

MINUTES OF THE STUDY MEETING
OF THE BOARD OF TRUSTEES
OF THE MONROE COUNTY COMMUNITY COLLEGE DISTRICT

Board of Trustees Room, Z-203
La-Z-Boy Center
5:00 p.m., June 6, 2015

Members Present: Joseph N. Bellino Jr., James E. DeVries, Lynette M. Dowler, Edward R. Feldman, Aaron N. Mason, and Mary Kay Thayer

Excused: Marjorie A. Kreps

Also Present: Andrew Fischer, Paul Knollman, Brian Lay, Kim Lindquist, Molly McCutchan, Kojo Quartey, Joe Verkennes, Suzanne Wetzel, Grace Yackee, and Penny Dorcey (recording secretary)

1. Chair Bellino called the meeting to order at 5:04 p.m. The purpose of the meeting was for select update presentations from the President and Vice Presidents including discussion on the 2015-2016 budget.
2. Suzanne Wetzel, Vice President of Administration, and Andrew Fischer, Director of Financial Services, gave an overview of the various funds in the budget. There are four main sources of revenues in the General Fund. The General Fund is where the College records and reports academic and instructional programs, and administration activity. The Designated Fund (“20 Fund”) is a technology fund. The Internet Services Department works closely with administration to build a proposed budget for technology. The Auxiliary Fund records financial activity for the Bookstore, food service, and Campus/Community Events. Restricted Funds are funds that come in from outside donors or agencies. Student Loan Funds records money loaned to students. The College no longer loans money to students. There are two main endowments in the Endowment Fund: a true endowment and a quasi-endowment. The Unexpended Plant Fund records the nature of construction projects such as the HVAC project. The Maintenance and Replacement Fund records major repairs and maintenance, such as the current parking lot repairs. The Physical Properties Fund records the value of land and land improvements, buildings and building improvements, and equipment. This fund includes the capitalization and depreciation of these items. All of the funds are outlined in the *Budget Book* each year.

The four main sources of revenue that build the General Fund include tuition and fees, property taxes, state appropriations, and other. Tuition and fees are based on billable contact hours, which are projected to be at 61,314 hours (down five percent from the current year). Tuition and fees were brought to the Board earlier in the year and the Board approved an increase in tuition based on a five percent decline in enrollment. Given the decreases, total credit tuition is projected at \$7.3 million. Net credit tuition is \$6.8 million. Tuition did not reach the budgeted numbers for the current year. Total tuition and fees are projected at \$8.5 million.

There are a number of institutional scholarships that that the College funds. By funding the scholarships, the college picks up the expense of those scholarships and deducts that portion from tuition and fees revenue. Other Residency captures the apprentices. If apprentices live outside of Monroe County, but they work for companies that are located in Monroe County, they pay in-county tuition. There has been a huge growth in apprentice enrollment, which accounts for the increase in tuition scholarships. The Foundation pays the College for the scholarships they award. The Foundation writes a check to the College twice a year for tuition, fees, books, etc., as appropriate.

The 2016 taxable value for property in Monroe County is \$12,392,742.92. Total property tax revenue this year is expected to be flat. Taxable value has gone up 0.4 percent.

State appropriations will also be lower than expected this year. Instead of a 2.5 percent increase, the College will receive a 1.6 percent increase. State revenues are expected to be about \$4.67 million.

The increase in the budget for other revenue are from rent (\$60,000 increase in revenue). This increase comes from the Head Start contract (\$6,000 in revenue) and the Whitman Center/Spring Arbor contract (\$54,000 in revenue). Of that rental, about \$100,000 is from Middle College rent of space, and the rest falls under miscellaneous rental.

Mrs. Wetzel presented a summary of the budget for the General Fund revenue account. Budgeted revenues are down \$317,000 compared to the budget for the previous year. It is important to note that all UAAL revenues go out as soon as they come in. While this number shows as revenue on the

budget statement, it also shows as an expense for the same amount which means the money simply passes through. This money helps the College because it pays down some pension liability, but the money cannot be used for anything else.

In all, the budget for revenues is down \$317,000 compared to last year's budget. Andrew Fischer, Director of Finance, created an "02 Fund" to record the \$29 million pension liability. The UAAL funds will be moved over to this new account, so general fund revenues and expenses will not be overstated. This process should be completed by the June 27, Board of Trustees meeting.

There is no closing date yet for the sale of the Hurd Road property. The goal is to close before the end of the current fiscal year. The sale of this property will reduce expenses for Hurd Road by \$22,400; the College will still have some expense for the Hurd Road property due to the welding classes that will still take place there. Discussions continue regarding the best way to allocate the revenue from the sale of the property.

The majority of the College's budget pays for salaries and benefits (83.09 percent). All of the other categories make up roughly three or four percent respectively. Budgeted expenses overall are down (just over 1 percent). This year, the administration is recommending a \$300,000 transfer to the Unexpended Fund because that is the amount needed to pay on the loan for the HVAC system. There is \$50,000 in the Contingency Fund, which is low for the size of the College's budget. Mr. Fischer added that \$22,600,000 is budgeted for salaries and fringe benefits. The total budget for expenses is \$27,200,000. When the College takes the \$1.4 million UAAL stabilization rate out of its revenue, it also needs to take it out of fringes.

Budget deliberations are still in progress. Currently, revenues are greater than expenses by about \$32,000. Renovation requests and Capital Outlay are not included in this number. Total unrestricted reserves are projected to be \$1 million and working capital \$5 million. The college will also have to borrow another Tax Anticipation note this fall (\$1.5-2 million).

The HVAC payment for the 2016-2017 year is just over \$1 million. Beginning in 2017-2018, payments will be just over \$1.4 million per year. There is a projected guaranteed savings of at least \$200,000 per year from switching to the new system. This money is being held in the General Fund, but with the Board's approval, will be moved to the "71 Fund" every year once the savings are realized. The guarantee begins one year after substantial completion of the project sometime next year.

Mrs. Wetzel reviewed the history of raises and steps for various employee groups since the wage freeze in 2010. The maintenance contract included a one percent increase this year. Next year will be the last year of their contract. There will be an increase in the hourly wage for student assistants (\$8.50 per hour to \$8.90). With the exception of the faculty contract, which is currently being negotiated, all salaries are flat except for the adjustments due to people leaving. Hourly employees were budgeted at 2,096 hours for the current year and will be budgeted at 2,088 hours for next year due to the calendar.

Mr. Fischer reviewed hard caps for employee health care insurance. Hard cap rates are divided into several groups; single-person, individual plus spouse or individual plus one non-spouse dependent, and a family group. Mrs. Wetzel explained that the State of Michigan has set a limit (maximum amount) on what employers can pay toward health benefits for employees based on the group categories. Mr. Fischer went on to say the College does budget to the hard cap each year for all employee groups. Faculty have MESSA insurance, however, their hard cap is the same as for the other employee groups. Faculty expects a rate increase of 16.5 percent this year. For non-faculty employees, who have a self-funded plan, can expect an increase between 0 and 12 percent. For the sake of budgeting purposes, Administration budgets to the max for health insurance. Non-faculty employees receive some funding in their Health Savings Account's (HSA) because the premium does not meet the hard cap. Faculty employees must pay part of their premium because their premium exceeds the hard cap. There are other less expensive HSA plans available through MESSA insurance. The insurance plan is negotiated between MCCCFA and the District, and the contract specifically designates MESSA as the faculty's provider of choice.

Mr. Fischer explained how employer retirement contribution rates are calculated. There are ranges for the rates associated with retirement contributions because there are multiple plans based on an employee's date of hire.

Mrs. Wetzel explained that there is only one renovation project under consideration at this time because of budget constraints. The project is refinishing the Aerobics/Dance Room floor for \$5,900. This renovation is not included in the current proposed budget.

Capital Outlay is not included in the budget at this point; however, Mrs. Wetzel does have a detailed list of items that she will provide to the Trustees so that they know what is not being purchased. A request for a new freezer in the cafeteria will come out of the “33 Fund” if the request is approved.

There are \$237,000 more worth of requests that various areas would like to fund as well. Ellucian Recruiter, an administrative software package, helps staff with student recruitment efforts. The Marketing and Communications Office would like to buy "Website Creative" and "Website Launch". The office would also like to put in place several marketing initiatives as well. The Alumni Association would like to add several alumni mixers next year.

Mr. Fischer led a discussion about the “20 Fund” (technology). Brian Lay and his staff work closely with the Administration to develop the budget for this fund. Administration is projecting \$1.3 million in student fees for the 2015-2016 year. Expenses are projected to be \$1.3 million as well, with about \$33,000 revenues over expenses. The “20 Fund” budget for next year, based on this year’s enrollment, is \$1,260,280.

The Auxiliary Fund tracks revenues and expenses for the Bookstore, Food Services, Child Care (no longer active), and Campus and Community Events. Bookstore and Food Services (vending contracts) funds are down, which correlates to lower student enrollment. Campus and Community Events revenues and expenses are expected to balance each other out. The College is generating less revenue from Campus and Community Events today than it was several years ago.

Mrs. Wetzel gave a brief demonstration of the transfers to the “71 Fund.” For the current fiscal year, \$942,000 was budgeted. Once the audit came in indicating that revenues were greater than expected, the Administration came back to the Board and requested the additional money be transferred to the Unexpended Plant Fund.

This year, the Administration team is projecting to come in \$600,000 to \$700,000 in revenues over expenses. Although the final number will not be known until the November audit, they plan to bring in a recommendation to the Board at the June meeting to transfer the projected amount “71 Fund” to start saving for next year’s HVAC payment. This will minimize the impact on the General Fund year after year.

The Maintenance and Replacement Fund is still to be finalized, but is projected to have a balance \$449,532 at the end of the 2015-2016 budget year. Next year \$150,000 is expected to come into that fund from the Career Technology pledge payments and donations. Expenses are expected to come in at \$476,300. There is a Contingency Fund of \$50,000 included in that amount. These expenses will reduce reserves to \$136,587 in this fund.

The Administration will present a balanced budget to the Board of Trustees at the June 27, 2016 meeting.

3. *It was moved by Mrs. Thayer and supported by Mrs. Dowler that the meeting be adjourned.*

The motion carried, and the meeting adjourned at 6:54 p.m.

Respectfully submitted,

Joseph N. Bellino Jr.
Chair

James E. DeVries
Secretary