

**Board of Trustees**  
Washtenaw Community College

TAB C

**ACTION**

4800 E. Huron River Drive  
Ann Arbor, Michigan 48105-4800

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Subject

Date

Financial Reports (Year End – June 2019)

September 24, 2019

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**RECOMMENDATION**

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

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Prepared by: William Johnson

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

Title: Executive Vice President

Rose B. Bellanca, President

CFO and Vice President of Finance

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# Financial Narrative

June 2019

The financial narrative discusses the financial operating performance of Washtenaw Community College for fiscal year 2018-19, the year ended June 30, 2019.

## Revenue

As of June 30, 2019, Total Revenues were \$110.7 million; Total Expenditures and Operating Transfers were \$106.3 million. Revenues in total were ahead of the expected budget for the fiscal year by approximately \$2.2 million.

Spring Tuition revenue was behind the budget by approximately \$250,000. Both headcount and credit hour enrollments remained in line with projected assumptions, however lower revenue was recognized in FY19 due to a later semester start date. The Spring Tuition revenue amount includes 59% of the tuition revenue billed through June for the current Spring/Summer term, along with \$1.6 million of tuition revenue that was earned for the prior 2018 Spring/Summer term.

State Aid revenue reflects an accrual for twelve months of the annual appropriation for the fiscal year, along with two payments totaling approximately \$818,000 from the Local Community Stabilization Authority (LCSA), (the make whole mechanism for lost personal property tax revenue). 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 were \$53.9 million for the fiscal year, which represents 102 percent of the total budgeted revenue from property taxes. This was ahead of the projected collections for the year. Refunds of prior year taxes were below budget, as were diversions to the local DDA's and TIFA's.

## Operating Expenditures

Total Expenditures for fiscal year 2019, were \$103.9 million, which was \$2.2 million below budgeted expenditures for the fiscal year.

Personnel expenses of \$84.3 million were in line with budget. Full and part time position vacancy savings exceeded budget expectations by approximately \$540,000, which more than offset the one-time cost of \$459,000 related to settling the MPSERS PT Student matter. Non-personnel costs were below budget by \$2.1 million, because of lower spending across the college, including facilities, utilities, equipment purchases and technology services.

## Non-operating activity

Non-operating activity reflects items outside the normal course of business for the college. For the year ended June 30, 2019 this includes two components: the net increase in market value of the college's investment portfolio over the course of the year as well as an accrual for the transition to managed technology services.

At the beginning of the fiscal year, the investment portfolio had a market value approximately \$485,000 less than the purchase cost. As of the end of the fiscal year, the college investments had a market value of approximately \$220,000 greater than the purchase cost of the roughly \$26 million of long term

investments. The college typically holds its investments until maturity, which effectively eliminates any cash impact from these market value fluctuations.

In June 2019, the Board approved a contract with Ellucian Company L.P. for technology management services. As a result, the Board of Trustees approved funding for a severance payment to compensate certain college personnel affected by the change. Accordingly, the college has recorded a liability of approximately \$2,300,000 as of June 30, 2019, which is included in accrued payroll and withholdings on the accompanying statement of net position and will be paid in fiscal 2020.

#### Deferred Maintenance Fund

Through June 30, 2019, the College has funded \$17.3 million to the Deferred Maintenance Fund since its inception in 2012, including \$2.0 million in Fiscal 2019 alone. Of this amount, \$11.5 million has been spent on completed projects and \$6.9 million has been committed towards projects in progress and/or scheduled for completion within the next twelve months. The college has identified a list of additional projects which will be funded by the FY2020 budgeted transfer from the General Fund of \$2.5 million.

#### Long Term Investments

During FY19, the college's long-term investment income increased by approximately \$40,000 and its average yield increased from 2.21% to 2.33%. The college's strategic decision to reduce the average age to maturity of its portfolio continues to pay dividends. Over the last five fiscal years, the college's portfolio average age to maturity has decreased from 9.8 years to 3.1 years. This has positioned the college well to react quickly to fluctuating market conditions. As long-term bond holdings mature, the college continues to assess the interest rate environment and seek investments that place the college in the most advantageous position to attract the highest yield available while the portfolio remains in accordance with Board policy.

	Annual Budget	YTD Budget	YTD Actual	YTD Variance
<b>REVENUES</b>				
Tuition Fall	12,125,248	12,125,248	12,042,254	(82,994)
Tuition Winter	11,294,472	11,294,472	11,344,926	50,454
Tuition Spring	4,887,996	4,887,996	4,631,110	(256,887)
Student Fees	4,985,000	4,985,000	4,954,358	(30,642)
Total Tuition and Fees	33,292,716	33,292,716	32,972,647	(320,069)
Local Property Taxes	52,900,000	52,900,000	53,943,445	1,043,445
State Appropriations	14,696,374	14,696,374	15,181,502	485,128
Trade Partnerships	3,773,072	3,773,072	4,094,533	321,461
Investment Income	825,000	825,000	1,157,741	332,741
Other	1,835,364	1,835,364	1,981,227	145,863
Auxiliary Activities	1,218,650	1,218,650	1,387,292	168,642
<b>Total Revenue</b>	<b>108,541,176</b>	<b>108,541,176</b>	<b>110,718,386</b>	<b>2,177,210</b>
<b>EXPENDITURES</b>				
Humanities & Social Sciences	11,775,995	11,775,995	11,851,146	(75,151)
Math, Science & Engineering Technologies	8,753,365	8,753,365	8,814,588	(61,223)
Health Sciences	5,672,867	5,672,867	5,539,950	132,917
Business & Computer Technologies	7,215,997	7,215,997	7,484,424	(268,427)
Advanced Technologies & Public Service Careers	7,253,318	7,253,318	6,882,128	371,190
Continuing Education	624,299	624,299	565,614	58,685
Distance Learning	1,874,201	1,874,201	1,831,048	43,153
Instructional Support	14,001,597	14,001,597	13,205,127	796,470
Total Instruction	57,171,639	57,171,639	56,174,025	997,614
Student Services	9,236,850	9,236,850	8,679,120	557,730
Scholarships	1,669,877	1,669,877	1,612,505	57,372
Executive Management	2,140,537	2,140,537	2,012,729	127,808
General Admin - Institutional Services	7,373,631	7,396,128	8,696,166	(1,300,038)
MIS/Computer Services	8,109,460	8,109,460	7,652,636	456,824
Public Relations Development	3,216,902	3,216,902	2,638,497	578,405
Community Services	2,183,689	2,183,689	2,179,026	4,663
Physical Plant Operations	10,966,918	10,944,421	10,543,002	401,419
Utilities	2,089,700	2,089,700	2,012,083	77,617
Equipment	1,960,098	1,960,098	1,687,705	272,393
Total Non-Instruction	48,947,662	48,947,662	47,713,468	1,234,194
<b>Total Expenditures</b>	<b>106,119,301</b>	<b>106,119,301</b>	<b>103,887,493</b>	<b>2,231,808</b>
<b>OPERATING TRANSFERS</b>				
Repair & Maintenance	750,000	750,000	750,000	-
Debt Retirement	1,221,875	1,221,875	1,221,875	-
Health & Fitness Center	(1,750,000)	(1,750,000)	(1,750,000)	-
Deferred Maintenance	2,000,000	2,000,000	2,000,000	-
Furniture	200,000	200,000	200,000	-
<b>Total Operating Transfers</b>	<b>2,421,875</b>	<b>2,421,875</b>	<b>2,421,875</b>	<b>-</b>
<b>Total Expenditures and Operating Transfers</b>	<b>108,541,176</b>	<b>108,541,176</b>	<b>106,309,368</b>	<b>2,231,808</b>
<b>Operating Revenue Over Expenditures &amp; Transfers</b>	<b>-</b>	<b>-</b>	<b>4,409,018</b>	<b>4,409,018</b>
<b>OTHER NON-OPERATING ACTIVITY</b>				
IT Transition	-	-	2,287,249	2,287,249
Unrealized Gain/(Loss) on Investment	-	-	715,821	715,821
<b>Total Revenue over Expenditures &amp; Transfers</b>	<b>-</b>	<b>-</b>	<b>2,837,590</b>	<b>2,837,590</b>

ORG	Project Category	Budget	Actuals	Commitment	Balance
<b>Revenues</b>					
	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
	<b>Total Revenues</b>	<b>\$ 10,571,927</b>	<b>10,583,094</b>	<b>-</b>	<b>11,167</b>
<b>Construction/Repair Projects</b>					
<b>Storage Receiving Building</b>					
<b>Renovations:</b>					
70701	SRB Addition	1,830,000	1,828,220	-	1,780
	<b>Total Storage Receiving Building</b>	<b>\$ 1,830,000</b>	<b>\$ 1,828,220</b>	<b>\$ -</b>	<b>1,780</b>
<b>Campus Wide</b>					
<b>System Improvements:</b>					
70002	Classroom & Lab access Control	570,802	567,438	3,304	60
70003	CC - STEP Equipment	7,627,434	7,504,061	-	123,373
70005	Campus Security System Upgrades	318,691	317,723	-	968
70006	Campus Data Storage Upgrades	225,000	224,080	-	920
	<b>Total Campus Wide</b>	<b>\$ 8,741,927</b>	<b>\$ 8,613,302</b>	<b>\$ 3,304</b>	<b>125,321</b>
<b>Grand Total Construction/Repair Projects</b>		<b>\$ 10,571,927</b>	<b>\$ 10,441,523</b>	<b>\$ 3,304</b>	<b>127,101</b>
<b>Revenue Over (Under) Expenditures</b>		<b>\$ 141,572</b>			

**Washtenaw Community College  
Deferred Maintenance Fund  
June 30, 2019**

<u>Since Inception of fund:</u>		
General Fund Transfers	17,300,000	
Completed projects	(11,460,839)	
Projects in process	<u>(6,940,385)</u>	
Uncommitted Fund Balance	<u><u>(1,101,224)</u></u>	(3,266,224)

<u>Completed Projects:</u>		<u>Final Cost</u>
Projects completed in prior years		9,528,093
Current year completed projects:		
GM Carpet/Flooring Replacement	173,313	
CLASB Humidification Boiler Rplcmt	265,400	
Maint Garage Oil Separator Rplc	109,100	
BEB Fan Coil Units	610,917	
GMB Penthouse Rplc Tfrms	142,476	
Bus Loop Replacement	220,937	
Campus Temperature Control Upgrades	114,652	
Campus Concrete Rplc	101,219	
FEB Roof Replacement	55,145	
Total of FY19 completed projects < \$50,000 each	<u>139,588</u>	
<b>Total Completed</b>		<u><b>11,460,839</b></u>

<u>Projects in Process or scheduled to begin:</u>		<u>Allocated Budget</u>	
EC Heating Pumps Rplcmt	418,822		
EC Boiler Control & Valve Repl	75,000		
EC RPLC Campus Cooling Twr	1,340,000		
Replace Concrete Sidewalks	80,000		
HFC Hot Water Capacity	375,000		
HFC Defender Tank	81,000		
HFC Womens Hot Tub Repair	223,762		
HFC Chem Cntrlr & Chlorine Gen Rplc	97,000		
HFC Locker Room Renovation	275,000		
HFC Flooring Replacement	96,000		
LA RPLC Chemistry Hood	840,000		
LA-2nd FL Tile Corridor	210,000		
LA-Roofing and Intake Rprs	60,000		
ML Boiler Repl & System Mats	556,075		
ML Renovation	379,000		
ML Gun Range AHU Repl	1,550,000		
GL Handicap Ramp Rplc	60,000		
OEB Exhaust Fan Rplcmts	55,000		
BE Emergency Backup Generator			24,626
Traffic Study			5,000
* Replace Joint Sealants			30,000
HFC 10 Yr Chiller Test			34,100
OE Heating Supply Bskt Strainer Rel			20,000
OE Underground Exhaust			35,000
SC-Improve Loading Dock Floor			20,000
Total of other projects < \$50,000 each	<u>168,726</u>		
<b>Total in Process</b>		<u><b>6,940,385</b></u>	

\* Scheduled; no financial activity as of report date

<u>Projects anticipated to begin in FY 20</u>		<u>Expected Budget</u>	
BE-Replace Server room A/C units	50,000		
CAMPUS-Flooring Replacement (Based upon assessment)	150,000		
Campus-Repair Asphalt Pavements	450,000		
Campus-Replace VFDs Multiple locations	75,000		
Campus-Upgrade Elevators	110,000		
Campus-Upgrade Fire Alarm Panels	85,000		
EC-Complete 10 Year Chiller overhaul	50,000		
GL-Replace RTU and Controls	125,000		
HFC-Locker Room Renovation	250,000		
HFC-Replace free weight 10mm flooring	50,000		
HFC-The lap pool and therapy pool floor and walls need to be replaced with	200,000		
LA-Replace Corridor Floors	110,000		
SC-Renovation Design	95,000		
SR-Replace Dock 1 and 2 Dock Plates	70,000		
CAMPUS-Tie off systems on campus wide roofs			30,000
CAMPUS-Upgrade Honeywell EBI platform & zone manager			28,000
EC-Replaced Water Softener			35,000
FE-Replace Hot Water Tanks			16,000
GL-Install Above Ground Sewage Pumps			40,000
GM-Replace Water Softener			40,000
HFC-Office Areas, Conference Room, Kids in Motion Carpet Replacement			46,000
LA-Repair Metal Cap Flashing			20,000
Replace floor stair material in CLASB A, B			20,000
SC-Replace Restroom Countertops and Partitions			20,000
Total of other projects < \$50,000 each	<u>295,000</u>		
<b>Total Pending</b>		<u><b>2,165,000</b></u>	



**WCC Long-Term Investment Portfolio  
Portfolio Summary &  
Performance Review  
For Year Ended June 30, 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 (Years)	Years to Maturity	YTM/C 360 Equiv.
Federal Agency Coupon Securities	9,500,000	9,540,123	9,488,456	36.40%	5.17	2.83	2.302
State of Michigan Coupon Securities	5,000,000	5,038,780	5,017,635	19.25%	6.02	3.91	2.356
Municipal Bonds	11,500,000	11,710,580	11,560,049	44.35%	6.27	3.03	2.634
	26,000,000	26,289,463	26,066,140	100.00%	5.82	3.13	2.460
<b>Comparative Data For Fiscal Year Ended June 30, 2018</b>	26,000,000	25,562,121	26,046,516	100.00%	6.03	3.87	2.250

Investment Yield Summary	Fiscal Year 2018 - 2019	Fiscal Year 2017 - 2018
Long-Term Portfolio Return	607,404	568,175
Effective Rate of Return	2.33%	2.21%

Historical Treasury Yield Curve	3 Month	6 Month	1 Year	5 Year	10 Year	20 Year
As of June 30, 2019	2.12%	2.09%	1.92%	1.76%	2.00%	2.31%
As of June 30, 2018	1.93%	2.11%	2.33%	2.73%	2.85%	2.91%
As of June 30, 2017	1.03%	1.14%	1.24%	1.89%	2.31%	2.61%

**Investment Allocation Board Policy**

Investment Type	Target Range	Target	Current Portfolio Mix
Bonds, bills, or notes of the United States	25-65%	30%	36.40%
Bonds, bills, or notes of the State of Michigan	10-45%	25%	19.25%
Bonds of political subdivisions of State of Michigan	15-65%	45%	44.35%
Cash, cash equivalents, and short-term investments	0-30%	0%	0.00%

Credit Rating Allocation for Bonds of Political Subdivisions of State of Michigan	Target Range	Target	Current Portfolio Mix
Rated AAA to AA	40-80%	50%	100%
Rated AA-/Aa3 to A	10-50%	30%	0%
Rated A3/A- to Baa3/BBB-	0-30%	20%	0%

**Working Capital Reserve Policy - Five percent of annual operating budget**

Fiscal year 2019 annual operating budget (as adjusted)	\$	108,541,176
Five percent working capital requirement	\$	5,427,059
Lowest working capital cash position during FY19 - January 5, 2019 (including < 90 day maturity investments)	\$	8,470,837
Excess/(deficit) working capital in accordance with policy	\$	3,043,778

Reporting period 7/01/2018-6/30/2019