

DELTA COLLEGE

Fiscal Policies Workshop



*Presented by: Dr. Jean Goodnow & Deb Lutz
February 16, 2010*

STRATEGIC PLANNING FOCUS AREAS

- *Student Success*
- *Community Focus*
- *Resource Effectiveness and Sustainability*
- *People Focus*



FISCAL POLICIES

- Modeled after Government Finance Officers Association (GFOA) Best Practices
- In accordance with Michigan Public Community College Uniform Financial Reporting MUFR
- Follows Governmental Accounting Standards Board (GASB) & Generally Accepted Accounting Principles (GAAP) guidelines
- Published in the Budget Book p.101-107



FUNDS & FUND STRUCTURE

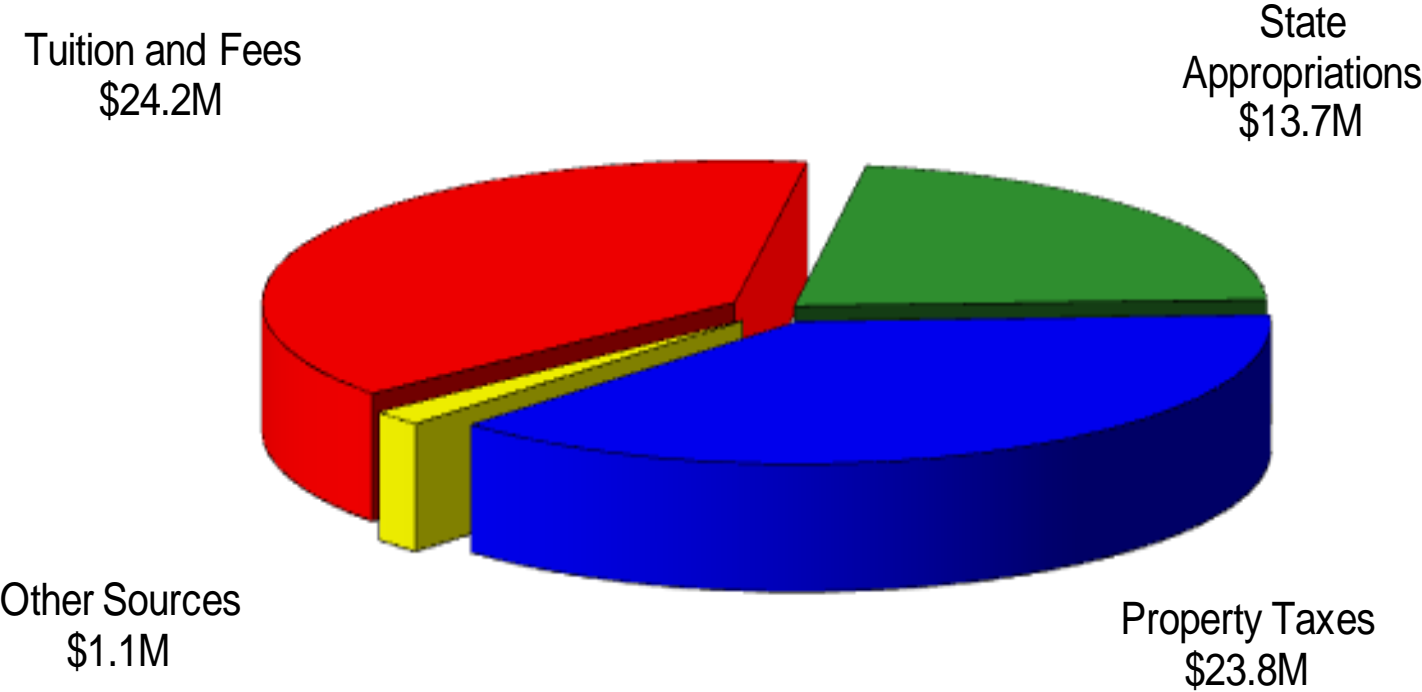
\$109 MILLION ANNUAL BUDGET

- General Fund
- Designated Fund
- Restricted Fund
- Auxiliary Activities Fund
- Endowment Fund
- Plant Funds



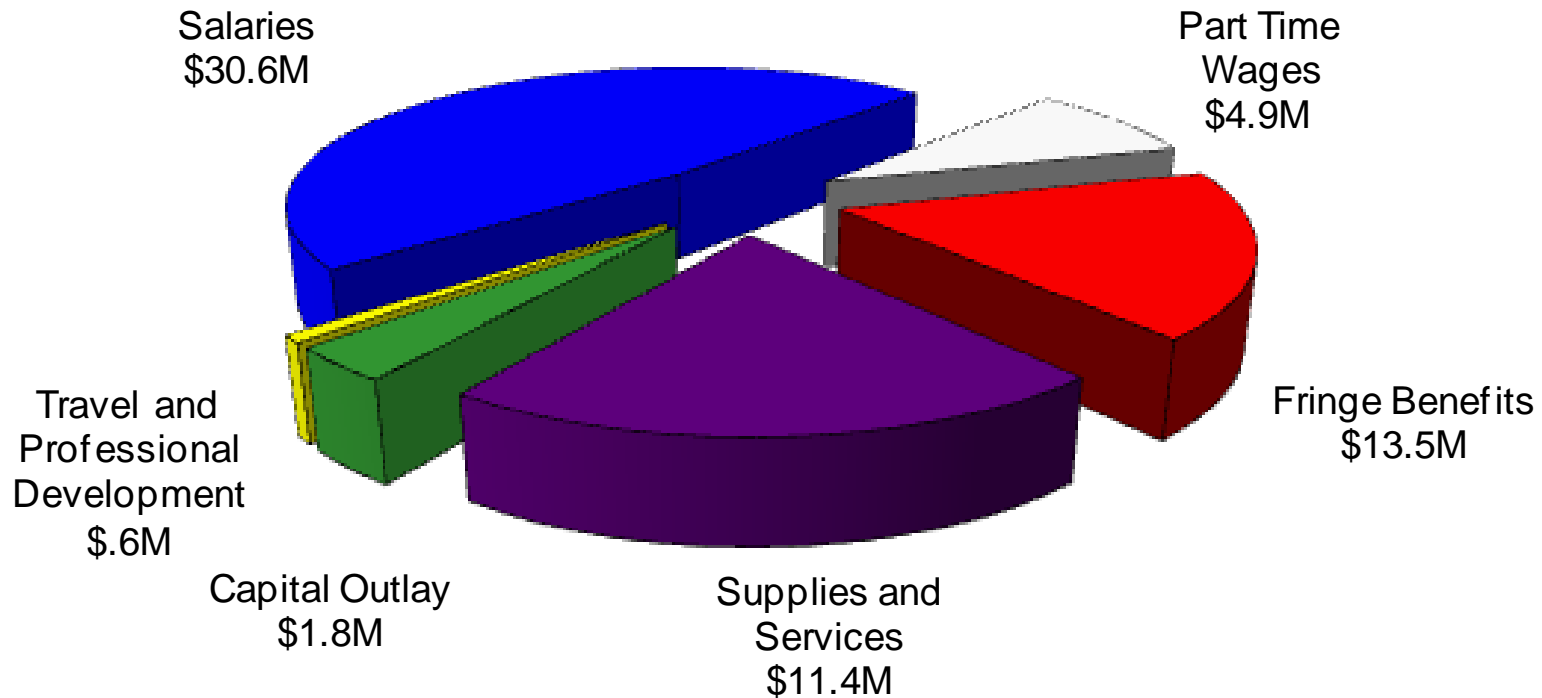
GENERAL FUND REVENUES 2009-10

\$62,808,566.00



GENERAL FUND EXPENSES 2009-10








\$62,804,441.00



ANNUAL BUDGET PLANNING PROCESS

<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>
<i>November</i>	<i>December</i>	<i>January</i>	<i>February</i>
<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>

LEGEND:

	Prepare budget planning materials
	Review strategic initiatives and assumptions; Develop tentative set of planning and budgeting assumptions; Submit to Executive Council, Budget Cabinet & Budget Groups
	Budget Groups request their subcomponents to develop budgets based on College and departmental strategic plans; Budget Groups develop budget requests based on College and departmental strategic plans
	Each Budget Group prepares and submits a group request to Budget Cabinet
	Budget Cabinet reviews requests, develops priorities based on the College and cross-functional strategic priorities, and recommends priorities to President
	President and Executive Council develop final Budget Plan
	Presentation to the Board and approval by the Board

BUDGET CABINET PURPOSE

Makes recommendations to the President regarding:

- Budget allocations & other budget issues
- Changes in tuition & fees

Responsible for communication with faculty/staff regarding budget issues



BUDGET CABINET MEMBERSHIP

Membership

Appointment of all members of the Cabinet are at the discretion of the President. The Cabinet includes:

Dean of Learning Support Services
V.P. of Business & Finance
Board of Trustees Representative
Director of Business Partnerships,
Legislative Relations & Resource
Development (& Strategic Planning)
Chair of Council of Chairs
Chair of ECAPS

Chair of Faculty Salary Committee
Chair of Faculty Executive Committee
Food Service/Maintenance Union Rep.
V.P. of Student & Educational Services & IT
Contract Administrator
Chair of Support Staff Committee
Faculty (5) at-Large

Faculty will serve a three-year term with a reappointment option. Immediate past Chair also serves if not appointed through one of the above positions.

BUDGETARY CONTROLS

Budgetary controls are implemented and monitored by:

- The Datatel accounting system
- Cost Center Managers
- The Finance Office, VP Business & Finance
- Budget Cabinet
- Executive Council & President
- Board of Trustees
- Auditors



BUDGETARY REPORTING

- Cost Center appropriations/encumbrances provide budgetary control
- Online, real time account detail available to cost center managers
- Quarterly Budget Accountability status reports with responses required
- Annual Overspending analysis with responses required
- Annual underspending analysis & reporting
- Self Supporting Units annual analysis & reporting
- Annual Budget Group Reports
- Monthly Board Financial Statements and Treasurers Report
- External annual audit & report to the Board



FUND BALANCE DEFINED

GFOA Definition:

- The difference between the assets and liabilities of a governmental fund
- An approximate measure of liquidity, similar to the working capital of a private-sector business
- The purpose of a fund balance policy is to address a an appropriate level of unrestricted fund balance to ensure that there will be adequate liquid resources to serve as a financial cushion
- Factors considered in establishing a minimum level:
 - Volatility in operating revenues or expenses
 - Potential drain on resources from other funds facing difficulties
 - Exposure to natural disasters
 - Reliance on a single corporate taxpayer or group
 - Rapidly growing budgets
 - Disparities in timing between revenue collections and expenditures

FUND BALANCE – CURRENT POLICY

It is a long-term goal of the College to attain a fund balance in the General Fund of 8% of its operating budget.

The fund balance shall be held to help cover three possibilities:

1. Catastrophic
2. Operational
3. Liquidity

In addition, fund balance provides:

1. Sufficient working capital
2. Sufficient cash float for daily financial needs



FUND BALANCE

Fund balances should not be used for operating expenses, and should be used for one-time capital emergency expenditures only if the balance remaining is adequate.



FUND BALANCE – BEST PRACTICE GUIDELINES

GFOA – “Building a Financially Resilient Government”

- Recommends adopting “financial sustainability” policies that prohibit the use of fund balances for recurring expenditures
- Taking into account long-term maintenance and operating costs when planning financial budgets

GFOA – “Best Practices in Budgeting & Fiscal Policy”

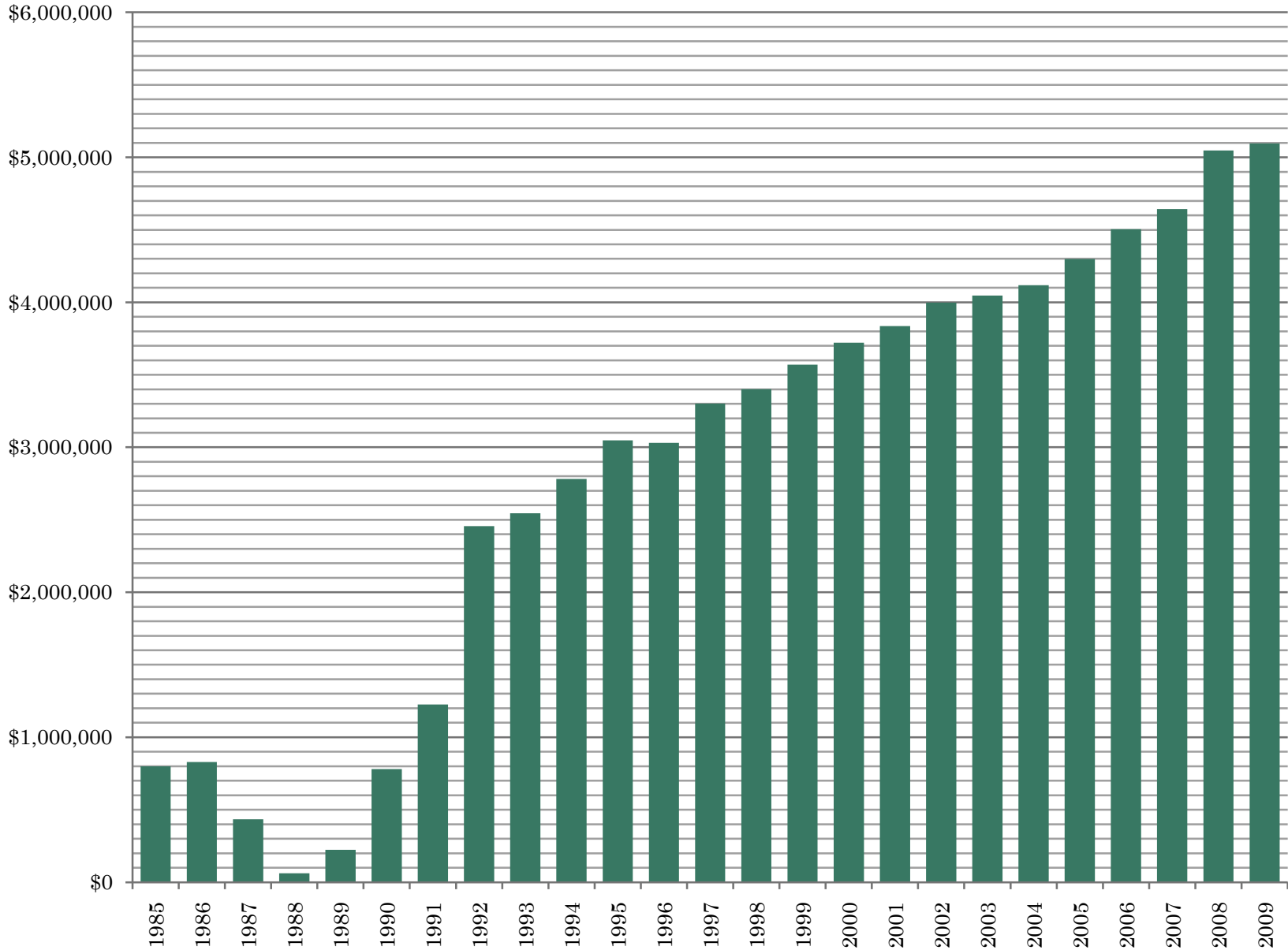
- The unrestricted fund balance in the general fund should be no less than two months of regular operating expenditures, or 17%

Higher Learning Commission: recommends a minimum 10%-15%

Auditors: AHP suggests 8% is a minimum, 15% advisable



25-YEAR FUND BALANCE HISTORY



BUDGET PLANNING FOR 2010-11

REVENUES:

Enrollment	240,000 Cr.Hrs. + 4.2% to LY Actual
Tuition & Fees	No increases
Property Taxes	-4% estimate
State Funding	-15% cut (range est. -10 to -20%)
Investment Income	No change

EXPENSES:

Salaries & Wages	No base wage/salary increases
Medical/Vision/Hearing	+9% est. for Nov 2010 renewal (employee contrib. at 10%)
Dental	+5% est. for Jul 2010 renewal
Life	+3% est. for Jan 2011 renewal
Disability	+5% est. for Jan 2011 renewal
Retirement – MPSERS	From 16.94% to 18.94% est.
S&S, Equipment, PD & Travel	No increases



BUDGET MODEL 2010-11 SCENARIO

Delta College
 General Fund Revenue and
 Expenditure Projections
 Budget - Year Ended June 30, 2011
 Base from 09-10 Budget

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	2009-10			2010-11		
	Budget	\$ Change	% Change	Projection	\$ Change	% Change
REVENUES						
Tuition and Fees	24,212,639	(755,301)	-3.03%	25,597,407	1,384,768	5.72%
State Aid	13,702,200	(49,400)	-0.36%	11,688,860	(2,013,340)	-14.69%
Property Taxes	23,781,037	261,109	1.11%	22,828,796	(951,241)	-4.00%
All Other Revenues (incl transfers)	1,112,690	(168,396)	-13.14%	1,112,690	0	0.00%
TOTAL REVENUES	62,808,566	(711,988)	-1.12%	61,228,752	(1,579,814)	-2.52%
EXPENDITURES (incl transfers)						
Salaries	34,730,511	1,172,867	3.50%	34,730,511	0	0.00%
Student Wages	751,042	186,110	32.94%	751,042	0	0.00%
Benefits	13,524,694	1,354,000	11.13%	14,294,679	769,985	5.69%
Supplies And Services	11,380,076	865,778	8.23%	11,380,076	0	0.00%
Capital Expenditures	1,837,503	(4,205,356)	-69.59%	1,837,503	0	0.00%
Prof Development/Travel	580,615	(39,967)	-6.44%	580,615	0	0.00%
TOTAL EXPENDITURES	62,804,441	(666,568)	-1.05%	63,574,426	769,985	1.23%
PROJECTED SURPLUS (DEFICIT) BEFORE NEW SOURCES (USES)	4,125	(45,420)	-91.67%	(2,345,674)	(2,349,799)	-56964.82%
SOURCES OF NEW FUNDS						
Savings List						
Reserve for Doubtful Acct State				350,000		
TOTAL NEW SOURCES	0	0		350,000	0	
NEW USES OF FUNDS						
New Funding List						
SunGard Contract Nov 1, 2010 estimate				46,208		
Faculty Promotion estimate FY10-11				127,448		
Faculty Step estimate FY 10-11				226,574		
TOTAL NEW USES	0	0		400,230	0	
SURPLUS (DEFICIT)	4,125	(45,420)	-91.67%	(2,395,904)	(2,349,799)	-56964.82%

ASSUMPTIONS

	Actual 08-09	Budget 09-10	Budget 10-11
CREDIT HOURS			
Total Credit Hours	230,320	226,145	240,000
TUITION AND FEES			
Tuition	19,312,783	20,496,657	6.13%
Fees	4,899,856	5,100,750	4.10%
Total	24,212,639	25,597,407	5.72%
** In-District Tuition at \$79.00 for 2009-10 and \$79 for 2010-11			
** Out-District/State Tuition: \$119.00/\$172.00 for 09-10 and \$119/\$172 for 10-11			
** Every 1,000 credit hours = approx. \$107,000 in tuition & fees for 10-11			
** Each 1% increase in credit hours = approx. \$256,000 in tuition & fees for 10-11			
STATE AID		-15.00%	
PROPERTY TAXES - increase		-4.00%	
TOTAL SALARIES BUDGET		34,730,511	
MPSERS RATE			
Jul-Sep		16.94%	
Oct-Jun (est.)		18.94%	
Effective MPSERS rate		18.44%	
ORP RATE		10.00%	



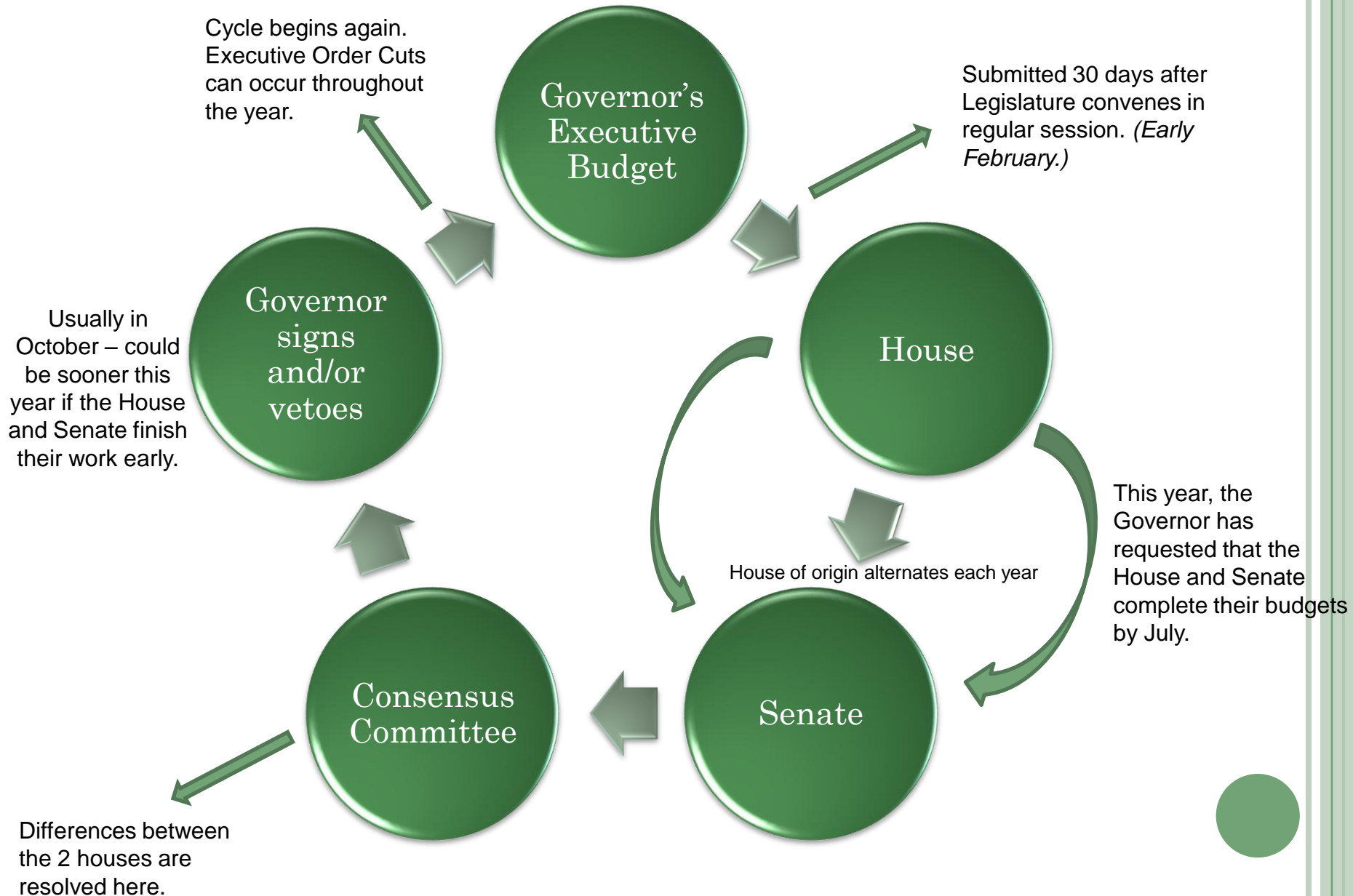
WHAT IS IN THE FORECASTING MODEL?

- Historical Actual Revenues
- Historical Actual Expenditures
- Current Budget
- Forecasted Projections
- Key Budget Assumptions

Allows various scenarios for current and 2-5 years of future planning.



STATE OF MICHIGAN ANNUAL BUDGET PLANNING PROCESS



GOVERNOR'S FEBRUARY 11TH BUDGET PLAN

“Funding for each community college is maintained at the fiscal year 2010 level”

That funding is predicated on balancing the \$1.5 billion State budget deficit by:

- Spending Reductions and Reforms \$ 566 million
- New Revenue Adjustments and Reforms \$ 574 million
- Receiving New Federal Stimulus in 2011 \$ 514 million



GOVERNOR'S RETIREMENT REFORMS

Michigan Public School Employees' Retirement Reform

- Eliminate retiree dental/vision coverage after October 1, 2010
- Increase employee contributions by 3% beginning July 1, 2010
- Implement a new more cost-effective hybrid plan for employees hired October 1, 2010
- Establish a phased retirement option for one year, at the discretion of the employer
- Provide a limited retirement incentive with the multiplier increased from 1.5% to 1.6% for eligible retirements between July 1 and September 1, 2010 with an application window of April 15 to May 15, 2010
- MPERS contribution rate to increase by 2.47 points to 19.41% of payroll, or +14.6% (coupled with the 3% employee contribution indicates an annual funding need of +32%)
- Budget savings assumes 75% or 29,000 eligible to retire do accept

