.1**	**$ 6.1**	**$ 3.7**	**$ 0.3**	**$ (4.0)**	**$ (9.3)**	**$ (15.6)**	**$ (23.2)**

This forecast shows -$2.4M projected initially for FY07-08, and -$23M at the end of FY12-13, assuming millage renewal in 07-08, and before steps are taken to balance these budgets. It shows what would happen if current trends were to continue. MCC must implement a balanced budget each year.

PROPOSED FY07-08 BUDGET

BUDGET BALANCING STEPS=

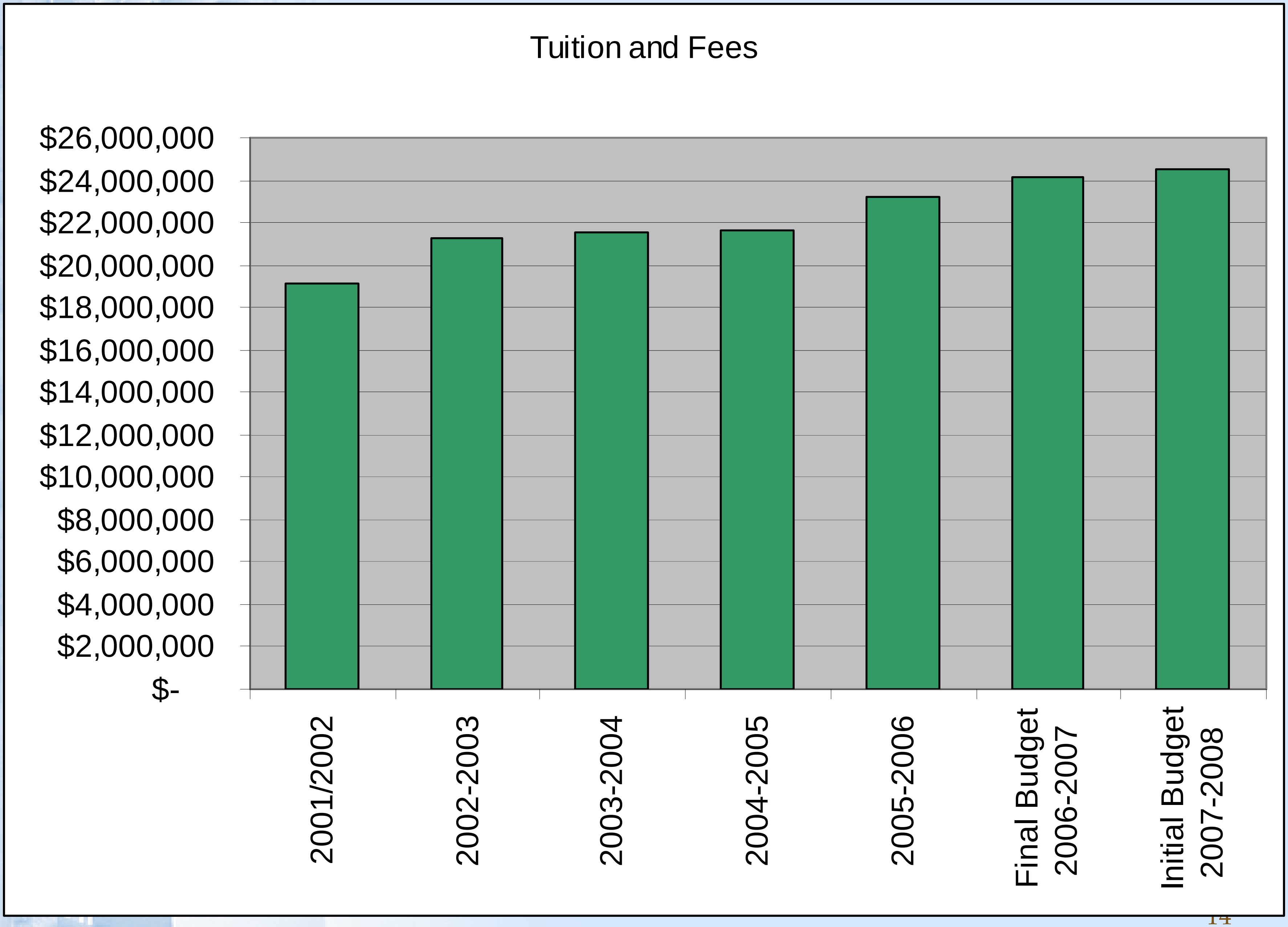
COST CONTAINMENT

- ✓ Continued holds on filling vacant positions
- ✓Lower MPSERS rate than originally issued (16.72% vs. 18.56%)
- ✓Total non-salary related expenses reduced during budgeting process by $100,000
- ✓Contingencies needed for state aid and retirement contribution cost uncertainty

PROPOSED FY07-08 BUDGET

KEY ASSUMPTIONS - REVENUES

- **TUITION & FEES**
  - 3.2% (inflation-level) rate increases on credit side included in budget
  - Offsite locations (Lapeer, Fenton, Howell, Clio) also expected to see 3.2% increase in revenues over FY06-07.

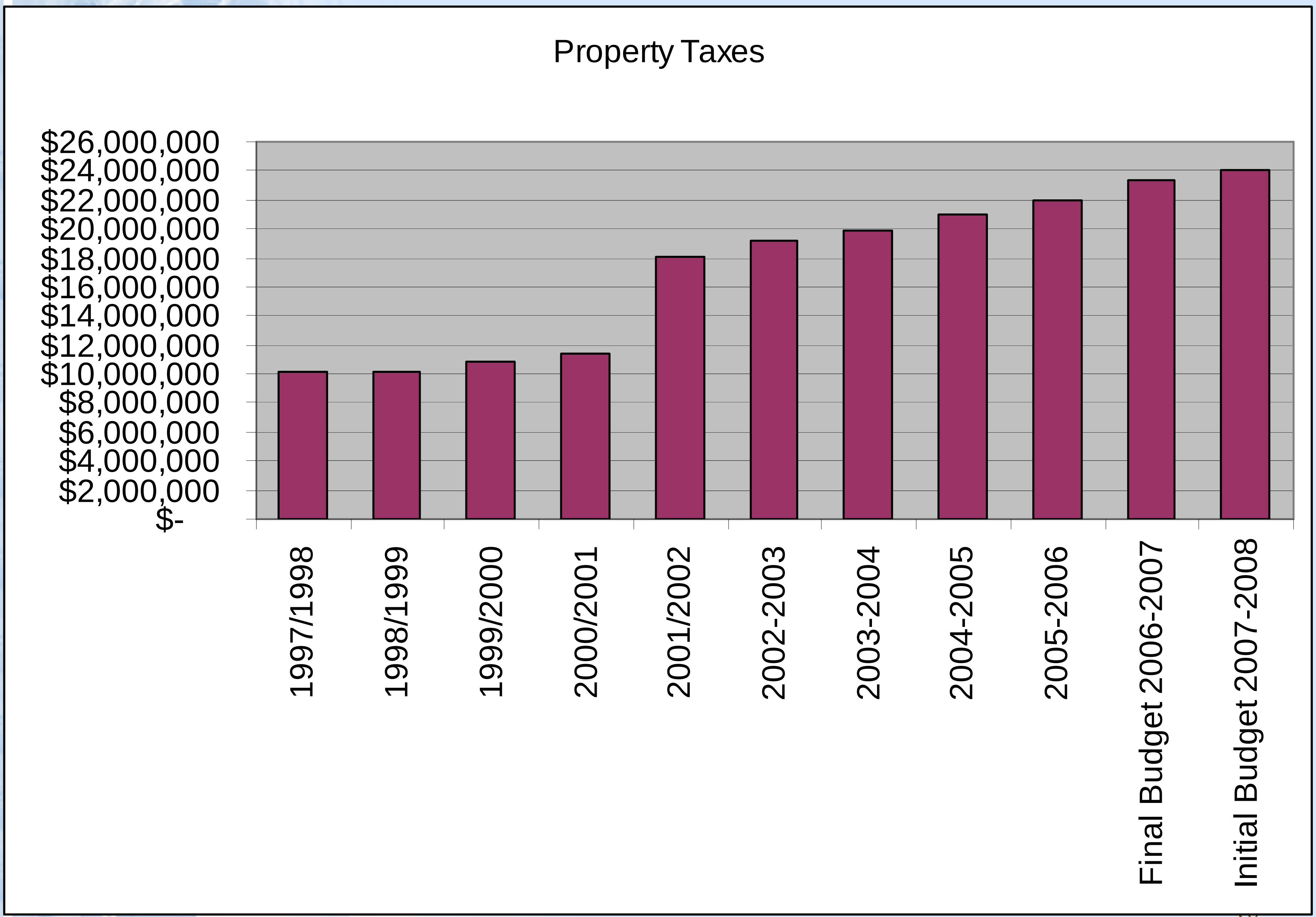


Tuition and Fees
$26,000,000
$24,000,000
$22,000,000
$20,000,000
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2001/2002
2002-2003
2003-2004
2004-2005
2005-2006
Final Budget 2006-2007
Initial Budget 2007-2008

PROPOSED FY07-08 BUDGET

<u>KEY ASSUMPTIONS - REVENUES</u>

- **<u>PROPERTY TAXES</u>**
  - Up $0.7 million from 06-07 due to a 4.7% property value increase—lower than past 5%-6% trend.
  - Millage Rate is <u>not</u> rolled back by Headlee this year, and stays at 1.9896


Property Taxes
$26,000,000
$24,000,000
$22,000,000
$20,000,000
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
1997/1998
1998/1999
1999/2000
2000/2001
2001/2002
2002-2003
2003-2004
2004-2005
2005-2006
Final Budget 2006-2007
Initial Budget 2007-2008

PROPOSED FY07-08 BUDGET

KEY ASSUMPTIONS - REVENUES

•**STATE APPROPRIATIONS** –

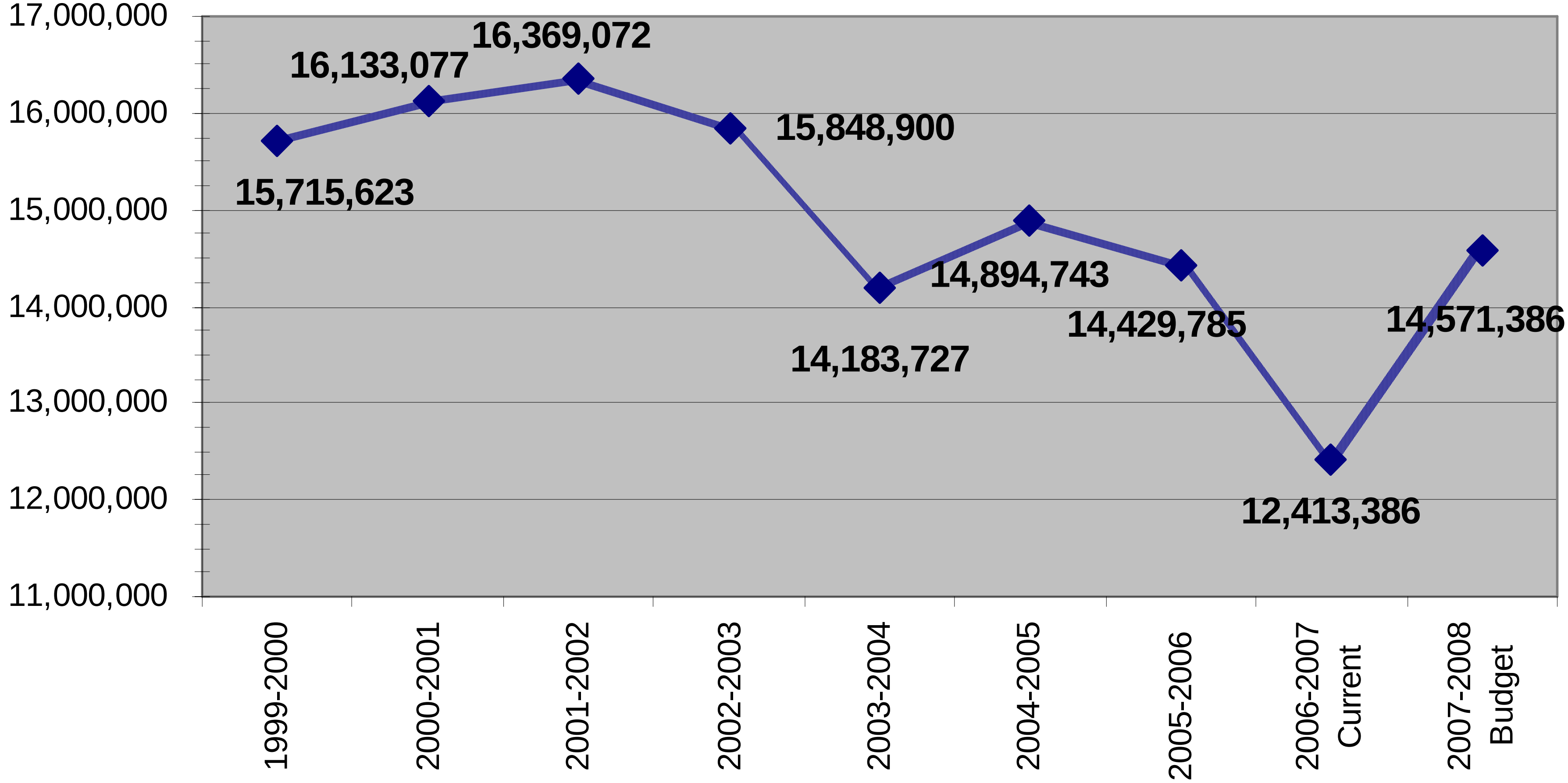
(NOT YET DETERMINED BY LEGISLATURE)

- Executive Recommendation includes 2.5% increase…but no legislation yet
- State still faces $1.5 billion budget deficit for FY07-08
- MCC budget assumes funding equal to prior year initial appropriation of $14.6 million
- Mid-year budget adjustments are inevitable

State Appropriations Status

FY2006-07 and FY2007-08			
State Aid - Operations	(in millions)		
06-07 Original Base Approp.	$ 14.6		
E.O. 2007-3 (Delay of 1/2 August pmt)		$ (0.7)	< intended for repayment in October 2007 (FY07-08)
E.O. 2007-3 (Cut)		$ (0.8)	< will be repaid within FY06-07 with MPSERS cost credit
PA 17 Negative Supplemental (Delay of other 1/2 August pmt)		$ (0.7)	repayment in October 2007
Total enacted cuts to 06-07 state aid		$ (2.2)	14.8% total cut
Current Situation: 06-07 budgeted state aid		**$ 12.4**	
Budget Impact :			
Worst Case: delay of Aug'07 not paid in '08		$ (1.3)	
Best Case: delay of Aug'07 paid in '08; 2.5% increase over '07 original		$ 0.4	
	Level of uncertainty	$ (1.7)	

MCC State Appropriations Revenue

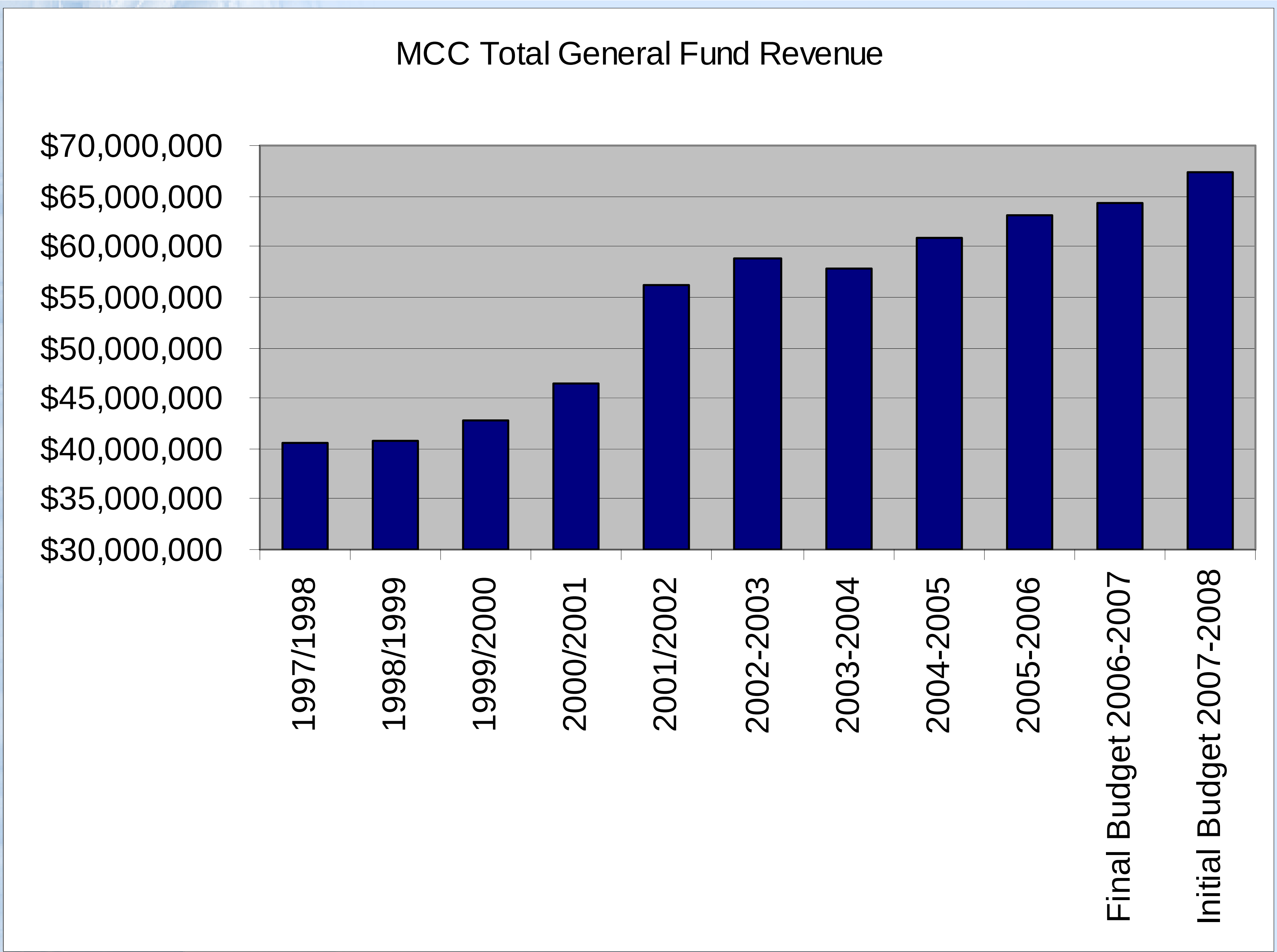


Source: MCC Audited financial statements and budgets (as of June 2007)

PROPOSED FY07-08 BUDGET

KEY ASSUMPTIONS - REVENUE

- **Total Revenues for 07-08 are projected to be $67.4 million, an increase of 4.8% from the final 06-07 budget**


MCC Total General Fund Revenue
$70,000,000
$65,000,000
$60,000,000
$55,000,000
$50,000,000
$45,000,000
$40,000,000
$35,000,000
$30,000,000
1997/1998
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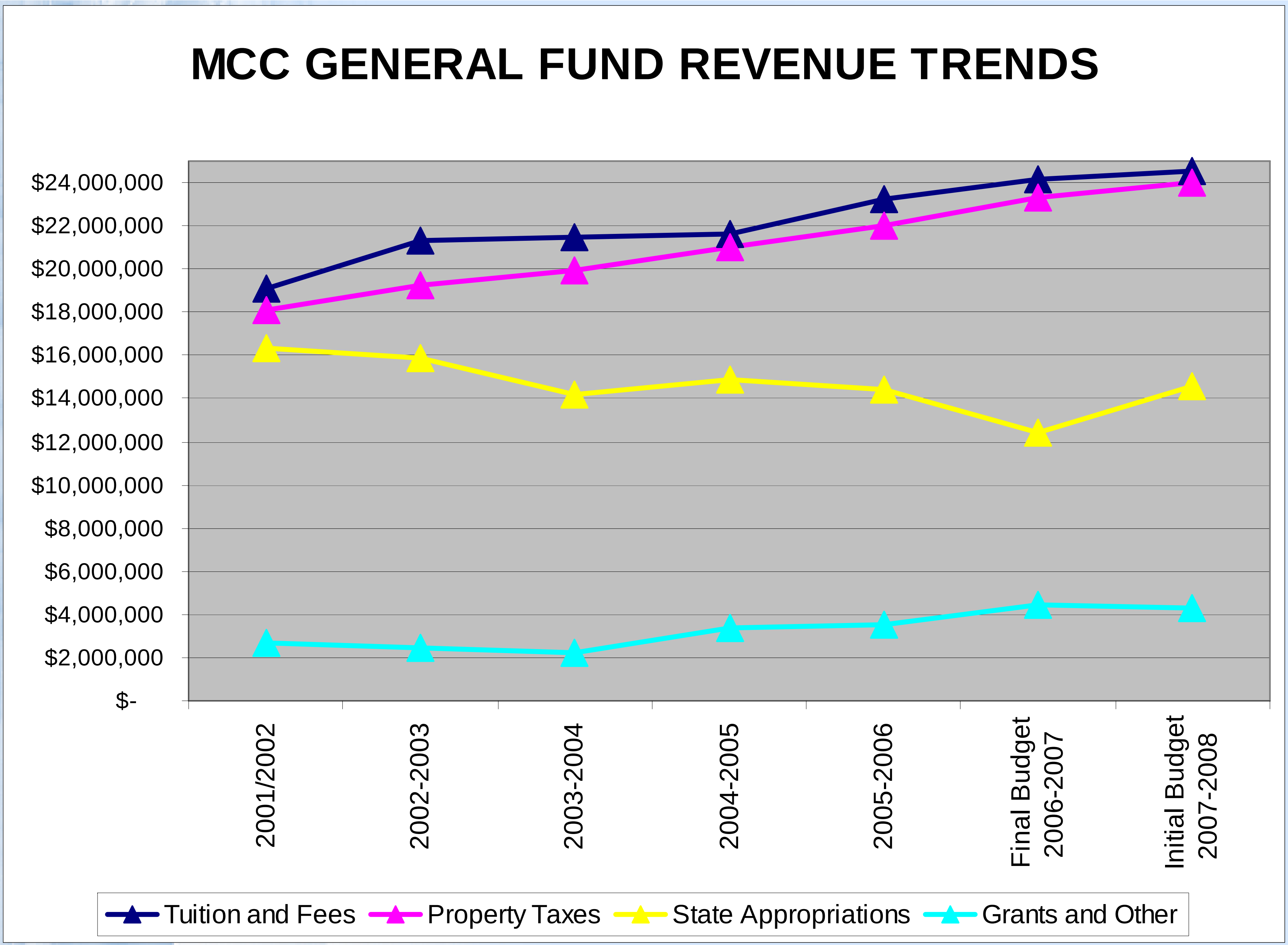
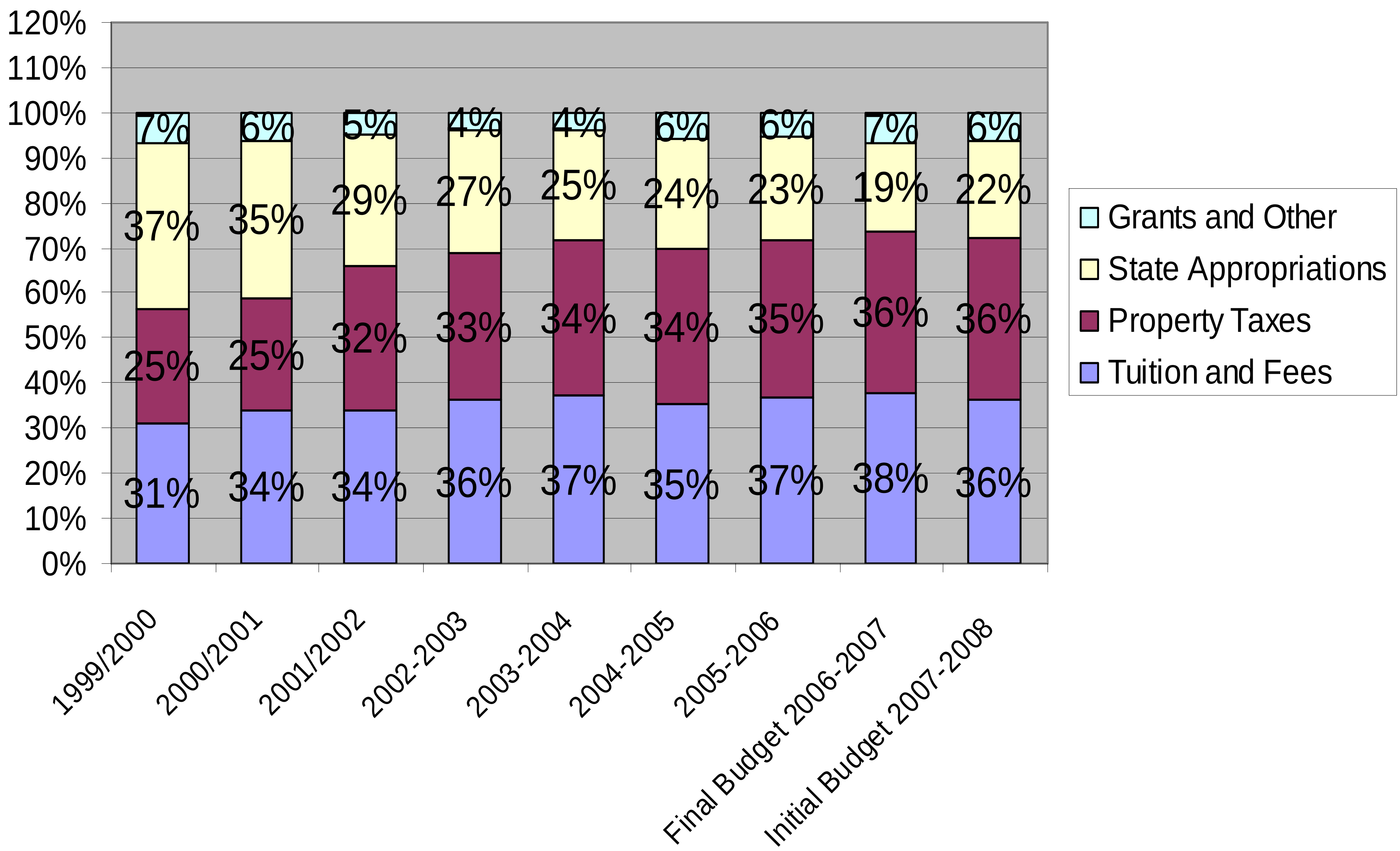
2004-2005
2005-2006
Final Budget 2006-2007
Initial Budget 2007-2008


MCC GENERAL FUND REVENUE TRENDS
$24,000,000
$22,000,000
$20,000,000
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2001/2002
2002-2003
2003-2004
2004-2005
2005-2006
Final Budget 2006-2007
Initial Budget 2007-2008
Tuition and Fees
Property Taxes
State Appropriations
Grants and Other

General Fund Revenue Proportions

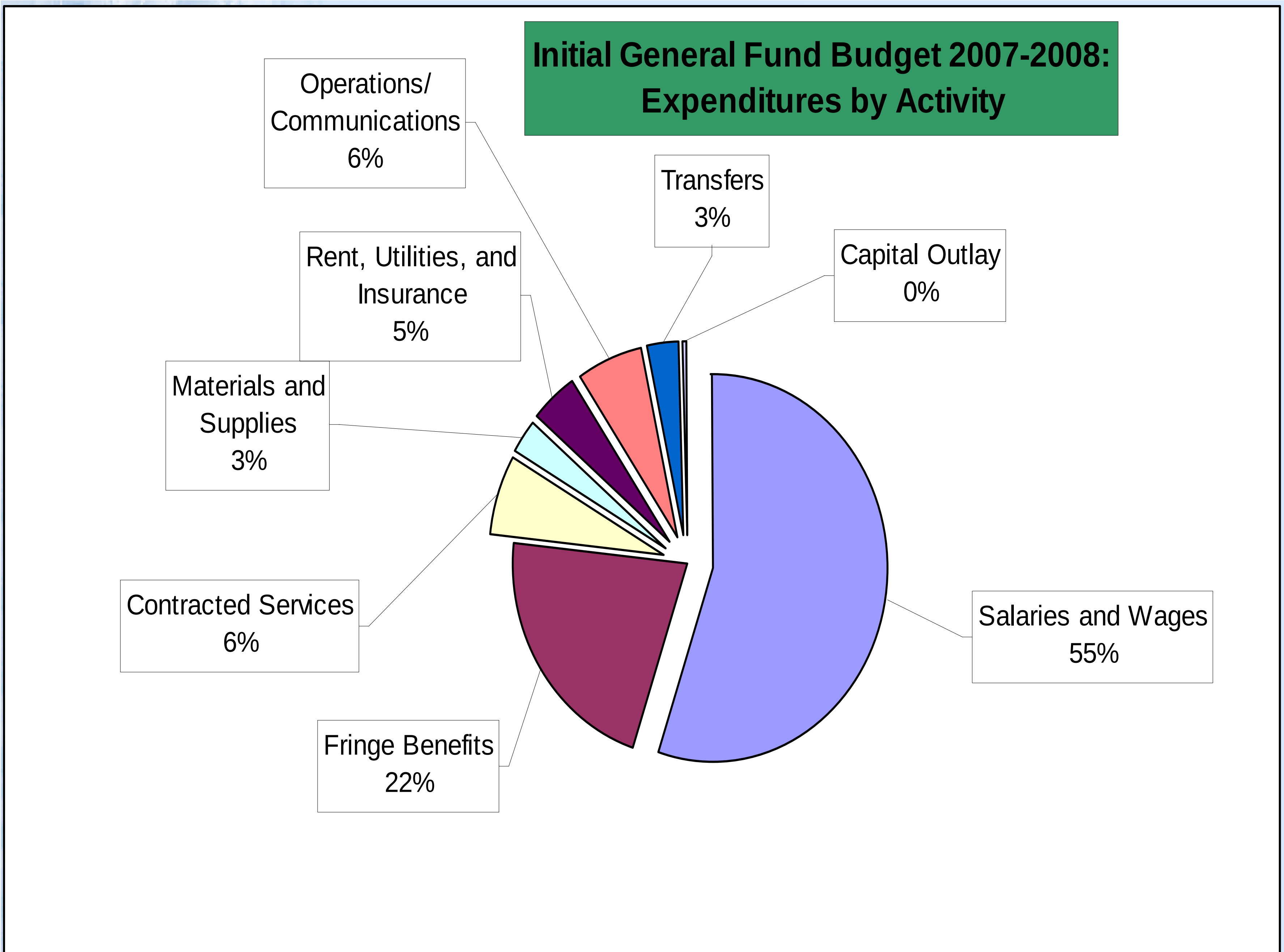


PROPOSED FY07-08 BUDGET

KEY ASSUMPTIONS-- EXPENDITURES:

Overall increase of $3.1 million or 4.8% over the final 06-07 budget.

- **Salaries & Wages: +6% includes negotiated step and pay scale increases, replenishment of vacant position budget pool**
- **Fringe Benefits: +6.7% to account for health insurance and retirement contribution rate increases**
  - ✓**Total compensation = 77%, as required by policy**
- **Non-Salary: slight increase +0.5% due to necessary spending restraint**


Initial General Fund Budget 2007-2008: Expenditures by Activity
Operations/ Communications 6%
Transfers 3%
Capital Outlay 0%
Rent, Utilities, and Insurance 5%
Materials and Supplies 3%
Contracted Services 6%
Salaries and Wages 55%
Fringe Benefits 22%

PROPOSED FY07-08 BUDGET: General Fund

SUMMARY

	05-06 ACTUAL	06-07 AMEND #2	07-08 INITIAL
Revenues	$ 63,193,382	$ 64,315,020	$ 67,414,299
Expenditures	62,907,643	64,141,170	67,230,275
Excess Revenues Over Expenditures	$ 285,739	$ 173,850	$ 184,024
Fund Balance - Beginning	5,765,062	6,050,801	6,224,651
Fund Balance - Ending	$ 6,050,801	$ 6,224,651	$ 6,408,675
Fund Balance Percent	9.62%	9.70%	9.53%

Target = 5% - 10% of Expenditure budget

PROPOSED FY07-08 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" FY07-08 BUDGETS

Main Point is Impact on Operating Budget:

- Designated Fund—$2.1 million revenue budget

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

  - **$ 342,000 funded with General Fund budget (expense)**

- Auxiliary Enterprise Fund--$639,000 budget

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

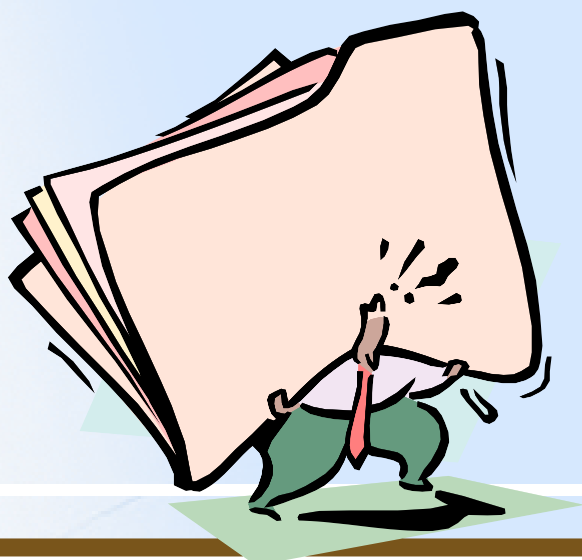
  - **$332,000 net "profit" supplements General Fund (revenue)**

PROPOSED "OTHER FUNDS" FY07-08 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 Million per year
  - $1.8 million per year planned transfer from General Fund still needed ; 07-08 transfer lowered to $1.3 million because of early transfer in 06-07
  - $15 million in Series 2006 Bond Proceeds will fund projects through FY07-08

STRATEGIC INITIATIVES FOR 07-08: LINKED TO BUDGET PROCESS and to new AQIP METHODOLOGY



STRATEGIC INITIATIVES FOR 07-08

• Allocation for 07-08 is $270,000, including both AQIP and department level projects

•Department/Division level planning produces requests for annual funding

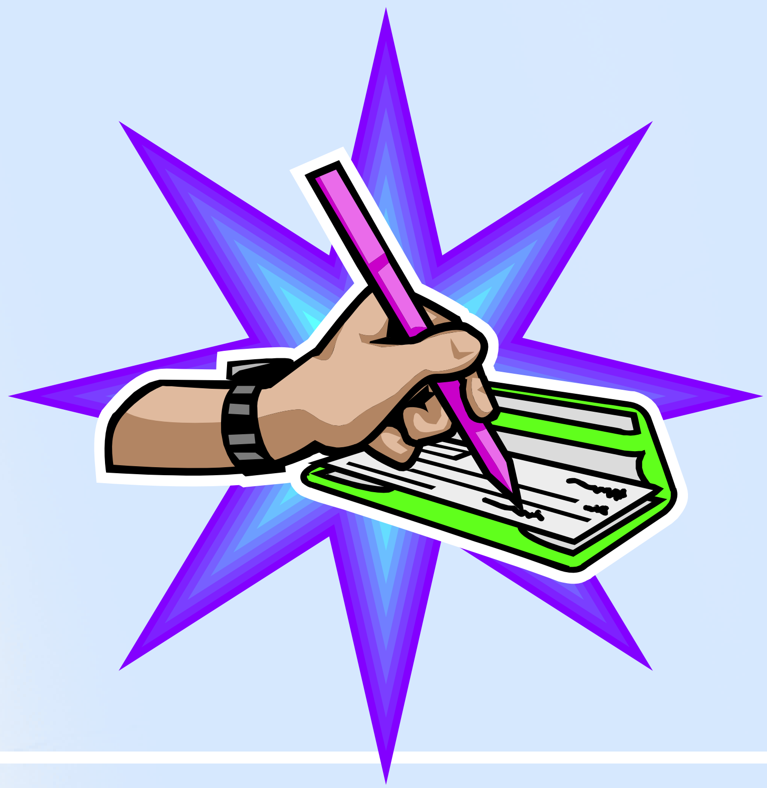
•Top Three AQIPAction Projects :

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 at 4.5% each year (impact of rates and enrollment)
  - Property tax revenue increases at 3% each year
  - 0.6410 Mill Voted Operating Millage is renewed for 10 years starting with FY08-09
  - State appropriations increase by 1% in FY08-09, and 2% each year thereafter
  - Other revenues increase by 2% each year

  - Total revenue increases by avg. of 3.5% each year

7-YEAR FORECAST

- **Key Assumptions - Expenses**
  - Salaries and wages increase by avg. of 4.8% each year
  - Fringe benefits increase by avg. of 8.3% each year
  - Other expenses increase by avg. of 3.1% each year

  - Total expenses increase by avg. of 5.2% each year

7-YEAR FORECAST

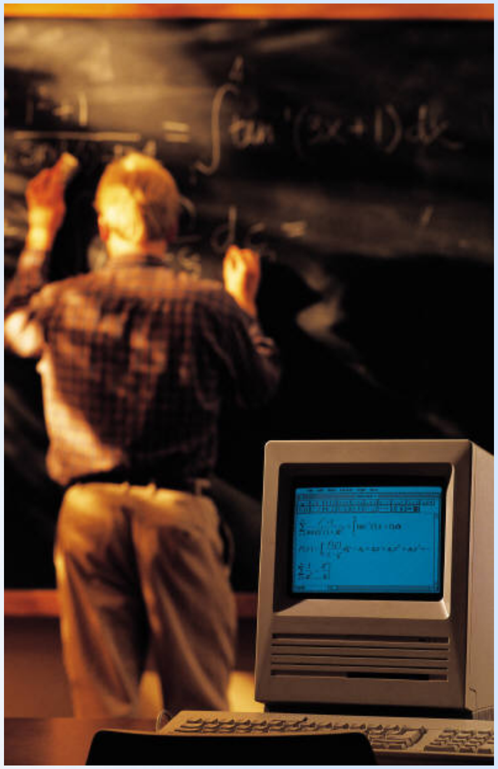
- **Summary**
  - Projected General Fund Deficit would be $32 Million at end of FY13-14, if current trends continued (Revenue growth of 3.5% vs. expenditure growth of 5.2%)
  - Based on an average projected gap of $5.5 million per year to be filled with budget-balancing solutions
  - Short-term savings 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 2007

	Amended Budget 06-07	Proposed Budget 07-08	Forecasts:>>>>>>>>>>>>>>>>>>>>>>>>					
			08-09	09-10	10-11	11-12	12-13	13-14
Revenues								
Tuition and Fees	**24.2**	**24.5**	25.6	26.8	28.0	29.2	30.5	31.9
Property Taxes	**23.3**	**24.0**	24.7	25.5	26.2	27.0	27.8	28.7
State Appropriations	**12.4**	**14.6**	14.7	15.0	15.3	15.6	15.9	16.2
All Others	**4.4**	**4.3**	4.4	4.5	4.6	4.7	4.8	4.9
Total Revenue:	**64.3**	**67.4**	**69.6**	**71.8**	**74.2**	**76.6**	**79.2**	**81.8**
Revenue Increases:>>>	**1.8%**	**4.8%**	**3.2%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**	**3.3%**
Expenditures								
Salaries	**34.9**	**37.0**	39.8	41.4	43.1	44.8	46.6	48.5
Fringe Benefits	**13.6**	**14.6**	16.3	17.6	19.0	20.5	22.1	23.9
All Others	**15.6**	**15.7**	16.7	17.2	17.7	18.2	18.7	19.3
Total Expend.:	**64.1**	**67.2**	**72.8**	**76.2**	**79.7**	**83.5**	**87.4**	**91.6**
Expend. Increases:>>>	**2.0%**	**4.8%**	8.3%	4.6%	4.7%	4.7%	4.7%	4.8%
Surplus/(Deficit):	**0.2**	**0.2**	**(3.3)**	**(4.3)**	**(5.5)**	**(6.8)**	**(8.3)**	**(9.8)**
Fund Balance - End:	**6.2**	**6.4**	**3.1**	**(1.4)**	**(7.0)**	**(14.0)**	**(22.3)**	**(32.3)**

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



FUTURE OUTLOOK:
Next Steps and
Key Issues for Consideration

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
    - +$13 M Commitment of Operating Funds
    - +$ 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

FUTURE OUTLOOK:
Key Issues

1. **0.6410 Operating Millage** request for voter renewal 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 –** $1.5 billion projected deficit even after SBT is replaced in full
5. **2007-2012 Strategic Planning through AQIP** requires continuous improvement methods

FY07-08 BUDGET

Next Board Actions—

- FY06-07 Audit Acceptance:
  - Oct/Nov'07
- FY07-08 Budget Amendment:
  - Winter`08

MCC Board of Trustees

Committee of the Whole Meeting

June 18, 2007

Questions or Comments?

For More Information:

Details are Provided with Board Resolutions 1.54 and 1.56

Kelli Sproule, Chief Financial Officer

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