



Muskegon Community College

FY2022-2023

Budget

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MUSKEGON COMMUNITY COLLEGE FISCAL YEAR 2022-2023 BUDGET

Introduction

Advancing the mission of Muskegon Community College (MCC) to be an institution of higher education that is “dedicated to equity and excellence, prepares students, builds communities, and improves lives” continues to be the College’s primary objective. The ability to provide desired educational programs must be continuously evaluated in conjunction with economic factors that affect the College’s funding sources and the cost to provide those services. The condition of the national, state, and local economy impacts the revenues that the College receives to operate with such as federal financial aid (Pell grants and student loans), tuition and fees, state aid, and property tax revenues. In FY2010-2011 MCC’s contact hour enrollment peaked at 132,221. The estimated FY2021-2022 contract hour enrollment is 87,996 and is projected to remain flat for the upcoming year. Fortunately, property tax revenues have been increasing since FY2016-2017 as a result of continued residential construction and commercial and industrial expansion. State aid revenues have increased since 2019-2020 which included some one-time supplemental distributions. The COVID-19 pandemic significantly impacted an enrollment decline in FY2020 and FY2021. However, Federal COVID relief grant revenues helped to offset the revenues lost from declining enrollment as well as provided additional aid to students. Regarding expenses, increasing costs for wages, retirement, healthcare, utilities, and other operating expenses affects the College’s cost to operate. The FY2022-2023 Budget takes into consideration all of the economic challenges and provides budget balancing strategies that will allow the College to continue to achieve its mission of meeting the community’s educational needs as efficiently and effectively as possible.

FY2022-2023 Budget

The FY2022-2023 budget is shown on page 8. This budget is presented on an All Funds basis using natural class categories for expenses (i.e. salaries, fringe benefits, supplies, repairs, etc.). In addition, the presentation separates operating revenues such as tuition and fees and grants from non-operating revenues such as state aid and property taxes and includes depreciation expenses. This format complies with a full accrual basis of accounting and follows the presentation of our annual audit report. Also presented is a cash flow analysis.

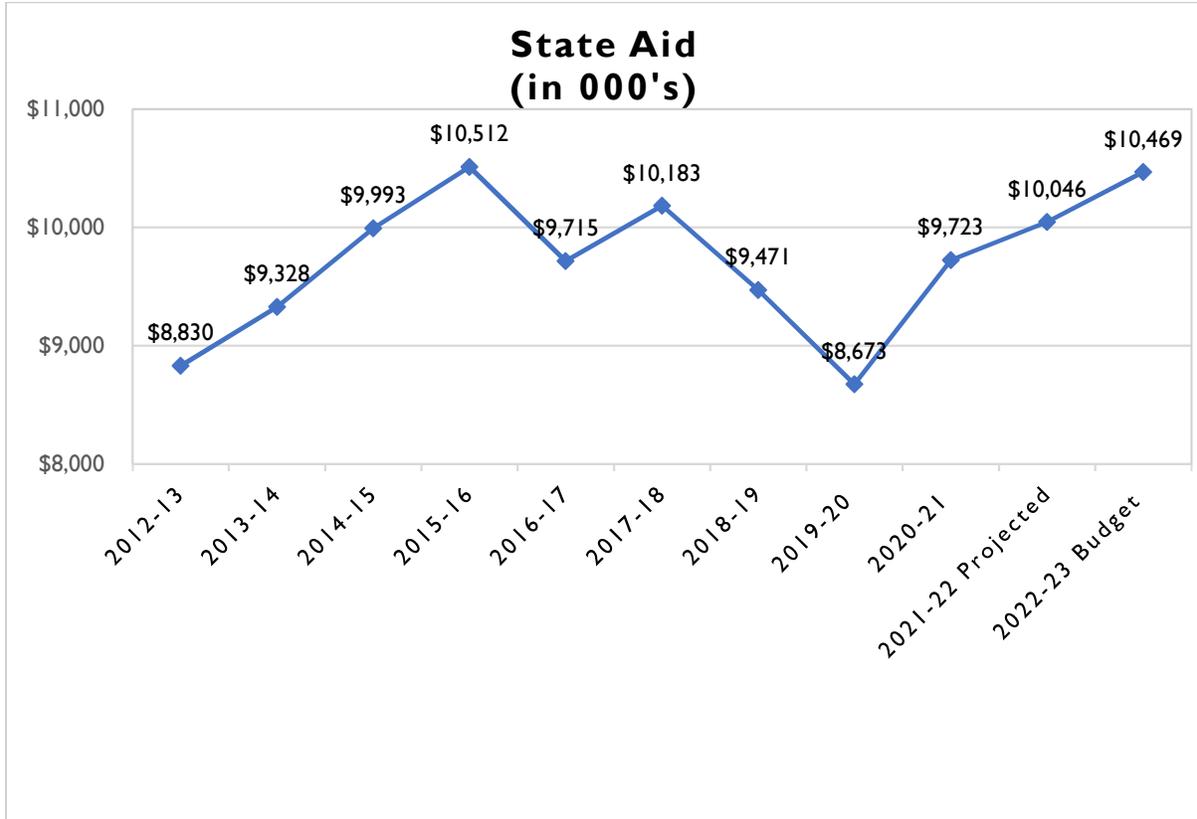
The College is striving to ensure that spending does not exceed available funding resources. This budget presents a combination of revenue increases along with expenditure reductions. Strategies include identifying vacant positions that can remain unfilled and working with contractual vendors to find cost savings. In addition, this budget includes the utilization of excess cash reserves realized during FY2021-2022.

Revenues

The primary sources of College’s Operating Fund revenues are tuition and fees, property taxes and state appropriations. Over the years tuition and fees have surpassed the other two funding sources as a percentage of overall College revenues due to property tax revenues and state appropriations in some cases decreasing or not keeping up with the rate of inflation. Total All Funds revenues for the FY2022-2023 budget are projected to be \$57,313,000 (excluding MPSERS UAAL Stabilization Payment).

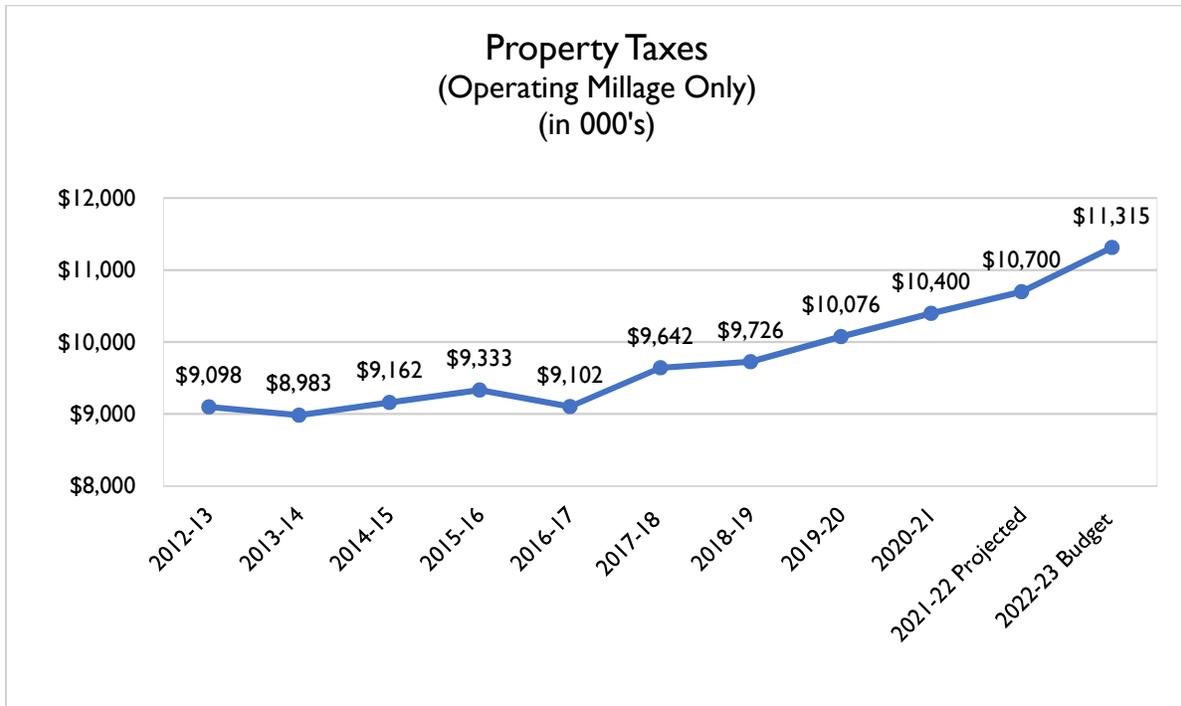
State Aid

For the FY2022-2023 budget, the state aid revenue is based on the Governor’s budget proposal which is a recommendation is a 5% increase in Community College State Aid plus a one-time additional 5% increase. Therefore, the budget includes a state appropriation of \$10,469,000 or 26% of total Operating Fund revenues (excluding MPSERS UAAL Stabilization Payment). This is an increase of \$423,000 over the current year’s appropriation of \$10,046,000. The graph below illustrates the historical trend of this funding source. The numbers above and the graph below exclude Personal Property Tax replacement funds, which is budgeted at \$1,000,000. This is a \$250,000 increase from the FY2021-2022 budgeted amount and is approximately the amount received in FY2021-2022.



Property Taxes

During 2022-2023 the College will levy 2.1693 mills of ad valorem property taxes on all property (real and non-exempt personal) located in Muskegon County for its operating millage. The total taxable value for Muskegon County according to the Muskegon County 2022 Equalization report is increasing from \$4,975,161,000 to \$5,307,848,000, or by 7%. This increase is partially due to inflation but also significantly due to the increase in the tax base from new housing construction as well as commercial and industrial expansions. The FY2022-2023 property tax revenue budget is projected to be \$11,315,000 for the College's operating millage. The voter-approved debt millage at .34 mills is estimated to generate \$1,553,000 in additional property tax revenues. The total FY2022-2023 property tax revenue budget is projected to be \$11,315,000 or 28% of total Operating Fund revenues, which is higher than the current year's estimated actual of \$10,700,000.



Tuition and Fees

As previously mentioned, tuition and fees have become an increasing portion of total revenues over the last decade. In the FY2022-2023 budget, this funding source represents approximately 42% of the Operating Fund revenue budget. An increase in the contact hour tuition and fee rates beginning with the fall semester of 2022 is as follows:

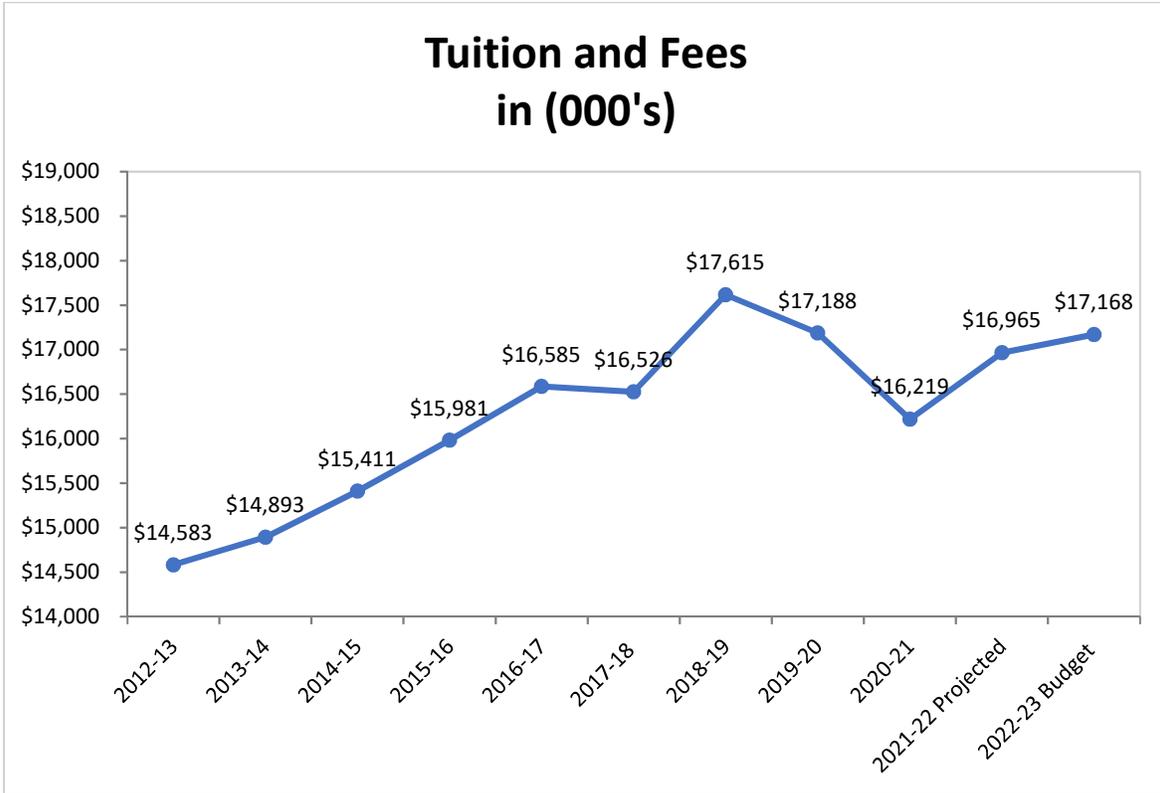
	FY2021-22 Rates	FY2022-23 Rates
In-district	\$121.50	\$125.00
Out-of-district	\$227.00	\$234.00
Newaygo Promise	\$190.00	\$195.00
Out-of-state	\$318.00	\$327.00
Technology fee	\$25.00	\$26.00
Infrastructure fee	\$15.00	\$15.50

This increase will generate approximately \$203,000 in additional revenue for FY2022-2023 when compared to the FY2021-2022 projection.

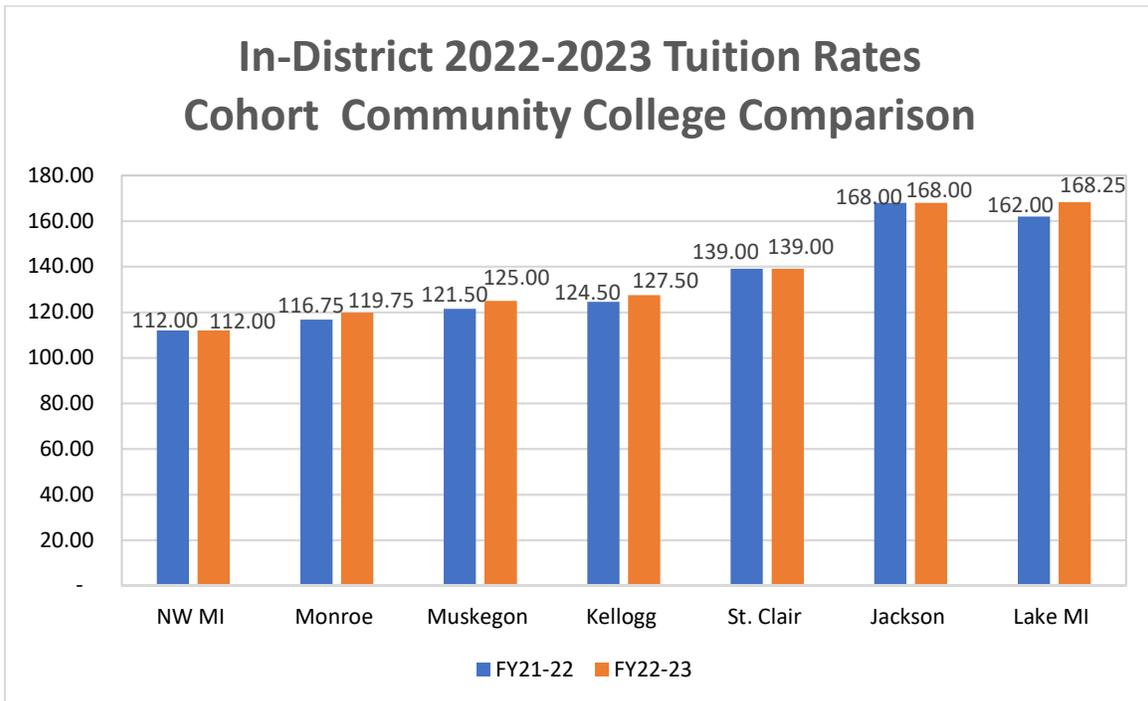
The FY2022-2023 budget assumes that the registration fee will remain at \$35.00 per student per semester.

Given these increases, FY2022-2023 budget includes total tuition and fees of \$17,168,000.

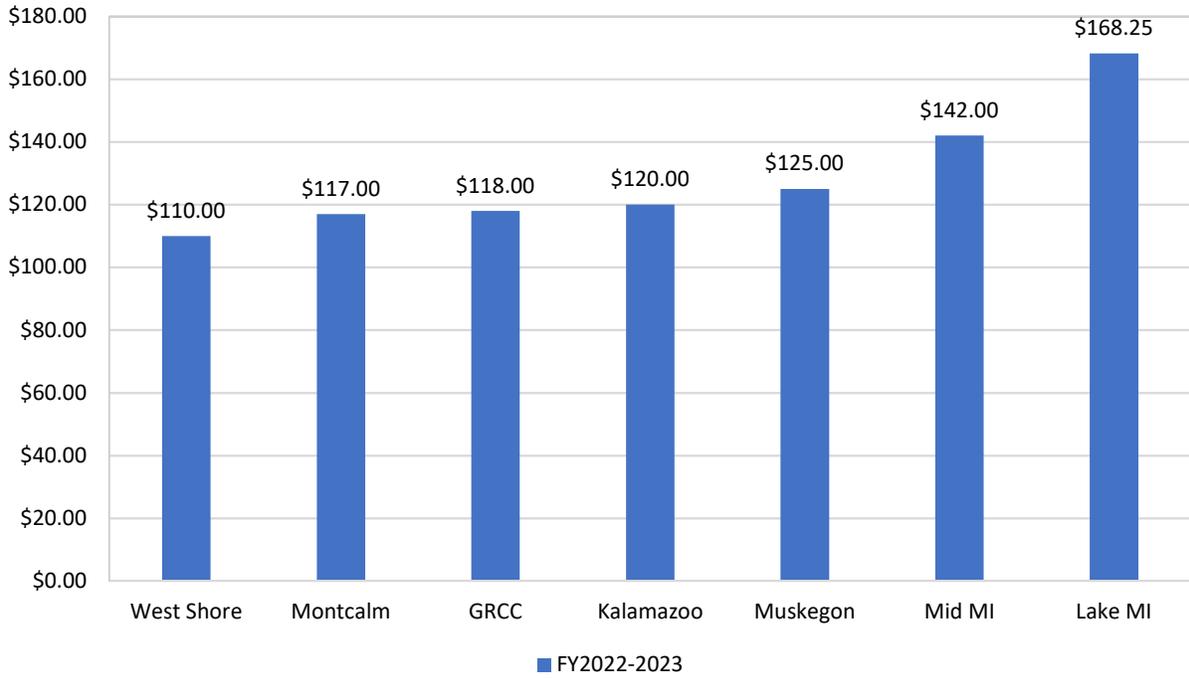
The graph below illustrates the historical trend of tuition and fees since FY2012-2013. These revenues have had to increase to compensate for the decreases in state aid and property tax revenues or the increases received not trending with inflation.



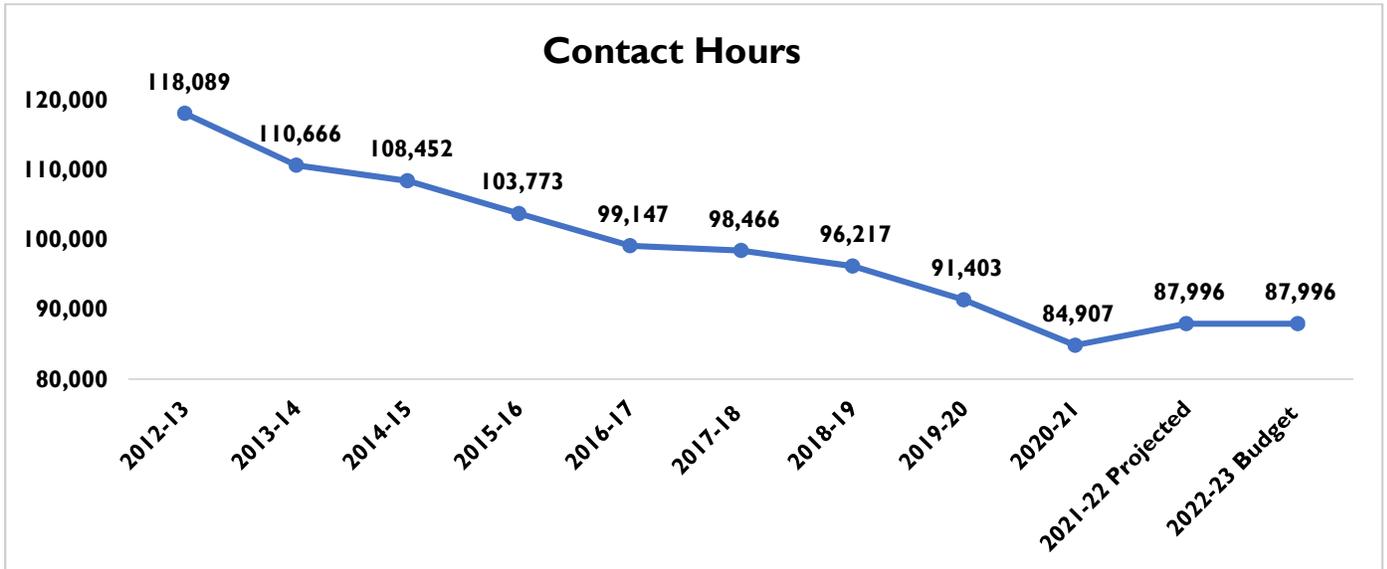
We have researched what other community colleges charge for tuition and fees, and the results are illustrated in the following two graphs. Based on these comparisons, we believe MCC remains a great educational value given the tuition and fee increases that are included.



In-District 2022-2023 Tuition Rates Surrounding Community College Comparison



Contact hours are projected to remain flat at 87,996 for FY2022-2023.



Grant Revenues

This funding source includes federal, state and local grants that MCC has been awarded and uses for specific restricted purposes. This category includes Pell, Upward Bound, Perkins, Michigan Incentive Tuition Program, Promise and HEERF. Total revenue anticipated from grant sources is approximately 26% of budgeted revenues for FY2022-2023.

Expenditures

Total FY2022-2023 expenditures are budgeted at \$59,738,000 (excluding MPSERS UAAL Stabilization Payments). Expenditures consist of categories such as wages, fringe benefits, contractual services, supplies, utilities, repairs and maintenance, rent, equipment, travel and depreciation. Wage and fringe benefit costs comprise the largest portion of total Operating Fund expenditures at 73%. Faculty and staff are the “materials” needed to create our “product” of college-educated students.

Salaries and Wages

The budget for salaries and wages is based on projected staffing levels and current contractual agreements. Annual wage increases in accordance with contractual agreements include wage and step increases. All Funds salaries and wages in the FY2022-2023 budget total \$20,437,000.

Fringe Benefits

Retirement and medical costs continue to rise each year and have a significant impact on the ability to balance the budget. The employer contribution to the state retirement system is an average of 24% of wages in FY2022-2023. Medical, dental and vision costs continue to rise and are projected to increase another 14% next year. Other benefits such as life insurance, unemployment and workers’ compensation insurance are projected to remain stable. Total All Funds fringe benefit costs for FY2022-2023 are projected to be \$10,217,000.

Capital Expenditures

Purchases that meet the capitalization criteria will be depreciated over their useful life. Capital expenditure requests are submitted by MCC department managers, and indicate the level of need for the requested items or projects. Requests are reviewed by Administration in conjunction with available funds, and a recommendation is presented to the Board as part of the budget document.

Budget Balancing Strategies

In preparing the FY2022-2023 budget, the projected increases in state aid and property tax revenues were beneficial in replacing the additional Federal COVID relief grant revenue received in recent years that is not anticipated to continue. Tuition and fee rates were held flat for two years and therefore the approved rate increases for next year are necessary to help fill the gap. However, increases in wages and fringes as well as other operating costs are projected to outpace any additional revenue anticipated to be generated.

Each year the College realizes savings through attrition resulting in position vacancies. It has been the practice to evaluate positions as they become vacant in terms of the overall organizational structure to determine if there are opportunities for restructuring and gaining efficiencies as well budgetary savings. This assessment process may result in the decision to hold certain positions vacant for some portion of the fiscal year. The FY2022-2023 budget has followed this practice in holding some positions vacant to achieve cost savings while ensuring that the objectives of the College’s mission are still achieved.

As part of the budget preparation process, Administration looked for areas where cost concessions could be made within contractual agreements with vendors. One such agreement was the Managed Services Agreement with the College’s IT provider, Ellucian. Specifically, the request focused on lowering costs for the next fiscal year and the annual rate increase no longer being based on the consumer price index. Our provider responded with a proposal that would reduce the annual cost of their services for next year by approximately \$142,000 and for a total of \$635,000 over the next 3 years along with an extension of the contract for an additional 3 years at a flat rate. Therefore, this savings has been included in the FY2022-2023 budget that the Board approved the contract revision and extension.

Based on the current FY2021-2022 projection, the College is anticipated to significantly increase its Operating Fund unrestricted net position (i.e. fund balance) as well as its cash balance. The FY2022-2023 Operating Fund budget presented shows a small surplus of \$208,000 that will further add to the unrestricted net position. However, on a cash flow basis the budget shows a utilization of cash of \$1,601,000. Given the favorable results that FY2021-2022 is projecting, the recommendation is to use some of the projected excess cash to cover the budgeted cash outflow next year.

As a precautionary measure, Administration plans to hold off on major capital expenditures until Fall 2022 enrollment numbers are known to ensure that tuition and fee revenues are coming in as predicted. Monitoring of all revenues and expenditures will continue to occur throughout the fiscal year to determine if budget adjustments become necessary. In addition, several revenue generating ideas were proposed from a budget strategizing session with College employees that will be researched for possible implementation in the near future.

Conclusion

FY2022-2023 All Funds budget is presented on the following page for your consideration. This budget represents the coordination of efforts by all departments that have looked for ways to reduce costs and achieve efficiencies and continue to allow the College to provide educational opportunities to its students.

Muskegon Community College
Consolidated Budget - Revenues and Expenses
Fiscal Year 2022-23

	Operating Fund		Restricted Fund	Plant Fund	All Funds
	General Fund	Auxiliary Fund			
Operating Revenues					
Tuition and Fees	\$ 17,167,910	\$ -	\$ -	\$ -	\$ 17,167,910
Federal Grants	-	-	10,215,060	-	10,215,060
Local Grants And Donations	25,000	1,000	3,161,341	-	3,187,341
State Grants	-	-	1,690,000	-	1,690,000
Sales, Services & Rentals	-	408,625	-	-	408,625
Other Income	227,750	71,000	-	-	298,750
Total Operating Revenue	17,420,660	480,625	15,066,401	-	32,967,686
Operating Expenses					
Salaries and Wages	19,492,695	297,112	646,789	-	20,436,596
Fringe Benefits	9,708,854	152,586	355,146	-	10,216,586
MPSERS UAAL Stabilization Payment	1,910,920	-	-	-	1,910,920
Advertising, Legal, And Other Professional Services	3,738,052	111,570	600,313	-	4,449,935
Material, Supplies, Postage, Books, Program Cost	1,417,110	173,223	521,072	-	2,111,405
Dues, Professional Development, Travel	791,855	15,565	50,532	-	857,952
Utilities, Energy Cost, Rent, Insurance	1,344,197	37,800	-	-	1,381,997
Repair And Maint. Capital And Capital Under \$5,000	2,193,752	47,671	1,567,313	-	3,808,736
Financial Aid And Scholarships	270,470	2,000	11,256,203	-	11,528,673
Bad Debt	350,000	-	-	-	350,000
Other Expenses	45,100	9,950	69,033	-	124,083
Depreciation	-	-	-	3,500,000	3,500,000
Total Operating Expenses	41,263,005	847,477	15,066,401	3,500,000	60,676,883
Operating Income/(Loss)	(23,842,345)	(366,852)	-	(3,500,000)	(27,709,197)
Non-Operating Revenues/(Expenses)					
State Aid	11,469,000	-	-	-	11,469,000
MPSERS UAAL Stabilization Payment	1,910,920	-	-	-	1,910,920
Property Taxes	11,315,000	-	-	1,553,107	12,868,107
Interest Income	8,000	-	-	-	8,000
Interest Expense	(286,073)	-	-	(685,740)	(971,813)
Transfers (Net)	(366,852)	366,852	-	-	-
Total Non-Operating Revenues/(Expenses)	24,049,995	366,852	-	867,367	25,284,214
Net Income/(Loss)	\$ 207,650	\$ -	\$ -	\$ (2,632,633)	\$ (2,424,983)
FY22 Projected Unrestricted Net Position	12,202,920				
FY23 Projected Unrestricted Net Position	\$ 12,410,570				
Fund Balance % of Expenditures	31%				
Statement Of Cash Flow					
Cashflow Surplus (Shortfall)	207,650			(2,632,633)	(2,424,983)
Add: Depreciation and Bond Amortization	-			3,432,633	3,432,633
Less Debt Service/Principal Only	(1,120,000)			(800,000)	(1,920,000)
Less: Capital Expenditures	(688,406)				(688,406)
Total Cash Inflow/(Outflow)	(1,600,756)			-	(1,600,756)
FY22 Projected Ending Cash and Investments Balance	11,400,000				
FY23 Projected Ending Cash and Investments Balance	\$ 9,799,244				

**Muskegon Community College
Capital Budget
FY2022-2023 Budget**

<u>Department</u>	<u>Description</u>	<u>Estimated Cost</u>
A & H - Overbrook Operations	Overbrook Theater Equipment Upgrades	50,000
A & H - Music	Computers for Digital Music Lab	4,800
Conference and Catering	Replace Classroom Blinds	10,618
Conference and Catering	Update Internal Campus Signage	10,000
Conference and Catering	Replace Classroom Tables	17,500
Physical Plant	Stevenson Center 2nd Floor Restroom Upgrades	16,000
Physical Plant	Replace Existing Restroom Partitions	15,000
Physical Plant	Install Rooftop Coping	20,000
Physical Plant	Foundation Improvements	83,000
Physical Plant	Fabricate Bird Screening for Roof Access	11,288
Physical Plant	Structural Steel Work and Engineering at the Sturrus Technology Center	157,000
Physical Plant	Continue with Exterior Masonry Waterproofing	80,000
Physical Plant	Expand MCC Radio System to the Sturrus Technology Center	9,200
Physical Plant	Exterior Cameras	20,000
Office of Information Technology	Sound Equipment to Support Events	10,000
Office of Information Technology	Computers for Automotive Department	9,000
Marketing & Communications	Equipment Upgrade for TV Studio	5,000
Marketing & Communications	Upgrade External Campus Signage	60,000
Marketing & Communications	MCC Website Redesign	100,000
		\$ 688,406