Muskegon Community College

BOARD OF TRUSTEES
Open Finance Committee Meeting Minutes
May 19, 2014
2:30 p.m. – Board Room 400Z

Present: Chair Crandall, Vice-Chair Osborn, Trustee Frye, Trustee Lester, Trustee Mullally and Trustee Portenga

Absent: Trustee Oakes

The Finance Committee meeting was called to order by Trustee Lester at 2:32 p.m.

- President Nesbary prefaced the budget presentation with a summary of how administration arrived at the budget recommendations.
- Beth Dick reviewed the current year's budget.
  - Of the $874k total deficit for the current year, more than 50% is related to costs for the December bond issue (bond issuance costs and interest costs). Another unusual occurrence was the unexpected mold abatement in three classrooms totaling $125k, making up $575 of the total deficit.
- Proposed 2014-2015 budget assumptions were reviewed in detail by Beth Dick. If something isn't done with tuition, it is projected that in years to come, there will be future year deficits.
- Threats to MCC's long-term viability were presented.
- Solutions were presented.
- Five scenarios were presented including the impact to the student.
- APS hourly wage table adjustments were discussed in detail.
- Tuition increase scenarios:
  - Scenario 1 equals a 3.2% increase
  - Scenario 2 equals a 5% increase
  - Scenario 3 equals a 7% increase
  - Scenario 4 equals a 7% in district and /11% out of district and out of state increase
  - Scenario 5 equals a 10% increase

  NOTE: With the budget assumptions presented, scenarios 1, 2 and 3 would not generate enough revenue to break even given MCC's expenses; scenario 4 gets to a breakeven point; scenario 5 would result in a surplus.
- Trustee Lester requested another review of enrollment projections (currently -2%) to make sure it's realistic; we have missed our projections for the last three years.

- Beth Dick handed out a summary page of where MCC has been over the past few years with the budget and some of the challenges faced.
  - This past year 15 positions were left vacant to help balance the budget
  - Analyzing all the scenarios, it is still anticipated that 12 employee positions would be left vacant for FY2014-2015 and a $3 per contact hour increase in the technology fee and various course fee increases would be implemented.
  - If scenarios 1, 2 or 3 were adopted, further position eliminations would be necessary to balance the budget as follows:
    - Scenario 1 would require elimination of approximately 3 additional faculty, 2 APS salary, 1 APS hourly, 1 ESS and 1 custodial maintenance staff
    - Scenario 2 would require elimination of approximately 2 additional faculty, 1 APS salary, 1 APS hourly, 1 ESS and 1 custodial maintenance staff
    - Scenario 3 would require elimination of approximately 1 additional faculty, 1 APS salary and 1 ESS staff.
    - Scenario 4 would have sufficient revenues to cover expenses.
    - Scenario 5 would have sufficient revenues to cover expenses and would result in a surplus
  - Scenario 4 has gone through both the Business Administration Council and the Coordinating Council and has passed both councils; there are students that serve on both councils.
- A public budget hearing will be scheduled for the June Board meeting and a notice will be published.
- Paul Stauder from Stauder Barch gave a bond presentation.
  - When the original projections were done for the bond, prior to elections, a tax rate was identified at that point of .37 mils to take on all of the bond payments over a couple of years.
  - The bonds already issued ($10M), if no additional bonds were issued this year, would take a millage of approximately .15 if levied this December. With $5M additional issued, the tax rate would be .22 mils this December; taking the level up to $10M would be a millage of approximately .32; if all bonds were issued it would total .37 mils
  - The first bonds went out at 4.25%, with projections at 5%. The advantage of issuing bonds sooner rather than later is that interest rate risk is removed.
  - Millage is set based on the actual cost. If interest rates rise, the percentage increase is covered by the millage and puts the community at large at risk if they rise significantly.
  - The next step is to let Stauder Barch know when money is needed. Per Paul Stauder, from a timing perspective the decision and the sale must be completed by November, with the tax rate set sometime in September. Paul indicated a decision should be made by August to allow the process of issuing bonds to take place for this year.
  - Reasonable expectation is that the bond issue will be spent within three years.

With no further business the meeting was adjourned at 3:51 p.m.

Minutes submitted by Secretary, Nancy Frye.

/csd