Alpena Community College

General Fund Three Year Projection Budget

By Richard Sutherland, Vice President for Administration and Finance

July 1, 2013

Three Year Projection

Many of you are familiar with the general fund three-year projection instrument that summarizes ACC's operating revenues and expenses (Attachment 1). For years I have displayed earlier editions of it to all employees during the opening session for the fall semester and then used subsequent versions of it primarily in my work with the Strategic Planning and Budgeting Committee, the Executive Council, and the ACC Trustees.

In an effort to improve communication concerning the projection, I have decided to issue the current version, which is attached, to employees via e-mail, along with explanations on some of the figures, and then issue subsequent editions to the same audience with notes when changes occur.

The first part of the document covers the process and the numbers generated for FY 2014 budget year. The second half is an explanation of the thought process on projecting revenues and expenses in the following two years. Assembling a $14,500,000 budget with many outside forces and internal constituent needs is a complex process. The bottom line goal is to achieve at minimum, a balanced budget. It is impossible to foresee every circumstance that may occur during a fiscal year. Some events may be known but not necessarily the final economic outcome, such as enrollment, state funding, property tax adjustments from tribunal actions, employee turnover, pricing changes, and governmental orders. The unknown issues like state aid cuts, major roof leaks and boiler replacements that require immediate attention prompt the College in building a fund balance in both the general and plant funds.

Revenues

Property Taxes

Property tax revenue is derived from the millage legislated or voted on by the citizens of the taxing district and accounts for 17.5% of the budget. In ACC's case that is all of Alpena County except for a small slice of western Alpena , which is in the Hillman school district, and the Presque Isle County townships of Presque Isle and Krakow. ACC has a legislated 1.4615 mills (reduced from 1.5 mills by a piece of legislation called the Headlee Amendment) and a voted on 1.0385 mills, for total 2.5 mills. This information flows from the county assessor's office and the College generally does not receive the numbers until late May or early June. ACC's taxing district has a taxable value for FY 2014 of

$1,019,044,707. This will generate approximately $2,540,000 in property tax revenue to the College. Property tax collections have declined nearly $200,000 or 7% since FY 2010.

Tuition/Fees

Tuition and fees (Attachment 2) for the general fund is comprised of a per contact hour basis at $111 tuition for in-district students and $175 tuition for out-of-district and out-of-state students. All students pay a $30 registration fee per semester. There is a $30 per contact hour on-line fee. Art supply costs have escalated at a disproportionate rate over the past ten years and the need for technical assistance during non-class time has expanded during that time. The College determined that starting in the Spring 2014 semester, a $75 per course fee will be charged for courses that have an "ART" designation to offset those costs. The course fee will add about $14,000.

The three universal fees charged to the vast majority of students are Student Services, Facilities Maintenance, and Technology. The Student Activity Fee ($6 per contact hour) and the Technology Fee ($4 per contact hour) are accounted for within the Designated Fund. The Facilities Maintenance Fee ($6 per contact hour) is credited within the Plant Fund.

The enrollment committee evaluated the available enrollment data and determined that the College would be likely to experience a 4% decline in enrollments or a 5% decline in enrollments from the FY 2013 budget. This decline accounts for about $300,000 lower tuition. To offset the decline, the Board of Trustees approved an increase of $5 for in-district tuition and $9 for out-of-district tuition that should provide about $275,000 in additional funds.   With this increase, in-district tuition has climbed $27 or 32% over four years.

All together there is estimated a small decline of 0.2% in tuition and fees of $11,000 resulting in a total of $6,478,680, 44.5% of the budget.

State Aid

State aid is exclusively used to account for the state appropriations (Attachment 2). The community college appropriation bill is generally signed before ACC's fiscal year begins, but usually after the College completes its budgeting process. The budget process looks at what the Governor recommends and what comes out of the legislative committees to give an estimate of what the final numbers will be. This year the Governor recommended a 1.6% increase and the legislature is recommending a 2% increase. The budget is using the 2% because there is a high probability that the Governor will sign the bill as presented. The budget calls for an appropriation of $5,256,841, 36.1% of the budget. See the attachment 2 on how the percentage of state aid to total revenue has changed over the past 10 years.

Federal

Federal funds are generated as an indirect cost recovery from the various grants (presently Educational Talent Search, Student Support Services, NSF, and TAACCCT) operated by the College. Typically the indirect cost recovery percentage runs between 5 and 8% of most expenses. These costs cover facilities overhead, administrative overhead (human resources, facilities management, accounting, management information service, etc.), and any other indirect costs allowed by law. The grants have combined expenses of approximately $1,800,000 with just over $108,000 in cost recovery funds.

Interest

The College maintains only operational bank accounts in the general fund. Therefore interest revenue comes from interest generated from those accounts less bank service fees charged for those accounts throughout the year. Because interest rates are very low and do not generate much net income, only $2,500 is estimated for the upcoming year.

Other

Other general fund revenues include facilities rental, ACC foundation reimbursement, other small reimbursements, and book store indirect cost recovery. The total for FY 2014 is $157,650.

Total Revenue

Total revenue budgeted is $14,544,458

Expenses

Salaries

Salaries includes all general fund wages for full-time and adjunct faculty, administrative staff, maintenance and custodial, and management (Attachment 3). Faculty received steps plus a 4% increase. Faculty base wages account for approximately $3,825,000, an increase of $124,000 after deducting $80,000 for one nursing faculty position and then adding $75,000 for one administrative nursing position. Overload and adjunct expends $1,127,000, an increase of $33,000. Educational support personnel received steps plus a 3.5% increase. ESP wages are $1,133,000, a reduction of $39,000. The reduction was achieved through two position eliminations and a reduction in hours. Maintenance and custodial regular wages amount to $370,000, an increase of $16,000 generated from a 3% increase and longevity increases. Wages were frozen for management for the third time in five years and one member reduced their scheduled hours to save around $9,000. Management salaries are expected to be approximately $1,327,000, an increase of $66,000 due to administrative nursing position mentioned above. The remaining funds of about $107,000 are for students, tutors, and overtime. The total expenditure for salaries and wages is expected to be $7,888,560. This constitutes 54.2% of the College's costs.

Fringe Benefits

Fringe benefits (Attachment 3)is comprised of FICA/Medicare (7.65%), retirement (about 25% for MSPERS or 12% for the optional retirement program), healthcare (includes medical, dental, vision, AD&D, LTD, life insurance) (runs as little as $5,000 for single or cash in-lieu of to as much as $22,500 for full family coverage). The College does not receive healthcare cost adjustment for the up-coming year until late April or early May. Changes to the State mandated cap to healthcare are not posted until

October for the following January 1st. In other words the College will receive notification of the changes for January 1, 2014 in October 2013, which complicates budgeting for healthcare.

Fringe benefits, as an overall set percentage of wages, are not possible to calculate. Healthcare is the one variable that depends on what the wages are and what level of coverage. For example an employee who makes $40,000 a year with full family coverage will have $10,000 contributed to MSPERS, $3,000 contributed to FICA/Medicare, and $22,500 contributed for healthcare benefits. This totals to $35,500 for fringe benefits amounting to 89% of wages. An employee making $70,000 would equate to 50% of wages. This does not include other fringe benefits such as tuition waivers, tuition reimbursement, paid holidays, vacation, unemployment insurance, and workers compensation.

The College will pay in $1,685,000 for healthcare benefits, $602,000 for FICA/Medicare, and $1,820,000 for retirement benefits. Retirement costs have more than doubled in the last fifteen years (see attachment 3). This is an average of 52% for every dollar of wages spent and over 28.2% of the College's budget. The total fringe benefit budgeted is $4,107,484, an increase of $120,000.

Outside Sources

Outside sources cover all expenses paid for services from third parties. This includes audit and legal fees, facility maintenance, and contract services. $52,000 is spent on maintenance and certification services for instruction. MIS spends $123,000 on Datatel annual maintenance, equipment maintenance, and Merit services. The library spends nearly $90,000 for contract services. This includes services for the director and HLC accreditation coordinator of $62,000 and on-line services. HUSH contracts for custodial, snow removal, and some maintenance at $34,000. Instructional administration budgets $19,000 for various services, such as ID cards and assessment. Student services contracts for software licenses, commencement and other service for $27,000. Executive and administrative services budgets for legal expenses of $60,000 this next year, audit fees of $30,000 and various other services such as facilities assessment and city and state services for approximately $12,000. Facilities management contracts with numerous vendors for a wide variety of services for around $150,000. The total of outside services is $597,000 for 4.2% of the budget.

Advertising

The College spends nearly $200,000 on advertising each year. This advertising includes newspaper, television, radio, catalogs, other printed material, and position advertisements. This accounts for 1.4% of the budget.

Supplies

Supplies for the entire College are budgeted at $316,000. Instruction is allocated $115,000, MIS is allocated $14,000 for computer supplies such as black ink. Copier maintenance, paper, and other related supplies are estimated at around $35,000. The registrar's and admission's department budgets $20,000 for items such as diplomas and covers and various other supplies. Facilities has $102,000 budgeted to provide all the cleaning, restroom, and maintenance supplies, and the balance is spread out amongst the remaining areas. Supplies account for 2.2% of the budget.

Rental

The budget line for rental is to account for renting space for our off site classroom space. There is minimal expense in this area at present.

Utilities

Utility costs include ACC's costs for gas, electricity and water. The total for the College is $438,000 less a charge of $11,000 to the bookstore. This amounts to 2.9% of the budget. ACC rates as one of the best three colleges in Michigan for cost per cubic feet for more than 15 years. Our cost is $0.0688 per cubic foot as compared to the state average of $0.1126, 39% lower.

Telephone

The acquisition of the VOIP phone system achieved the overall annual savings projected during the costing of the system of over $3,000 without purchasing new operating equipment. In FY 2012 costs were abnormally low because the College allowed the maintenance on the old system to lapse. An annual cost of $53,000 provides for long distance, cell phone, and system wide maintenance.

Postage

Postage provides for regular and bulk mailings at a budgeted $50,000. This has remained fairly stable in spite of the continuing Post Office price increases. The College continues to refine how it communicates with our constituents.

Insurance

Insurance covers property, liability, workers compensation, and unemployment. The College is a member of the Michigan Community College Risk Management Association insurance organization and is managed by Michigan Municipal Risk Management Association. This association provides our property and liability insurance. It is organized essentially as a self-funded plan. The College has had great success with the organization for over 15 years. The risk management principals have visited the College every year or so to provide safety and security guidance. The risk management association meets with member colleges four times a year to provide in-services on relevant insurance issues and give updates on current association business. Over a five year average, the College saves over standard insurance plans of up to 25%. Because of the association, the College keeps its share of the income for-profit insurance companies would normally show as profit. Workers compensation insurance is competitively bid periodically to keep cost down. Unemployment insurance is self-funded. The Total cost is estimated at $172,000.

Travel & Mileage

Travel and mileage includes travel for business meetings, seminars, staff development, adjunct and full-time faculty mileage reimbursement. Staff development has been curtailed for this year to save $16,000 in travel and $16,000 in transfer to the staff development fund. An additional $6,800 was also cut from travel. The total available for travel expense this year is $67,700.

Tuition Waivers/Dues

Tuition waivers and dues include student activity and athletic scholarships ($114,000), employee and family tuition waivers ($50,000), senior tuition waiver ($2,500), and Indian tuition waivers ($26,500) for $193,000. These same students generate tuition and fees of $333,000. Dues are for organizations that either the College ($31,000) or an individual employee ($2,000), as part of their responsibilities, is a member. This amounts to $33,000. The total available is $226,000.

Library & Equipment

Library and equipment includes books for the library of $14,000, equipment of $18,500 (maintain the servers and equipment housed at MIS) and software of $40,000 (software provided to all classrooms and offices) in the MIS budget of $58,500, and equipment for media instruction of $3,094. These items total to $75,594.

Other

Other consists of $9,000 for HLC costs, $5,000 for testing supplies, $115,000 for bad debt expense, $25,000 for bank fees the College pays for student and staff paying invoices with credit cards, $7,000 for interest, and $6,000 for miscellaneous other expenses. The bad debt is a result of students leaving the College generally without officially withdrawing from classes before they have completed 60% of the semester. The College is obligated to return funds back to the PELL and Federal loans under those conditions. The amount returned, depends on the students last day of attendance and the total funds received and overpayments issued to the student (funds received by the student over the charged tuition, fees, books and supplies). Because a student is considered fully earned at the two week point and the Federal programs consider fully earned at 60% (nine weeks), refunds are due. The College has instituted a process to identify students leaving prematurely and reduce this debt. Faculty advising financial aid of their students not attending the College in the first two or three weeks has reduced the number of students receiving overpayments when none should be given. This past year over $30,000 was not paid out because of this process. Further refinement of the process could save even greater dollars. The majority of our students do not have the resources to pay the College back for these returned funds, therefore the College sends the accounts to collection, unfortunately with limited success. The total budgeted for this year is $167,000.

Transfers

Transfers are necessary transactions that typically move funds from the general fund to other funds to support the mission of the College. Three transfers are scheduled for this year. The first is $77,015 for the Maintenance and Replacement fund. These funds are necessary because the student facilities maintenance fees charged are insufficient to accomplish all the maintenance and replacement needs of the College as well as the funding of the construction bond and interest payments. The second is a transfer of $16,932 to offset the cost to allow all employees the use of the Wellness Center. And the last is the transfer to Debt Service for the final bond and interest payment on the Datatel purchase of $98,800. Transfers total $192,747 this year.

Total Expenses

Total expenses budgeted is $14,544,458.

Projecting the Following Two Budget Years

By its very nature a projection into the future involves a measure of best guess, and sometimes outright speculation. These limitations do not render the document useless, nor should the changes made in future editions as more information appears prevent us from using it with appropriate caution. Each projection should be understood as a better approximation of the truth than its predecessor.

With that in mind, let me make a few comments on figures for FY 2014-15 in the current version, starting with revenues:

- The 0.0% figure for property taxes is based on signs that the real estate market in our district is turning around. For the past few years we have constructed budgets based on property tax declines, which have proven to be accurate. We may even see an increase during 2014-15, but the zero amount reflects a conservative approach.
- The tuition/fee revenue decline of 5.0% is based on the probability of continued enrollment decline. It represents what would happen if tuition/fee rates remained the same as FY 2013-14.
- In the state aid category, we have no notion of what increase, if any, would come from Lansing; however, there's enough economic improvement in Michigan and appreciation for community colleges to think there will not be a reduction.
- The 50% reduction of federal revenue ties to close-out of the Department of Labor training grant, from which some funds are transferred to the general fund for indirect facilities and personnel costs.
- Moving to the expense section, the 0.0% salary figure signifies another step toward getting personnel costs below 80%, which Dr. Joynton has advocated to many of us as a benchmark necessary for sustaining ACC's ability to achieve goals and objectives in the strategic plan. The average for Michigan community colleges is 79%, and the College's position in labor contract bargaining next year will certainly indicate the need for movement in this direction. Combined with the 7.0% decline in fringe benefits costs (due to assumption by all employees of the health care cap requirement), the 82.5% personnel cost share in the coming year will migrate to 81.7% in the following year.
- Outside sources expense is predicted to stabilize after the 3.6% increase during the 2013-14 year, which is attributable to costs of collective bargaining which may continue during FY 2014-15. If not, and the actual expense goes down, the zero figure can again be said to indicate a conservative approach.

- Insurance is set to be level, but we were just informed that we should expect a significant increase in workers compensation costs in FY 2015.
- Transfers increase from $192,747 in FY 2013-14 to $258,744 in FY 2014-15. The increase restores the transfer for Maintenance and Replacement back up to $100,000 plus what was reduced in FY 2013-14 and restores the $16,000 transfer for Staff Development.

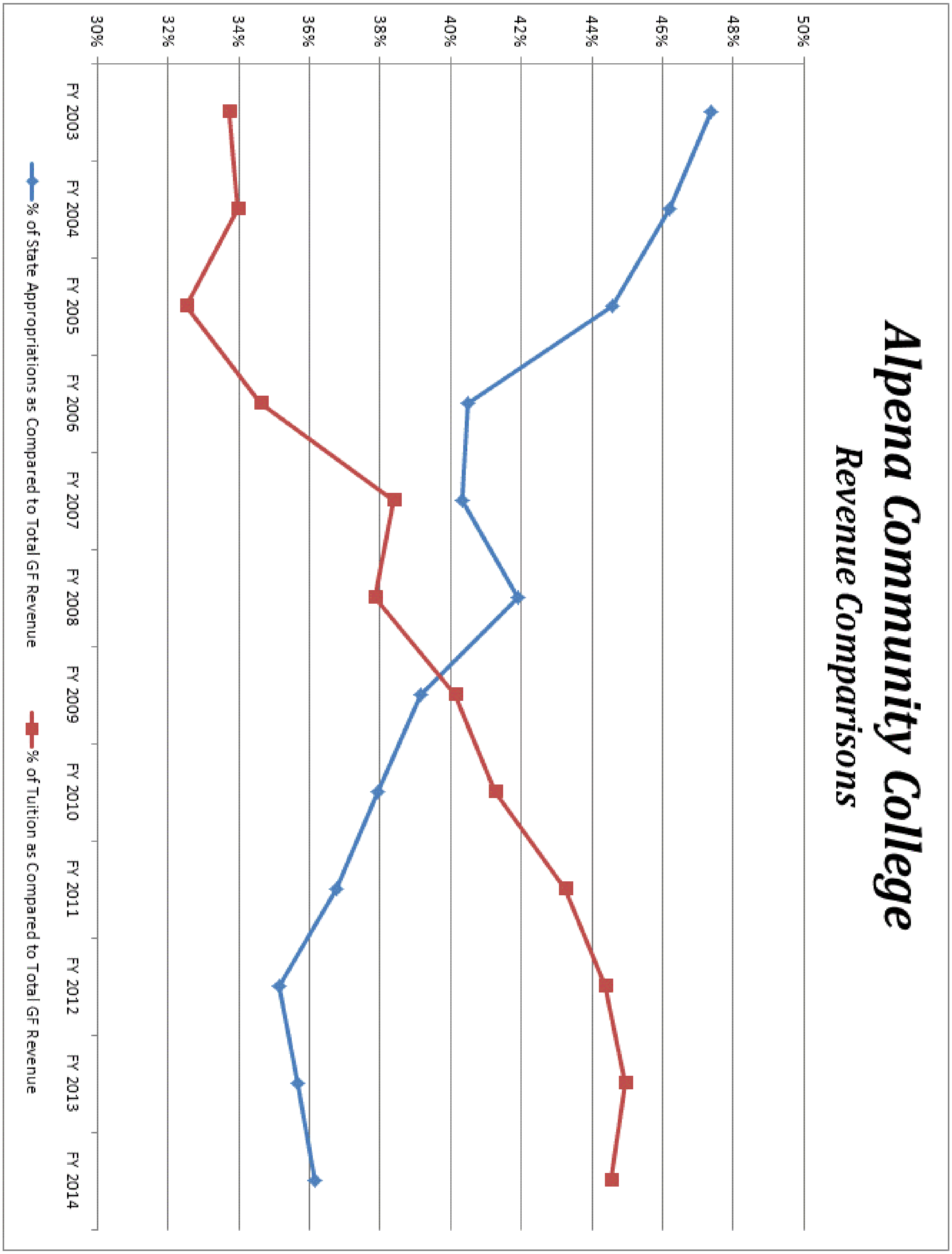
On numerous occasions in the past I have invited you to meet with me for discussions on this instrument and other budget documents, and I have appreciated the conversations with those of you who have responded. The invitation is cordial and sincere on a continuing basis, and I hope this new direction in my communication brings more of you into dialogue with me about this important facet of ACC business.

Attachment 1

Alpena Community College
General Fund
Three Year Projection
July 17, 2013

	2011-2012		2012-2013			2013-2014			2014-2015			2015-2016		
Description	Actual	% of Budget	Budget Totals	% of Budget	% Inc.	Budget Totals	% of Budget	% Inc.	Budget Totals	% of Budget	% Inc.	Budget Totals	% of Budget	% Inc.
Property Taxes	2,603,114	18.34%	2,514,039	17.41%	-3.4%	2,540,658	17.47%	1.1%	2,540,658	17.93%	0.0%	2,540,658	17.93%	0.0%
Tuition/Fees	6,318,640	44.51%	6,489,938	44.95%	2.7%	6,478,680	44.54%	-0.2%	6,154,746	43.45%	-5.0%	6,154,746	43.45%	0.0%
State Aid	4,984,301	35.11%	5,153,766	35.69%	3.4%	5,256,841	36.14%	2.0%	5,256,841	37.11%	0.0%	5,256,841	37.11%	0.0%
Federal	119,027	0.84%	128,129	0.89%	7.6%	108,129	0.74%	-15.6%	54,065	0.38%	-50.0%	54,065	0.38%	0.0%
Interest	483	0.00%	9,000	0.06%	1763.4%	2,500	0.02%	-72.2%	2,500	0.02%	0.0%	2,500	0.02%	0.0%
Sales & Services	15,981	0.11%	0	0.00%	-100.0%	0	0.00%	0.0%	0	0.00%	0.0%	0	0.00%	0.0%
Other	155,162	1.09%	144,150	1.00%	-7.1%	157,650	1.08%	9.4%	157,650	1.11%	0.0%	157,650	1.11%	0.0%
Transfers	0	0.00%	0	0.00%	0.0%	0	0.00%	0.0%	0	0.00%	0.0%	0	0.00%	0.0%
Total Revenue	14,196,708	100.00%	14,439,022	100.00%	1.7%	14,544,458	100.00%	0.7%	14,166,460	100.00%	-2.6%	14,166,460	100.00%	0.0%
Salaries	7,934,287	55.95%	7,754,415	53.70%	-2.3%	7,888,560	54.24%	1.7%	7,888,560	55.04%	0.0%	7,888,560	54.67%	0.0%
Fringe Benefits	4,070,625	28.97%	4,121,588	28.54%	1.3%	4,107,484	28.24%	-0.3%	3,819,961	26.65%	-7.0%	3,896,360	27.00%	2.0%
Outside Sources	561,127	4.21%	576,180	3.99%	2.7%	596,948	4.10%	3.6%	596,948	4.17%	0.0%	596,948	4.14%	0.0%
Advertising	158,035	1.40%	198,630	1.38%	25.7%	198,630	1.37%	0.0%	198,630	1.39%	0.0%	198,630	1.38%	0.0%
Supplies	244,811	2.23%	312,293	2.16%	27.6%	316,481	2.18%	1.3%	316,481	2.21%	0.0%	322,811	2.24%	2.0%
Rental	2,500	0.04%	5,000	0.03%	100.0%	5,000	0.03%	0.0%	5,000	0.03%	0.0%	5,000	0.03%	0.0%
Utilities	429,428	3.01%	460,810	3.19%	7.3%	427,314	2.94%	-7.3%	433,724	3.03%	1.5%	440,230	3.05%	1.5%
Telephone	34,365	0.37%	53,000	0.37%	54.2%	53,000	0.36%	0.0%	53,000	0.37%	0.0%	53,000	0.37%	0.0%
Postage	44,286	0.35%	50,000	0.35%	12.9%	50,000	0.34%	0.0%	50,500	0.35%	1.0%	51,005	0.35%	1.0%
Insurance	142,158	1.21%	177,160	1.23%	24.6%	172,000	1.18%	-2.9%	172,000	1.20%	0.0%	177,160	1.23%	3.0%
Travel & Mileage	90,548	0.48%	90,500	0.63%	-0.1%	67,700	0.47%	-25.2%	67,700	0.47%	0.0%	67,700	0.47%	0.0%
Tuition Waivers/Dues	92,891	1.59%	226,000	1.57%	143.3%	226,000	1.55%	0.0%	226,000	1.58%	0.0%	228,260	1.58%	1.0%
Library & Equipment	64,997	0.53%	72,500	0.50%	11.5%	75,594	0.52%	4.3%	75,594	0.53%	0.0%	75,594	0.52%	0.0%
Other	92,201	1.18%	101,190	0.70%	9.7%	167,000	1.15%	65.0%	168,670	1.18%	1.0%	170,357	1.18%	1.0%
Transfers	218,244	1.36%	239,756	1.66%	9.9%	192,747	1.33%	-19.6%	258,744	1.81%	34.2%	258,744	1.79%	0.0%
	14,180,503	102.89%	14,439,022	100.00%	1.8%	14,544,458	100.00%	0.7%	14,331,511	100.00%	-1.5%	14,430,357	100.00%	0.7%
	16,205		0			0			(165,051)			(263,898)		

Attachment 2



Attachment 3

Alpena Community College

Payroll Costs as Compared to Total Expenses

As of July 1, 2013

	Total General Fund Expenses	Wages	% of Wages as Compared to Total GF Expenses	Fringe Benefits	% of Fringe Benefits as Compared to Total GF Expenses	% of Total Wage and Fringe Benefits
FY 2004	10,886,343	6,172,268	57%	2,441,237	22%	79%
FY 2005	11,029,744	6,320,601	57%	2,614,011	24%	81%
FY 2006	11,227,110	6,286,567	56%	2,837,739	25%	81%
FY 2007	11,652,146	6,309,145	54%	2,945,472	25%	79%
FY 2008	12,852,611	7,176,602	56%	2,790,400	22%	78%
FY 2009	13,380,763	7,598,413	57%	3,286,877	25%	81%
FY 2010	13,668,879	7,901,438	58%	3,336,386	24%	82%
FY 2011	14,177,255	8,061,495	57%	3,701,629	26%	83%
FY 2012	14,180,503	7,934,287	56%	4,070,625	29%	85%
FY 2013	14,439,022	7,754,415	54%	4,121,588	29%	82%
FY 2014	14,544,458	7,888,560	54%	4,107,484	28%	82%
FY 2015	14,331,514	7,888,560	55%	3,819,961	27%	82%

Attachment 4