

Board of Trustees
Washtenaw Community College

TAB G

ACTION

4800 E. Huron River Drive
Ann Arbor, Michigan 48105

Subject
Financial Reports (December 2018 and January 2019)

Date
February 26, 2019

RECOMMENDATION

That the Board of Trustees receive the Financial Reports for December 2018 and January 2019 as follows: General Fund, Deferred Maintenance Fund, Capital Fund, and Combined Schedule of Investments-All Funds.

Prepared by: William Johnson
Title: CFO and Vice President of Finance

Recommended by: *Rose B. Bellanca, Ed.D.*
Rose B. Bellanca, President

Financial Narrative

December 2018

The financial narrative discusses the financial operating performance of Washtenaw Community College for fiscal year 2018-19, the six months ended December 31, 2018.

Revenue

As of December 31, 2018, Total Revenues were \$82.7 million; Total Expenditures and Operating Transfers were \$53.7 million. Revenues in total are ahead of the expected budget for the first half of the fiscal year by approximately \$500,000.

Winter Tuition revenue of \$10.4 million was just slightly below the expected level as of the end of December due, in part, to the Winter Semester starting a week later than last year. However, as of mid-January, concerted efforts across campus have attracted additional students and pushed winter tuition revenue ahead of budget. With the strength of the on-line offerings, and late-starting classes still open for new enrollments, we are expecting Winter Tuition revenue to meet, if not exceed, the budgeted revenue.

State Aid revenue reflects an accrual for six months' of the annual appropriation for the fiscal year, along with a partial payment of approximately \$364,000 from the Local Community Stabilization Authority (LCSA), (the make whole mechanism for lost personal property tax revenue). The State has indicated that the remaining LCSA payment, now expected in May 2019, will be between 100% and 134% of the initial payment, which will leave us in range of our budget of approximately \$800,000. Additionally, payments from the State to offset increases in the cost of the MPSERS pension plan have pushed the year-to-date revenue ahead of budget.

Receipts for Local Government Taxes are \$42.3 million through December, which represents 80.0 percent of the total budgeted revenue from property taxes. This is ahead of the projected collections through the first half of the year. Refunds of prior year taxes are trending below budget, as are diversions to the local DDA's and TIFA's. These items, along with a better-than-expected increase in taxable values, support that the final tax revenue amount for the year will exceed the budget by \$500,000 or more.

Expenditures

Total Expenditures through December 31, 2018, represent 48 percent of the budgeted expenditures for the fiscal year. Overall expenditures continue to be right on pace with what was projected through the first half of the year, with small positive variances in both personnel and non-personnel spending. For the year, vacancies in full-time positions were budgeted to provide savings of approximately \$2 million, based on an average of 20-25 vacant positions per month. Actual vacancies averaged just above 20 per month for the first six months of the year, on target with the budget. As the year progresses, the various divisions will show a positive variance to budget and the General Administrative category, which holds the budgeted vacancy savings, will reflect an over-budget condition.

Washtenaw Community College
Revenues and Expenditures - General Fund
Statement as of December 31, 2018

	Annual Budget	YTD Budget	YTD Actual	YTD Variance
REVENUES				
Tuition Fall	12,125,248	12,125,248	12,058,145	(67,103)
Tuition Winter	11,294,472	10,505,858	10,406,160	(99,698)
Tuition Spring	4,887,996	1,613,039	1,655,633	42,594
Student Fees	4,985,000	4,077,829	3,993,119	(84,710)
Total Tuition and Fees	33,292,716	28,321,974	28,113,057	(208,917)
Local Property Taxes	52,900,000	42,155,545	42,324,128	168,583
State Appropriations	14,696,374	7,348,187	7,504,833	156,646
Trade Partnerships	3,773,072	2,490,433	2,651,590	161,157
Investment Income	825,000	447,300	551,620	104,320
Other	1,835,364	832,694	838,300	5,606
Auxiliary Activities	1,218,650	565,875	672,168	106,293
Total Revenue	108,541,176	82,162,008	82,655,696	493,688
EXPENDITURES				
Humanities & Social Sciences	11,758,315	5,740,274	5,820,155	(79,881)
Math, Science & Engineering Technologies	8,726,871	4,258,484	4,320,928	(62,444)
Health Sciences	5,715,256	2,753,993	2,711,181	42,812
Business & Computer Technologies	7,187,520	3,503,728	3,710,945	(207,217)
Advanced Technologies & Public Service Careers	7,285,357	3,575,161	3,459,147	116,014
Continuing Education	597,258	280,369	271,583	8,786
Distance Learning	1,888,897	929,806	925,023	4,783
Instructional Support	14,078,406	7,331,739	7,212,076	119,663
Total Instruction	57,237,880	28,373,554	28,431,038	(57,484)
Student Services	9,176,462	4,428,307	4,119,124	309,183
Scholarships	1,668,520	930,765	907,243	23,522
Executive Management	2,137,464	984,173	1,015,118	(30,944)
General Admin - Institutional Services	7,446,127	3,428,613	4,055,218	(626,605)
MIS/Computer Services	8,098,463	4,119,865	3,990,000	129,864
Public Relations Development	3,205,695	1,315,950	1,248,568	67,382
Community Services	2,200,494	1,065,582	1,025,256	40,326
Physical Plant Operations	10,919,981	5,027,867	4,817,042	210,825
Utilities	2,089,700	1,006,592	999,428	7,165
Equipment	1,938,515	877,643	799,458	78,185
Total Non-Instruction	48,881,421	23,185,359	22,976,456	208,903
Total Expenditures	106,119,301	51,558,913	51,407,494	151,419
OPERATING TRANSFERS				
Repair & Maintenance	750,000	750,000	750,000	-
Debt Retirement	1,221,875	175,938	175,938	-
Health & Fitness Center	(1,750,000)	(875,000)	(875,000)	-
Deferred Maintenance	2,000,000	2,000,000	2,000,000	-
Furniture	200,000	200,000	200,000	-
Total Operating Transfers	2,421,875	2,250,938	2,250,938	-
Total Expenditures and Operating Transfers	108,541,176	53,809,851	53,658,432	151,419
Operating Revenue Over Expenditures & Transfers	-	28,352,158	28,997,264	645,106
OTHER NON-OPERATING ACTIVITY				
Unrealized Gain/(Loss) on Investment	-	-	176,277	176,277
Total Revenue over Expenditures & Transfers	-	28,352,158	29,173,541	821,383

Capital Fund
Project Summary
December 31, 2018

Project Category	Budget	Actuals	Commitment	Balance
Revenues				
State Appropriation CC - STEP Equipment	4,516,749	4,516,749	-	0
General Fund	6,055,178	6,055,178	-	0
Misc. Revenue		11,167		11,167
Total Revenues	\$ 10,571,927	10,583,094	-	11,167
Construction/Repair Projects				
Storage Receiving Building				
Renovations:				
SRB Addition	1,830,000	1,828,220	-	1,780
Total Storage Receiving Building	\$ 1,830,000	\$ 1,828,220	\$ -	1,780
Campus Wide				
System Improvements:				
Classroom & Lab access Control	570,802	561,385	6,053	3,364
CC - STEP Equipment	7,627,434	7,504,061	-	123,373
Campus Security System Upgrades	318,691	317,723	-	968
Campus Data Storage Upgrades	225,000	224,080	-	920
Total Campus Wide	\$ 8,741,927	\$ 8,607,249	\$ 6,053	128,625
Grand Total Construction/Repair Projects	\$ 10,571,927	\$ 10,435,469	\$ 6,053	130,405
Revenue Over (Under) Expenditures		\$ 147,625		

**Washtenaw Community College
Deferred Maintenance Fund
December 31, 2018**

Five Year Priority List at inception of fund - September 2012	12,570,900
New projects identified - 2015	5,420,000
Additional Projects undertaken (not on above lists)	5,045,971
Adjustments to budgets of started or completed projects	4,189,834
Projects funded through other budgeted sources	(821,900)
Deferred Maintenance requirement 2012-2022	26,404,805

Since inception of fund:

General Fund Transfers	17,300,000
Completed projects	(10,153,850)
Projects in process	(5,943,372)
Uncommitted Fund Balance	1,202,778

Completed Projects:

	<u>Final Cost</u>
Projects completed in prior years	9,529,223
Current year completed projects:	
GMB Carpet/Flooring Replacement	173,430
Siemens Temp.control Panel Upgrade	114,652
FEB-Roof Replacement	55,145
CLASB Humidification Boiler Replacement	251,400
Total of FY19 completed projects < \$50,000 each	30,000
Total Completed	10,153,850

Projects in Process or scheduled to begin:

	<u>Allocated Budget</u>
BEB Fan Coil Units	611,079
GMB Penthouse replace main building transformers	150,000
EC Heating Pumps Replacement	418,822
EC Boiler Control & Valve Repl	75,000
Replace Bus Loop	228,132
Campus-Concrete sidewalk replacement and GL-Correct curb height vs sidewalk issue	102,000
EC-Replace campus cooling tower with stainless steel unit	800,000
HFC Hot Water System	375,000
FEB-Upgrade & Replace Lighting	75,000
HFC Defender Tank	90,000
HFC Women's hot tub repair	300,000
LA-Replace Chemistry Hoods	700,000
LA-Corridor Tile Flooring Replacement 2nd Floor	210,000
* LA-Roofing and Intake Repair	60,000
ML-Boiler Replacement	556,075
ML-Firing Range AHU Replacement	750,000
GL-Handicap ramp replacement	100,000
Maintenance Garage replace oil separator/sanitation line	102,963
Total of other projects < \$50,000 each	239,301
Total in Process	5,943,372

* Scheduled; no financial activity as of report date

Projects anticipated to begin in FY 20

	<u>Expected Budget</u>
Campus - Resurface Parking Lots 6	600,000
HFC-The lap pool and therapy pool floor and walls need to be replaced with ceramic. The	200,000
ML Renovation Design	300,000
Total of other projects < \$50,000 each	220,000
Total Pending	1,320,000



**WCC Active Portfolio
Portfolio Management
Portfolio Summary
October 31, 2018**

Washtenaw Community College
4800 East Huron River Drive
Ann Arbor, MI 48105
(734)973-3300

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Federal Agency Coupon Securities	7,000,000.00	6,753,490.00	6,988,394.57	26.83%	2,478	1496	2.110	2.139
Treasury Coupon Securities	2,000,000.00	1,991,600.00	1,994,322.04	7.66%	372	149	2.070	2.098
Miscellaneous Coupon Securities	4,000,000.00	3,837,640.00	4,009,649.00	15.39%	2,505	1833	2.114	2.144
Municipal Bonds	13,000,000.00	12,805,455.00	13,058,836.11	50.13%	2,180	1147	2.395	2.428
	26,000,000.00	25,388,185.00	26,051,201.72	100.00%	2,172	1,270	2.250	2.282

Investments	Month Ending 10/31/2018	Fiscal Year 2018 - 2019 To Date	Month Ending 10/31/17	Fiscal Year 2017 - 2018 To Date
Total Earnings				
Current Year	49,883.51	199,386.66	47,360.53	184,783.74
Average Monthly Balance - Long Term Invested Balance		26,049,117.42		25,571,436.36
Effective Rate of Return - Long Term Invested Balance		2.30%		2.17%

	6 Month	1 Year	5 Year	10 Year	20 Year
Treasury Yield Curve 10/31/2018	2.49%	2.69%	2.98%	3.15%	3.30%

Reporting period 10/01/2018-10/31/2018

Financial Narrative

January 2019

The financial narrative discusses the financial operating performance of Washtenaw Community College for fiscal year 2018-19, the seven months ended January 31, 2019.

Revenue

As of January 31, 2019, Total Revenues were \$90.8 million; Total Expenditures and Operating Transfers were \$62.6 million. Revenues in total are ahead of the expected budget for the first seven months of the fiscal year by approximately \$1.2 million.

Winter Tuition revenue of \$11.4 million was ahead of the expected level as of the end of January. Concerted efforts across campus; the availability of late-starting classes; and the continued strength of the on-line offerings, have pushed winter tuition revenue ahead of budget. Overall enrollment as of early February, was down just over one percent, which is in line with budgeted amounts. The total will continue to move slightly over the next couple months, however, we are expecting the final Winter Tuition revenue to meet, if not exceed, the budgeted amount.

State Aid revenue reflects an accrual for seven months of the annual appropriation for the fiscal year, along with a partial payment of approximately \$364,000 from the Local Community Stabilization Authority (LCSA), (the make whole mechanism for lost personal property tax revenue). The State has indicated that the remaining LCSA payment, now expected in May 2019, will be between 100% and 134% of the initial payment, which will leave us in range of our budget of approximately \$800,000. Additionally, payments from the State to offset increases in the cost of the MPSERS pension plan have pushed the year-to-date revenue ahead of budget.

Receipts for Local Government Taxes are \$47.4 million through January, which represents just under 90 percent of the total budgeted revenue from property taxes. This is ahead of the projected collections through the first seven months of the year. Refunds of prior year taxes are trending below budget, as are diversions to the local DDA's and TIFA's. These items, along with a better-than-expected increase in taxable values, support that the final tax revenue amount for the year will exceed the budget by \$500,000 or more.

Expenditures

Total Expenditures through January 31, 2019, represent 57 percent of the budgeted expenditures for the fiscal year. Overall expenditures continue to be right on pace with what was projected through the first seven months of the year, with small positive variances in both personnel and non-personnel spending.

For the year, vacancies in full-time positions were budgeted to provide savings of approximately \$2 million, based on an average of 20-25 vacant positions per month. Actual vacancies averaged just above 20 per month for the first seven months of the year, on target with the budget.

Additionally, the vacancy savings for part-time personnel is offsetting an unbudgeted expense of approximately \$459,000 recorded in January related to an additional MPSERS obligation for part time student workers. Passage of Public Act 512 in December, 2018 obligates community colleges to contribute to MPSERS any unfunded pension costs associated with part time student worker compensation for the four year period ending July 1, 2018. Community colleges may be obligated for

additional amounts related to part time student workers that opt into the MPSERS participation for periods prior to 7/1/2014. Based upon a preliminary calculation by the Office of Retirement Systems (ORS), it was estimated that WCC will be obligated to pay \$459,000 for the four year period ending 7/1/18. This past month, the College chose to expense the preliminary amount, and make a payment to mitigate additional interest charges accruing between now and sometime after January 2020 when the final assessment is complete.

Washtenaw Community College
Revenues and Expenditures - General Fund
Statement as of January 31, 2019

	Annual Budget	YTD Budget	YTD Actual	YTD Variance
REVENUES				
Tuition Fall	12,125,248	12,125,248	12,047,669	(77,579)
Tuition Winter	11,294,472	11,294,472	11,421,854	127,382
Tuition Spring	4,887,996	1,613,039	1,655,633	42,594
Student Fees	4,985,000	4,178,271	4,137,157	(41,114)
Total Tuition and Fees	<u>33,292,716</u>	<u>29,211,030</u>	<u>29,262,313</u>	<u>51,283</u>
Local Property Taxes	52,900,000	46,887,345	47,371,824	484,479
State Appropriations	14,696,374	8,505,479	8,694,438	188,959
Trade Partnerships	3,773,072	2,857,127	3,068,107	210,980
Investment Income	825,000	516,050	674,543	158,493
Other	1,835,364	1,036,438	1,020,930	(15,508)
Auxiliary Activities	1,218,650	586,007	731,094	145,087
Total Revenue	108,541,176	89,599,475	90,823,248	1,223,773
EXPENDITURES				
Humanities & Social Sciences	11,758,315	6,649,560	6,645,112	4,448
Math, Science & Engineering Technologies	8,726,871	4,920,043	4,953,785	(33,742)
Health Sciences	5,717,756	3,179,951	3,134,510	45,440
Business & Computer Technologies	7,185,063	4,090,603	4,250,667	(160,065)
Advanced Technologies & Public Service Careers	7,277,857	4,153,095	4,017,151	135,944
Continuing Education	597,258	316,865	289,742	27,123
Distance Learning	1,888,897	1,088,500	1,073,260	15,240
Instructional Support	14,087,308	8,475,249	8,227,042	248,206
Total Instruction	<u>57,239,325</u>	<u>32,873,866</u>	<u>32,591,271</u>	<u>282,595</u>
Student Services	9,175,605	5,293,582	4,902,932	390,650
Scholarships	1,668,520	1,343,275	1,334,257	9,018
Executive Management	2,137,464	1,167,410	1,179,889	(12,479)
General Admin - Institutional Services	7,470,646	4,069,154	5,156,855	(1,087,701)
MIS/Computer Services	8,098,896	4,664,698	4,543,495	121,204
Public Relations Development	3,205,695	1,612,047	1,507,809	104,238
Community Services	2,200,494	1,236,586	1,186,416	50,170
Physical Plant Operations	10,894,441	6,022,410	5,801,367	221,043
Utilities	2,089,700	1,139,616	1,138,895	721
Equipment	1,938,515	1,008,264	981,663	26,601
Total Non-Instruction	<u>48,879,976</u>	<u>27,557,042</u>	<u>27,733,577</u>	<u>(176,535)</u>
Total Expenditures	106,119,301	60,430,907	60,324,848	106,059
OPERATING TRANSFERS				
Repair & Maintenance	750,000	750,000	750,000	-
Debt Retirement	1,221,875	175,938	175,938	-
Health & Fitness Center	(1,750,000)	(875,000)	(875,000)	-
Deferred Maintenance	2,000,000	2,000,000	2,000,000	-
Furniture	200,000	200,000	200,000	-
Total Operating Transfers	2,421,875	2,250,938	2,250,938	-
Total Expenditures and Operating Transfers	108,541,176	62,681,845	62,575,786	106,059
Operating Revenue Over Expenditures & Transfers	-	26,917,630	28,247,462	1,329,832
OTHER NON-OPERATING ACTIVITY				
Unrealized Gain/(Loss) on Investment	-	-	176,277	176,277
Total Revenue over Expenditures & Transfers	-	26,917,630	28,423,739	1,506,109

Capital Fund
Project Summary
January 31, 2019

Project Category	Budget	Actuals	Commitment	Balance
Revenues				
State Appropriation CC - STEP Equipment	4,516,749	4,516,749	-	0
General Fund	6,055,178	6,055,178	-	0
Misc. Revenue		11,167		11,167
Total Revenues	\$ 10,571,927	10,583,094	-	11,167
Construction/Repair Projects				
Storage Receiving Building				
Renovations:				
SRB Addition	1,830,000	1,828,220	-	1,780
Total Storage Receiving Building	\$ 1,830,000	\$ 1,828,220	\$ -	1,780
Campus Wide				
System Improvements:				
Classroom & Lab access Control	570,802	561,385	6,053	3,364
CC - STEP Equipment	7,627,434	7,504,061	-	123,373
Campus Security System Upgrades	318,691	317,723	-	968
Campus Data Storage Upgrades	225,000	224,080	-	920
Total Campus Wide	\$ 8,741,927	\$ 8,607,249	\$ 6,053	128,625
Grand Total Construction/Repair Projects	\$ 10,571,927	\$ 10,435,469	\$ 6,053	130,405
Revenue Over (Under) Expenditures		\$ 147,625		

**Washtenaw Community College
Deferred Maintenance Fund
January 31, 2019**

Five Year Priority List at inception of fund - September 2012	12,570,900
New projects identified - 2015	5,420,000
Additional Projects undertaken (not on above lists)	5,465,971
Adjustments to budgets of started or completed projects	4,891,173
Projects funded through other budgeted sources	(821,900)
Deferred Maintenance requirement 2012-2022	<u>27,526,144</u>

Since inception of fund:

General Fund Transfers	17,300,000
Completed projects	(10,444,822)
Projects in process	(5,652,400)
Uncommitted Fund Balance	<u>1,202,778</u>

Completed Projects:

	<u>Final Cost</u>
Projects completed in prior years	9,529,223
Current year completed projects:	
GMB Carpet/Flooring Replacement	173,430
CLASB Humidification Boiler Replacement	251,400
Maintenance Garage replace oil separator/sanitation line	102,963
Siemens Temp.control Panel Upgrade	114,652
Campus-Concrete sidewalk replacement and GL-Correct curb height vs sidewalk issue	102,000
FEB-Roof Replacement	55,145
Total of FY19 completed projects < \$50,000 each	116,009
Total Completed	<u>10,444,822</u>

Projects in Process or scheduled to begin:

	<u>Allocated Budget</u>
BEB Fan Coil Units	611,079
GMB Penthouse replace main building transformers	150,000
EC Heating Pumps Replacement	418,822
EC Boiler Control & Valve Repl	75,000
Replace Bus Loop	228,132
EC-Replace campus cooling tower with stainless steel unit	800,000
HFC Hot Water System	375,000
FEB-Upgrade & Replace Lighting	75,000
HFC Defender Tank	90,000
HFC Women's hot tub repair	300,000
LA-Replace Chemistry Hoods	700,000
LA-Corridor Tile Flooring Replacement 2nd Floor	210,000
* LA-Roofing and Intake Repair	60,000
ML-Boiler Replacment	556,075
ML-Firing Range AHU Replacement	750,000
GL-Handicap ramp replacement	100,000
Total of other projects < \$50,000 each	153,292
Total in Process	<u>5,652,400</u>

* Scheduled; no financial activity as of report date

Projects anticipated to begin in FY 20

	<u>Expected Budget</u>
Campus - Resurface Parking Lots 6	600,000
HFC-The lap pool and therapy pool floor and walls need to be replaced with ceramic.	200,000
ML Renovation Design	300,000
Total of other projects < \$50,000 each	220,000
Total Pending	<u>1,320,000</u>

**WCC Active Portfolio
 Portfolio Management
 Portfolio Summary
 January 31, 2019**

Washtenaw Community College
 4800 East Huron River Drive
 Ann Arbor, MI 48105
 (734)973-3300

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Federal Agency Coupon Securities	7,000,000.00	6,890,210.00	6,991,690.17	26.83%	2,477	1403	2.110	2.139
Treasury Coupon Securities	2,000,000.00	1,997,067.00	1,997,914.66	7.67%	372	57	2.070	2.098
Miscellaneous Coupon Securities	4,000,000.00	3,933,790.00	4,009,299.77	15.39%	2,505	1741	2.114	2.144
Municipal Bonds	13,000,000.00	12,971,695.00	13,057,049.54	50.11%	2,180	1054	2.395	2.428
	26,000,000.00	25,792,762.00	26,055,954.14	100.00%	2,171	1,177	2.250	2.282

Investments	Month Ending 1/31/2019	Fiscal Year 2018 - 2019 To Date	Month Ending 1/31/18	Fiscal Year 2017 - 2018 To Date
Total Earnings				
Current Year	49,905.45	348,988.02	46,175.89	324,893.31
Average Monthly Balance - Long Term Invested Balance		26,051,082.26		25,570,698.25
Effective Rate of Return - Long Term Invested Balance		2.30%		2.18%

	6 Month	1 Year	5 Year	10 Year	20 Year
Treasury Yield Curve 01/31/2019	2.46%	2.55%	2.43%	2.63%	2.83%

Reporting period 01/01/2019-01/31/2019