



Muskegon Community College

BOARD OF TRUSTEES Open Finance Committee Meeting November 18, 2013 2:30 p.m. – Room 1100

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

- The auditors presented the year end audit report.
- Following the auditors presentation, financial reports were reviewed:
 - A revised page 16 was distributed by Beth Dick. Some inconsistencies were found in the variance for salaries and fringes in the original, in how the budget and actual numbers were reflected. These were corrected resulting in a significant improvement and a lot less of a variance than the original. Cindy DeBoef will upload a corrected copy to the Board portal.
 - Page 18, Repair and Maintenance, an expenditure of \$313k was paid and expensed all in one month. Trustee Lester asked whether a portion could be expensed each month, which Beth indicated will be done in the actual budget beginning next month.
 - The budget approved by the Board in June was an all funds budget. There are some instances where rating agencies specifically request a general fund budget. The new all funds budget does not include some items included in a general funds budget under the old methodology, specifically a transfer out to debt funds to cover bond principal including any capital expenses, as this has no impact in a total all funds budget. The amendment adds this back into the budget. Page 51 shows the approved budget, the effect of the proposed amendment, and the amended budget.
 - A \$592k MPSERS Rate Stabilization payment is expected this month, which will be recorded as state aid income. The money is then paid back out to MPSERS, with a revenue and expense recorded simultaneously. This amendment shows an increase in state aid for the incoming payment from the state of \$592,376 and fringe benefits will be increased by the same amount.
 - A change in our audit report this year added an adjustment for tuition waivers. In the past, we have always shown tuition differentials. For instance, for dual enrollment anyone out-of-county was shown as only paying the in-district rate. When they initially register they are charged at the higher out-of-district rate and there is a waiver for the differential between in-district and out-of-district that shows up as an expense. We've now taken that out of expense and it's shown as a reduction in tuition and fees, to be consistent with the audit report.
 - The original budget proposed paying off \$1.2M early for the remainder of the 2003 bond issue. This amendment recommends not paying it off early, but instead paying interest payments as they come due. Paying off the 2003 bond issue early would have saved \$24k in interest payments this year, which will need to be recouped in other savings. The Board asked

for the reasoning behind this amendment request. Beth stated if we truly have to present only a general fund budget, we would have to show the principal payment of \$1.2M in the general fund, which would make it look unfavorable from a bond rating agency perspective. It's really a cash outlay, not an expense; it's a liability payment on the balance sheet. Looking at just a general fund, it has to show as an expense or a transfer out. Based on conversations with Stauder Bartsch, and internally about what would reflect best for our budget, this was the recommendation. What will be included on the official statement included for potential investors and for our bond rating call is actually not just a general fund budget, but an all funds budget, and if approved, the amended budget. If they want to look at just a general fund budget, then it will need to be provided and it would show a huge expense or transfer of \$1.2M, making the general fund look like we're using a huge amount of our fund balance . The concern of the board is that it is costing \$24k in interest to do this. Beth indicated we want this for our updated bond rating and will send a copy to the Board of how this would be reflected in a General Funds budget. Beth indicated this could be revisited in the future to evaluate whether or not it could be paid off early.

- Greg Bricker of George K. Baum and Company and Christopher Iamarino of Stauder Bartsch discussed in detail the process for issuance of bonds. Bond insurance was also explained.

With no further business the meeting was adjourned at 3:48 p.m.

Minutes submitted by Secretary, Nancy Frye.

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