

**Board of Trustees**  
Washtenaw Community College

**TAB C**

**ACTION**

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

---

Subject

Date

Financial Reports (Year End – June 2018)

September 25, 2018

---

**RECOMMENDATION**

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

---

Prepared by: William Johnson

Recommended by: Rose B. Bellanca Ed.D.

Title: CFO and Vice President of Finance

Rose B. Bellanca, President

---

# Financial Narrative

## Fiscal Year 2018

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

For the fiscal year ended June 30, 2018, General Fund revenues exceeded expenditures and transfers by \$1.8 million, which is \$1.1 million more than the budgeted surplus of \$0.7 million.

### Revenue

Total General Fund Revenues for the fiscal year were \$107.2 million, which is \$1.3 million, or 1.2 percent, better than the budgeted revenue of \$105.9 million.

Revenue from Local Government Taxes was \$51.9 million, which was \$0.5 million, or 0.9 percent, better than budget. The budget included an estimate for refunds of prior year taxes and reductions to current year taxable values, both of which reduce the total tax revenue for the year. For fiscal year 2018, both of these budgeted reductions to revenue were below expected levels, resulting in the positive revenue variance.

Tuition revenue exceeded budgeted levels by approximately \$130,000, or 0.4 percent. Spring 2018 enrollment exceeded budgeted levels, offsetting a slight shortfall from the Winter semester.

Continued strength in our agreements with skilled trade organizations, particularly the Sprinkler Fitter Apprentice program, and a new agreement with the Operative Plasterers' & Cement Masons' International Association (OPCMIA), resulted in a positive variance of \$106,000 in Trade Partnerships revenue. Positive variances in a number of Other Revenue sources, such as rental of college facilities, and open enrollment courses for both community enrichment and workforce development, combined for an additional \$276,000 of revenue above budget targets.

### Expenditures

Total Expenditures for the fiscal year were \$98.8 million; approximately \$0.2 million, or 0.2 percent less than what was budgeted for the year. A negative variance of \$1.0 million in personnel costs offset a positive variance of \$1.2 million in non-personnel spending.

The personnel variance is attributable to a number of factors. The Revised Budget assumed vacant positions to continue at an average of 34 per month. However, actual vacancies dropped to an average of 25 per month for the last half of FY 2018. Additionally, part-time faculty costs were higher than budget as a result of strong enrollment, particularly in the summer.

The non-personnel variance items total approximately \$1.2 million. Some notable positive variances came in the areas of Public Relations and Marketing, Postage, Campus Security, Utilities, Information Technology, and Bad Debt expense. Smaller variances in all areas of the college community contributed to the savings that were realized during the year.

### Transfers

The college transferred in excess of \$6 million to the Capital Fund in support of our ongoing investment in campus facilities. An additional \$2 million of debt payments were funded through operations, with the Health and Fitness Center providing funding in excess of its full share of related debt obligations.

### Non-operating activity

Non-operating activity reflects the net reduction in market value of the college's investment portfolio over the course of the year. At the beginning of the fiscal year, the investment portfolio had a market value approximately \$65,000 less than the purchase cost. As of the end of the fiscal year, the college investments had a market value of approximately \$485,000 less than the purchase cost of the roughly

\$28.5 million of investments. The college typically holds its investments until maturity, which effectively eliminates any cash impact from these market value fluctuations.

#### CAPITAL FUND

During Fiscal 2018, the College completed three large projects with money that had been designated in prior years into the Capital Fund: the Campus Data Storage project; the final phase of the Campus Security System Upgrades project; and the CC-STEP project, which was financed in part by the State of Michigan.

#### DEFERRED MAINTENANCE FUND

Through June 30, 2018, the College has funded \$15.3 million to the Deferred Maintenance Fund since its inception in 2012, including \$4.5 million in Fiscal 2018 alone. Of this amount, \$9.2 million has been spent on completed projects and \$3.8 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 FY2019 budgeted transfer from the General Fund of \$2.0 million.

#### LONG TERM INVESTMENTS

During FY2018, the College's long-term investment income increased by approximately \$75,000 and its average yield increased from 1.96% to 2.21%. The College's strategic decision to reduce the average age to maturity of its portfolio has begun to pay dividends. Over the last four fiscal years, the College's portfolio average age to maturity has decreased from 9.8 years to 3.9 years. This has allowed WCC to take advantage of a rising interest rate environment and a flattening of the treasury yield curve. As long-term bond holdings matured throughout FY18, the College continues to search for shorter-term investments as we expect interest rates to continue to rise. Overall, the college continues to be well-positioned to take advantage of rate increases over the next several fiscal years while the portfolio remains in accordance with Board policy.

**Washtenaw Community College**  
**Revenues and Expenditures - General Fund**  
For the year ended June 30, 2018

	Budget	Actual	Variance
<b>REVENUES</b>			
Tuition Fall	12,100,000	12,093,349	(6,651)
Tuition Winter	11,300,000	11,243,783	(56,217)
Tuition Spring	4,752,069	4,873,277	121,208
Student Fees	4,260,000	4,329,424	69,424
<b>Total Tuition and Fees</b>	<b>32,412,069</b>	<b>32,539,833</b>	<b>127,764</b>
Local Property Taxes	51,400,000	51,863,652	463,652
State Appropriations	14,558,874	14,825,342	266,468
Trade Partnerships	3,711,702	3,817,680	105,978
Investment Income	786,500	845,009	58,509
Other	1,764,825	1,932,391	167,566
Auxiliary Activities	1,226,650	1,335,636	108,986
<b>Total Revenue</b>	<b>105,860,620</b>	<b>107,159,543</b>	<b>1,298,923</b>
<b>EXPENDITURES</b>			
Humanities & Social Sciences	11,763,803	11,625,035	138,768
Math, Science & Engineering Technologies	8,876,520	8,910,207	(33,687)
Health Sciences	5,315,587	5,674,850	(359,263)
Business & Computer Technologies	7,047,496	7,037,420	10,076
Advanced Technologies & Public Service Careers	7,151,541	6,701,022	450,519
Continuing Education	627,401	527,829	99,572
Distance Learning	1,835,766	1,741,018	94,748
Instructional Support	13,454,396	12,194,269	1,260,127
<b>Total Instruction</b>	<b>56,072,510</b>	<b>54,411,650</b>	<b>1,660,860</b>
Student Services	8,910,584	7,949,156	961,428
Scholarships	1,558,402	1,362,136	196,266
Executive Management	2,125,673	1,926,129	199,544
General Admin - Institutional Services	8,771,886	7,969,199	802,687
MIS/Computer Services	7,848,043	7,389,005	459,038
Public Relations Development	3,525,438	2,788,763	736,675
Community Services	2,047,918	1,936,016	111,902
Physical Plant Operations	10,442,384	9,560,729	881,655
Utilities	2,103,493	1,991,432	112,061
Equipment	1,561,015	1,469,987	91,028
<b>Total Non-Instruction</b>	<b>48,894,836</b>	<b>44,342,551</b>	<b>4,552,285</b>
Assumed Budget Savings	(5,986,743)	-	(5,986,743)
<b>Total Expenditures</b>	<b>98,980,603</b>	<b>98,754,201</b>	<b>226,402</b>
<b>OPERATING TRANSFERS</b>			
Repair & Maintenance	1,500,000	1,500,000	-
Debt Retirement	1,927,475	1,927,475	-
Health & Fitness Center	(2,025,000)	(2,025,000)	-
Deferred Maintenance	4,500,000	4,500,000	-
Furniture	250,000	250,000	-
<b>Total Operating Transfers</b>	<b>6,152,475</b>	<b>6,152,475</b>	<b>-</b>
<b>Total Expenditures and Operating Transfers</b>	<b>105,133,078</b>	<b>104,906,676</b>	<b>226,402</b>
<b>Operating Revenue Over Expenditures &amp; Transfers</b>	<b>727,542</b>	<b>2,252,867</b>	<b>1,525,325</b>
<b>OTHER NON-OPERATING ACTIVITY</b>			
Unrealized Loss on Investment	-	(418,642)	(418,642)
<b>Total Revenue over Expenditures &amp; Transfers</b>	<b>727,542</b>	<b>1,834,225</b>	<b>1,106,683</b>

**Capital Fund**  
**Project Summary**  
June 30, 2018

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		10,767		10,767
<b>Total Revenues</b>	<b>\$ 10,571,927</b>	<b>10,582,694</b>	<b>-</b>	<b>10,767</b>
<b>Construction/Repair Projects</b>				
<b>Storage Receiving Building</b>				
<b>Renovations:</b>				
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>				
Classroom & Lab access Control	570,802	561,068	2,875	6,859
CC - STEP Equipment	7,627,434	7,504,061	-	123,373
Campus Security System Upgrades	318,691	315,938	1,502	1,251
Campus Data Storage Upgrades	225,000	224,080	-	920
<b>Total Campus Wide</b>	<b>\$ 8,741,927</b>	<b>\$ 8,605,147</b>	<b>\$ 4,377</b>	<b>132,404</b>
<b>Grand Total Construction/Repair Projects</b>	<b>\$ 10,571,927</b>	<b>\$ 10,433,367</b>	<b>\$ 4,377</b>	<b>134,183</b>
<b>Revenue Over (Under) Expenditures</b>		<b>\$ 149,327</b>		

**Washtenaw Community College  
Deferred Maintenance Fund  
June 30, 2018**

<b>Five Year Priority List at inception of fund - September 2012</b>	<b>12,570,900</b>
New projects identified - 2015	5,420,000
Additional Projects undertaken (not on above lists)	4,167,400
Adjustments to budgets of started or completed projects	3,621,407
Projects funded through other budgeted sources	(821,900)
<b>Deferred Maintenance requirement 2012-2022</b>	<b><u>24,957,807</u></b>

Since inception of fund:

General Fund Transfers	15,300,000
Completed projects	(9,178,599)
Projects in process	(6,077,827)
Uncommitted Fund Balance	<b><u>43,574</u></b>

Completed Projects:

	Final Cost
Projects completed in prior years	6,465,248
Current year completed projects:	
Parking Lots Replacement	1,853,712
BEB Boiler&VAV Box Replacement	500,000
Concrete Sidewalk Replacement FY17	72,617
THFC 2nd Floor Carpet Replacement	68,494
CLASB 2nd Fl window and sill	113,472
OEB Sanitary Pipe Replacement	50,000
Total of FY18 completed projects < \$50,000 each	55,056
<b>Total Completed</b>	<b><u>9,178,599</u></b>

Projects in Process or scheduled to begin:

	Allocated Budget
GMB Carpet/Flooring Replacement	170,000
EC Heating Pumps Replacement	432,827
EC Tunnels reinsulate primary heating water & chilled water piping	80,000
EC - Upgrade 13,200 v main campus fed with a power line conditioning syst	60,000
CLASB Humidification Boiler Replacement	260,000
Maintenance Garage replace oil separator/sanitation line	120,000
BEB Fan Coil Units	615,000
GMB Penthouse replace main building transformers	150,000
EC Boiler Control & Valve Repl	75,000
Siemens Temp.control Panel Upgrade	130,000
PS - Expansion joint replacement and crack and joint repair	225,000
Replace Bus Loop	350,000
* Campus-Concrete sidewalk replacement	80,000
THFC Pool Filtration Piping & HX Rep	60,000
HFC Hot Water System	375,000
* FEB-Roof Replacement	60,000
ML-Boiler Replacement	600,000
ML-Firing Range AHU Replacement	600,000
* GL-Handicap ramp replacement	100,000
EC-Replace campus cooling tower with stainless steel unit	800,000
LA-Replace Chemistry Hoods	700,000
Total of other projects < \$50,000 each	35,000
<b>Total in Process</b>	<b><u>6,077,827</u></b>

\* Scheduled; no financial activity as of report date



**WCC Long-Term Investment Portfolio  
Portfolio Summary &  
Performance Review  
For Year Ended June 30, 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 (Years)	Years to Maturity	YTM/C 360 Equiv.
Federal Agency Coupon Securities	7,000,000	6,817,872	6,985,223	26.82%	6.89	4.50	2.110
Treasury Coupon Securities	2,000,000	1,987,319	1,989,960	7.64%	1.03	0.76	2.070
State of Michigan Coupon Securities	4,000,000	3,876,220	4,010,115	15.40%	6.96	5.43	2.114
Municipal Bonds	13,000,000	12,880,710	13,061,218	50.14%	6.06	3.53	2.395
	26,000,000	25,562,121	26,046,516	100.00%	6.03	3.87	2.250
<b>Comparative Data For Fiscal Year Ended June 30, 2017</b>	25,500,000	25,505,625	25,572,347	100.00%	6.01	4.59	2.096

Investment Yield Summary	Fiscal Year 2017 - 2018	Fiscal Year 2016 - 2017
Long-Term Portfolio Return	568,175	493,189
Effective Rate of Return	2.21%	1.96%

Historical Treasury Yield Curve	3 Month	6 Month	1 Year	5 Year	10 Year	20 Year
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%
As of June 30, 2016	0.26%	0.36%	0.45%	1.01%	1.49%	1.86%

**Investment Allocation Board Policy**

Investment Type	Target Range	Target	Current Portfolio Mix
Bonds, bills, or notes of the United States	25-65%	30%	35%
Bonds, bills, or notes of the State of Michigan	10-45%	25%	15%
Bonds of political subdivisions of State of Michigan	15-65%	45%	50%
Cash, cash equivalents, and short-term investments	0-30%	0%	0%

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%	75%
Rated AA-/Aa3 to A	10-50%	30%	25%
Rated A3/A- to Baa3/BBB-	0-30%	20%	0%

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

Fiscal year 2018 annual operating budget (as adjusted)	\$	105,133,078
Five percent working capital requirement	\$	5,256,654
Lowest working capital cash position during FY18 - January 3, 2018 (including < 90 day maturity investments)	\$	8,131,377
Excess/(deficit) working capital in accordance with policy	\$	2,874,724

Reporting period 7/01/2017-6/30/2018