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
7:30 p.m. p.m., May 22, 2017

Members Present: William T. Bruck, James E. DeVries, Lynette M. Dowler, Steven Hill, Marjorie A. Kreps, Aaron Mason, and Mary Kay Thayer

Also Present:, Jack Burns Jr., Parmeshwar Coomar, Valerie Culler, Randy Daniels, Jamie DeLeeuw, AJ Fischer, Jean Ford, Melissa Grey, Mark Hall, Paul Hedeen, Barry Kinsey, Paul Knollman, Brian Lay, Kimberly Lindquist, Laura Manley, Molly McCutchan, Nicolas Prush, Tina Pillarelli, Kojo Quartey, Joe Verkennes, Tracy Vogt, Suzanne Wetzel, Grace Yackee, and Penny Dorcey (recording secretary)

1. Chair Dowler called the meeting to order at 7:24 pm. The purpose of the meeting was for select update presentations from the President and Vice Presidents, including discussion on the 2017-2018 budget.

2. Suzanne Wetzel, Vice President of Administration, gave a brief overview of the proposed budget process. The President's Cabinet (Cabinet) gathers in May to begin building the budget. Although the budget is not finished, it is close. The Board will receive a detailed Budget book about a week prior to the June 26 Board meeting. This study meeting is to give the Board a sense of where the District is with the budget before the June meeting.

3. The College now has 12 funds that it manages. People are most familiar with the General Fund. The second most recognizable fund is the Designated Fund, better known as the Technology or "20" Fund. As budget completion nears, the Board will hear more about the other 10 funds. The Budget book includes a page that defines all of the various funds and explains what is recorded in them. These all correlate to the budget sheet at the end of the book, which is what the Board actually approves.

   There are four main sources of revenues in the General Fund: Tuition and Fees, Property Taxes, State Appropriations, and Other. Tuition and fees are based on billable contact hours, which are projected to be down two percent from the current year.

   When establishing tuition and fees rates, the finances team built a budget that anticipates billable contact hours to be down two percent. Spring tuition and fees are up; however, there are fewer contact hours during the spring semester in comparison to fall and winter, the College's largest semesters. The College must be conservative when estimating next year's revenue from tuition and fees so that it does not over budget and then have to make a correction later in the year. Per the Board's approval in March, in-county tuition increased zero percent, and out-of-county and out-of-state tuition increased about 2.15 percent. This translates to approximately $322,000 less in tuition revenue, budget over budget.

   There is an 11 percent increase in Scholarship Allowance Tuition due to a write-off for out-of-district tuition for dual enrollment and apprenticeships. These groups are charged in-district rates, but then the College does a write-off because they should have been charged out-of-county or out-of-state rates. The Total Non-credit Revenue shows a decrease of about 20 percent. This is due to a decrease in enrollment for lifelong learning courses and projections are based on actual numbers. The Marketing Department is working on some initiatives to bolster enrollment in that area; however, at this point it is most prudent for the team to budget where it sees the revenues. Conversely, Cabinet budgeted about $10,000 more than was used for Contracted Services last year. Additionally, there is a decrease in Credit Fees because of the netbooks for math redesign courses. About $250,000 was generated for the sale of the netbooks in previous years. Expenses for instructional materials will also decrease because the College no longer purchases netbooks. There is also a decrease in Non-credit fees (lab fees and camp fees) due to an enrollment decline in Lifelong Learning.

   Currently, $519,000 is budgeted for Institutional Scholarships for this year. Next year the Administration anticipates the budget to be $578,000. Scholarships are a form of tuition discounting. The College used to have a large number of full-ride scholarships and students were required to be enrolled full-time, but they could take 12 hours, 16 hours, or more if they chose to. No revenue was being generated from those scholarships. This money was repurposed into the Trustee Merit Scholarships. Students still need to enroll full-time; however, the scholarship does not fund everything. The tuition is still discounted, but the college also takes in revenue against it. The only full-ride scholarships that still exist are the Presidential and Performing Music scholarships. The Instructional Scholarships are gone and the College has fulfilled its obligation to Instructional Scholarships recipients. Per the Board's action at the regular meeting earlier tonight, an amount yet to be determined will be added back into a new category for the Instructional Merit Scholarships.

4. Property Taxes: Mrs. Wetzel and her team are working with a best estimate from the County Equalization Office. The College was working with a property tax revenue of $12.9 million, and then it received some money that needs to be given back. Last week, the College received the taxable value for Monroe County of $114 million, which is a two percent growth in property taxes. Moving forward, the team now has actual numbers to work with, so this amount may increase by the time the final proposed budget comes to the Board in June. Andrew Fischer, Director of Financial Services, stated that this is the last year the personal property tax is guaranteed at $184,000. For the 2018-2019 year, the most the State would commit to at this point was $20,000; however, there is also information that says that the amount should stay at the $184,000. More information will be available a by the June Board meeting.

5. State Appropriations: State appropriations are still not determined. The budget team uses the Governor's budget until the approved budget comes in. The Governor wanted to get rid of percentages, so he is matching last year's numbers. The numbers will change, but will probably be close. Right now, the College has a budget of $4.86 million. If the budget team were using the Senate budget, it would have an additional $28,800 on top of the $4.86 million. The College will work with the lower number until the budget is solid.

   The Unfunded Actuarial Accrued Liability (UAAL) is now reported in the Retirement Designated or "02" Fund. The State announce the amount of the UAAL until October. The team is therefore, budgeting that amount flat for the 2017-18 budget year. The total for State Appropriations is $6.2 million versus $6 million, about a 3 percent increase overall.

6. The "Other" fund contains $249,850. "Indirect cost recovery" is money the College receives from grants to help offset some of its administrative costs. Grants are down as is that funding. Rent is money generated from the renting to the Middle College, Spring Arbor, Head Start, theater rentals, etc. Culinary sales are generated from restaurant sales and the buffets put on by the Culinary Program.

7. General Fund Revenue Summary: At this point, budget over budget, the college is $95,570 below what was budgeted 2016-2017. There are ae some funds still expected that could increase this amount, such as property taxes and state appropriations. If that happens, The College could see an increase of $293,000. To make up the difference in revenues (-$322,770), enrollment must increase by 3,000 more paid, billable contact hours (at the in-district rate). That equates to 125 students for two semesters at 12 credit hours. This is not a bad picture at this time because some variables that are still fluid.

8. General Fund Expenses: The budget process begins in every department and division in December. Every person has input into the budget process through his or her managers and deans. Cabinet reviews the information and makes changes as they come in. The Administrative team is still the process of reviewing position requests and reallocation/reassignment of existing positions. Human Resources is leading this project align various positions with what the industry demands. The positions under review are in the Business Department, the Internet Services Department, the Data Processing Department, and the Financial Aid Office.

9. Capital Outlay: The budget team continues to review all capital outlay requests for possible inclusion in the budget.

10. Unexpended Plant or "71" Fund: These are funds the college pays for the HVAC. The College is trying to build up its savings for those payments. The budget team will bring forward a recommendation to transfer $1 million into the "71", as the team is anticipating that revenues will come in anywhere from $1-$1.4 million, revenues over expenses.

11. Expense Summary: Budget over budget, expenses are only up 1.05 percent. Total salaries are only up 0.83 percent. Currently, the budget does include most of the vacant positions. There are two professional staff positions that are vacant, but still budgeted. The budget includes four faculty positions that are open (Sociology, Auto Engineering, Construction Management, and CIS), and two full-time temporary Faculty positions being filled this year. Full-time temporary faculty are bargaining union members. There are currently two open support staff positions, which are also included in the budget. "Total Supplies" has decreased by about $400,000. About $250,000 of that is because the College is no longer purchasing netbooks.

Mrs. Wetzel reported estimated revenues of $25,752,230, exclusive of any possible additional money from the county or the state. Current Expenses are $25,816,630, so the budget is only off by $64,000, which puts the College in an excellent position at this time. Expense cuts, revisions and additions are still being made. For example, at the regular meeting earlier in the evening, the Board approved an additional amount of money, yet to be determined, for the Institutional Merit Scholarships. There is also a request in the budget for a new pool table for the Cellar and there are four tables that need replacing at the Whitman Center.

12. Reserves: The current reserve number comes directly from the audit, and the projected reserve is calculated using the numbers from the reserves of several funds (the "71" Fund, the "72" Fund, the "80" Fund, and the Millage Maintenance and Repair Fund). The projected reserves amount is $7.8 million (a growth in reserves of about $100,000). Major maintenance and renovation projects skew this number making it look as though the College has no reserves, which is not the case. Mrs. Wetzel explained that because of the anticipated reserves, she and her team are comfortable saying that the College will not need to borrow a Tax Anticipation Note this year. This will save the College between $8,000 and $10,000 in interest, although this money is currently budgeted. After adjustments, the College will have about $4 million it can borrow from itself to cover payroll during October, November and December when its cash flow is at a low. The money will be replaced as the cash revenues from property taxes come in in January through March.

13. Salary adjustments: The Administration is proposing the following salary adjustments, administrative and professional staff, 1.5 percent plus steps; support staff, 1.5 percent plus steps; part-time support staff, 1.5 percent; maintenance 2 percent (per their contract they do not get steps); and faculty, 1.5 percent plus steps (per their contract); student assistants, $8.90 per hour to $9.25; and President, 1.5 percent increase in August 2017. These adjustments are already included in the budget.

14. Fringe Benefits: Mr. Fischer reported that fringe benefit hard caps have increased by 3.3 percent from 2016-17 to 2017-18. The District will fund up to the hard cap. The hard cap is the set amount that, by law, the State of Michigan, says is the most colleges can pay toward medical benefits for employees. The financial team has been working with Molly McCutchan, Director of Human Resources, and the College's health insurance broker, Ballard Benefits, regarding medical insurance rates. In 2016-17 and 2017-18, MESSA is looking at a 15.45 percent increase, and Blue Cross/Blue Shield of Michigan is looking at a 4.11 percent increase. The College broker brought forth a new carrier, Priority Healthcare Services (PHS), for Ms. McCutchan's consideration. By contracting with PHS, employees will see a -25.84 percent decrease from the current plan. Faculty were invited to participate a discussion regarding possibly joining the non-faculty groups to move to full group coverage and move to PHS; however, after discussion of the details, MCCCFA indicated they were not going to pursue that option at this time, as they needed more time to consider the change. An Insurance Task Force was formed to look at the possibility of changing carriers. The task force met and agreed unanimously to move to PHS. The deductible year will reset on July 1 of this year. The broker is coming to the College on Wednesday to present to all staff affected by the change. Priority Health Services is a company from the west side of the state.

15. Retirement Rates with MPSERS: For 2016-17, the Defined Employer Contribution and the Defined Benefit have increased. The College received UAAL money to offset the difference between whatever is above the 20.96 percent contribution. The College maintains 29 different retirement plans.

16. What's New in the 2017-18 Budget:
    - No tuition increase for in-district residents
    - Wage increases and some reorganization/reallocation/reassignment of positions within departments
    - Capital outlay requests are included in budget, but need be finalized
    - Increases in and standardizing of conference and travel funding
    - Funding for:
        - New Agriculture Program
        - Additional money for Alumni Events
        - The Foundation website redesign
        - New marketing initiatives
            - Increased funding for social media production
            - Funding for production of new TV ads
            - All county mailings of annual report and the fall/winter/spring Lifelong Learning schedules

- To bring back the MCCC Magazine (a Career Focus-type publication to be mailed to all county households)

17. Capital Outlay: There are $367,429.70 of capital outlay requests in the 2017-18 budget. Last year the College budgeted $76,875.00. This is a $290,554.70 increase, budget to budget. Instruction takes up the largest portion of this fund.

18. Designated or Technology or "20" Fund: Brian Lay, Director of Internet Services, and his staff put this request together, and the budget team is working on finalizing it. The revenue expected from student fees is about $1.23 million and expenses are about $1.26 million. Revenues over expenses are about $31,000. Although the Administration had budgeted reserves to pay for some of the technology projects, they will not be doing so this year as student fees came in a little higher than expected. There is $2.7 million of millage money allocated for technology. The "20" fund is in a good position. As the College embarks on the millage funded technology improvements, it will not need to use money from the "20" fund and, over time, the reserves will grow.

19. Auxiliary Activities Fund: This is the fund for the Bookstore, Food Service, and Campus and Community Events. Currently, $35,000 is budgeted in the Food Service Fund to replace the dishwasher, which needs replacing. Tom Ryder is instrumental in helping to put together the budget for Campus and Community Events (CCE). CCE is expected to have revenues come in over expenses this year. When combining all the expenses in the Auxiliary Fund, the College is looking at about a $10,000 increase in the fund balance for 2017-18. Mrs. Wetzel noted that CCE used to be funded through the General Fund. When the The Foundation came into being, had a successful capital campaign for the La-Z-Boy Center, and raised more money than what was anticipated, it was able to give the CCE $100,000 of seed money. The Administration then pulled Campus and Community Events from the General Fund and put it in the Auxiliary Fund, and the Foundation now transfers the necessary money to CCE so it does not have to take money from the General Fund.

20. Unexpended Plant or "71" Fund: The "71" Fund is where the College tracks the construction of new facilities and the HVAC project. In January 2016, the Board approved a transfer of $800,000 from the General Fund to the "71" Fund. After the audit results, the Board approved an additional funding request. In the 2017-18 budgets, the College has two payments, one in September and one in March, which are now principle and interest payments. The total payments the College will make in 2017-18, is $1,436,118,52 for the HVAC project. Of that, the principle payment is $885,814. After 10 years, the college can pay the loan off early without penalty. The budget team is recommending a transfer of $1 million next year. If revenues are favorable, the administration will request an additional transfer in January 2018.

21. Department of Management and Budget (DTMB) or "72" Fund: This fund is where the College will track the East and West Technology building renovation project. There is a transfer from the "81" fund (the millage money) to the "72" fund for $1,875,000. The budget team is anticipating the beginning expenses. The Architect Selection Committee will bring a recommendation to the Board at its June meeting, and the goal is to have a program statement and schematic design ready to submit to the State Budget Office by September 1.

22. Maintenance and Replacement or "80" Fund: For 2017-18, the budget team is expecting $450,000 to come in from Career Technology Center pledge payments. This will be the last year the College receives those donations. The budget team is working on building the fund balance so money is available to use on projects, does not have the deferred maintenance its does now. The team is budgeting for expenses of about $67,300. Of that, $50,000 is budgeted for contingencies and $17,300 is budgeted for temporary air conditioning for the Life Sciences to accomodate summer classes. There is also an additional transfer from the endowment fund for $13,000. Ultimately, the administration is looking at growing its reserves from $473,652 at the start of the 2017-18 fiscal year to $869,652 by the close of the fiscal year.

23. Millage Maintenance and Replace or "81" Fund: There are two projects planned for the 2017-18 fiscal year in the Life Sciences building, the façade improvements and a student collaborative space. For the year, the Administration expects to spend about $1.5 million on those projects. Revenue over expenses will be about $3 million for the fiscal year, but that money will be transferred to the DTMB Fund for the East and West Technology building renovations. The College is required to front the money for this project.

24. The General or "01" Fund: The Administration is still working on the "01" Fund. Mr. Fischer is still working on the Restricted Fund, and all the other funds are close to being done. When the Board receives the proposed budget in June, it will also receive a summary sheet, which is what

the Board actually approves. The District feels confident about bringing a balanced budget to the Board, and believes that students and staff will see the benefit of this budget.

25. Mrs. Wetzel deferred the question to DR. Quartey, “What would be reasonable to do for MCCC students so that they do not have to pay more for classes than students at other community colleges?” Conversations are still ongoing on this topic. The College is not in a position financially to implement a change to billable contact hours at this time. MCCC is the only Community College that did not raise its tuition. Most other community colleges raised their tuition two to three percent. Further discussion will take place at ta later date.

26. The guarantee for the geothermal system does not begin until September 2019. The first year, the guarantee is just under $200,000. When creating the budget for the upcoming fiscal year, the administration left the utility rates the consistent with current knowing that the cost will be less. The reason for this is that the savings is unknown at this time and the College needs to track the cost for a specific period so it can prove that it has those guaranteed savings.

27. Chair Dowler suggested a standing agenda item every other month on capitol project updates would be helpful to the Board. Joe Verkennes, Director of Marketing and Communications, is working on redesigning the millage webpages and posting a communication plan featuring project updates, which will be easily accessible to the public. The information in both the “81” and “72” Funds can be easily be pulled and shown to people as well. The next step in the millage project is to hire a company to conduct a complete facilities assessment. This will help the College set priorities, and also give it a good indication of how much money it should be setting aside. What will also come out of the assessment is a list of projects that are not budgeted, but that the College should be anticipating.

28. *It was moved by Mrs. Thayer and supported by Dr. DeVries the meeting be adjourned.*

    The motion carried and the meeting adjourned at 8:58 p.m.

Respectfully submitted,

Lynette M. Dowler
Chair

Aaron N. Mason
Secretary

/prd

These minutes were approved at the June 26, 2017 regular meeting of the Board of Trustees.