



Muskegon Community College

FY2024-2025

Budget

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MUSKEGON COMMUNITY COLLEGE FISCAL YEAR 2024-2025 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 FY2023-2024 contract hour enrollment is approximately 83,000 and for budgeting purposes 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 FY2024-2025 Budget takes into consideration all 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.

FY2024-2025 Budget

The FY2024-2025 budget is shown on page 13. 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.

A 5 Year Budget Stabilization Plan (BSP) was presented to the Board during FY2023-2024 and was used to guide the development of the FY2024-2025 Budget. The BPS provided several strategies to be implemented to stabilize the budget moving forward and eliminate the utilization of fund balance. However, some of those strategies will take time to execute and see the results. This FY2024-2025 budget presents a combination of revenue increases along with expenditure reductions in addition to the utilization of excess reserves/fund balance which is consistent with the BSP previously presented.

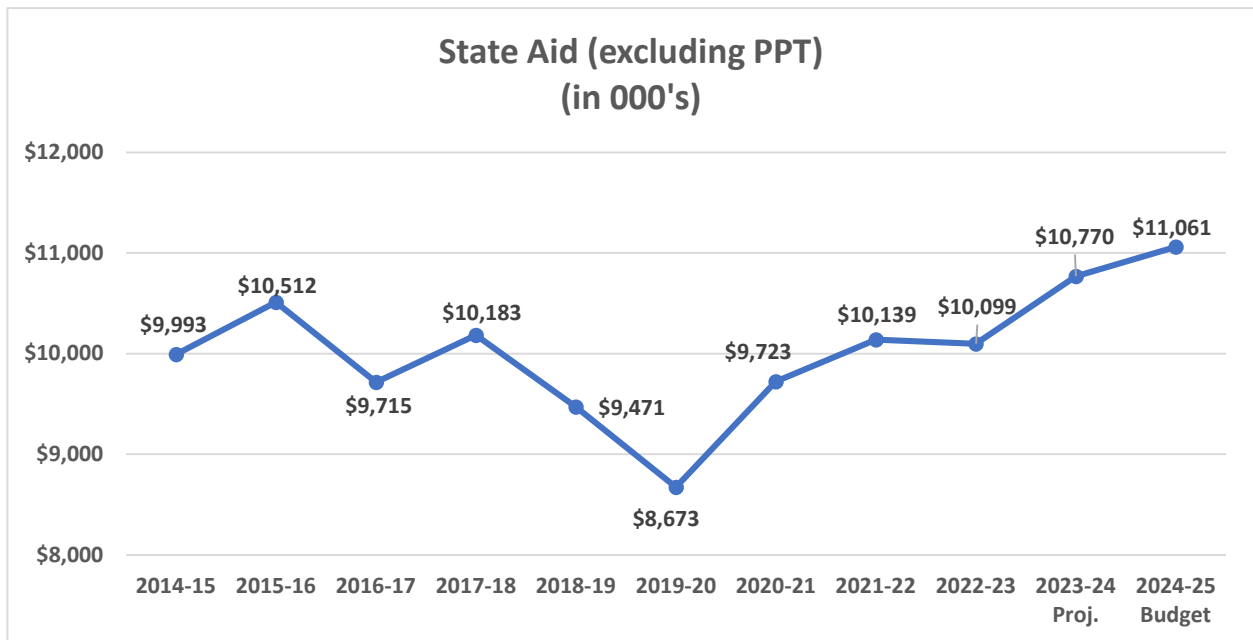
Revenues

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 FY2024-2025 budget are projected to be \$56,345,000

State Aid

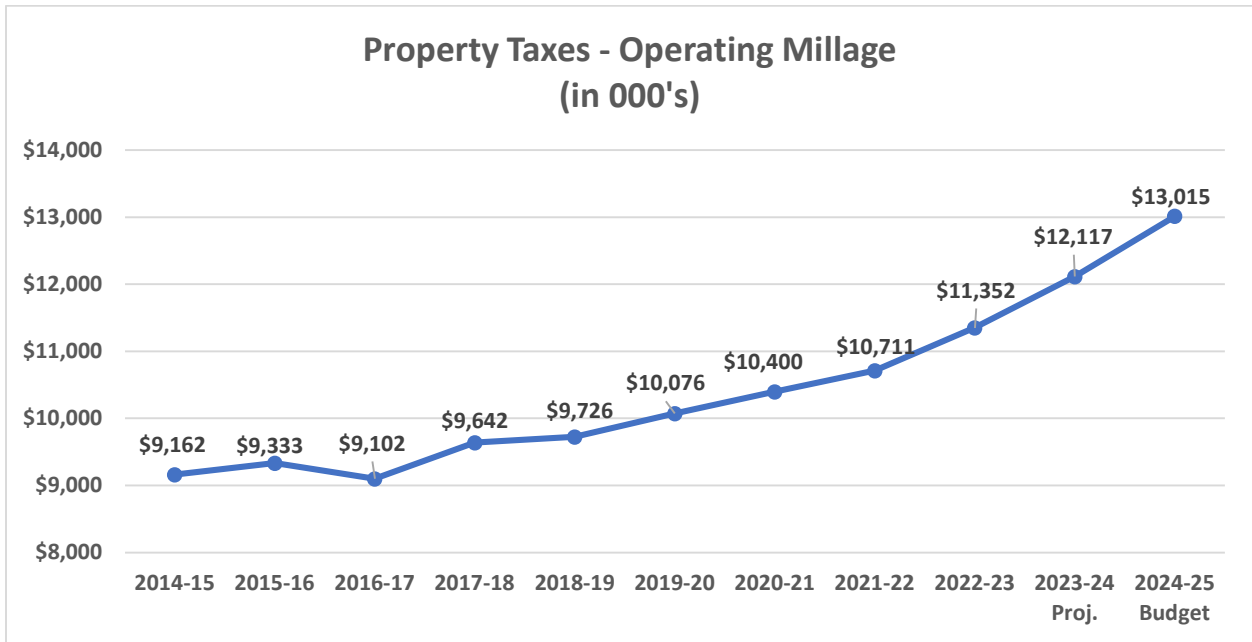
For the FY2024-2025 budget, the state aid revenue is based on the Governor’s budget proposal which is a recommendation for a 2.5% increase in Community College State Aid. Therefore, the budget includes a state appropriation of \$11,811,000 or 26% of total Operating Fund revenues. The graph below illustrates the historical trend of this funding source however it excludes the Personal Property Tax (PPT) replacement funds, which is budgeted at \$750,000 based on the amount received in FY2023-2024. This is a separate appropriation from the state to replace a loss in revenue from personal property tax exemptions. The primary state appropriation depicted in the graph below shows an increase of \$291,000 over the current year’s projected appropriation of \$10,770,000.



Property Taxes

During FY2024-2025 the College proposes to levy 2.1515 mills of ad valorem property taxes on all property (real and non-exempt personal) located in Muskegon County for its operating millage. This is a reduction from the FY2023-2024 millage rate of 2.1693 mills due to a Headlee rollback. The total taxable value for Muskegon County according to the Muskegon County 2024 Equalization report is increasing from \$5,721,959,000 to \$6,277,920,000, or by 9.7%. 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 FY2024-2025 property tax revenue budget is projected to be \$13,015,000 for the College’s operating millage representing 29% of total Operating Fund revenues. The voters approved a debt millage sufficient to cover the debt payments on the original 2013 and 2014 bond issues. This debt millage rate has historically been levied at .34 mills. Given the rise in taxable values,

the debt millage rate for FY2023-2024 was lowered to .27 mills. During FY2023-2024 the College refunded the original bonds that are supported by the debt millage. This refunding in addition to the continued increase in taxable values has resulted in proposing to further lower the debt millage to .225 mills for FY2024-2025 which is estimated to generate property tax revenues of \$1,373,000. The operating millage property tax revenues depicted in the graph below reveals an increase of \$898,000 over the current year's estimated actual of \$12,117,000.



Tuition and Fees

As previously mentioned, tuition and fees have become an increasing portion of total revenues over the last decade. In the FY2024-2025 budget, this funding source represents approximately 37% of the Operating Fund revenue budget. An increase in the contact hour tuition and fee rates beginning with the fall semester of 2024 is as follows:

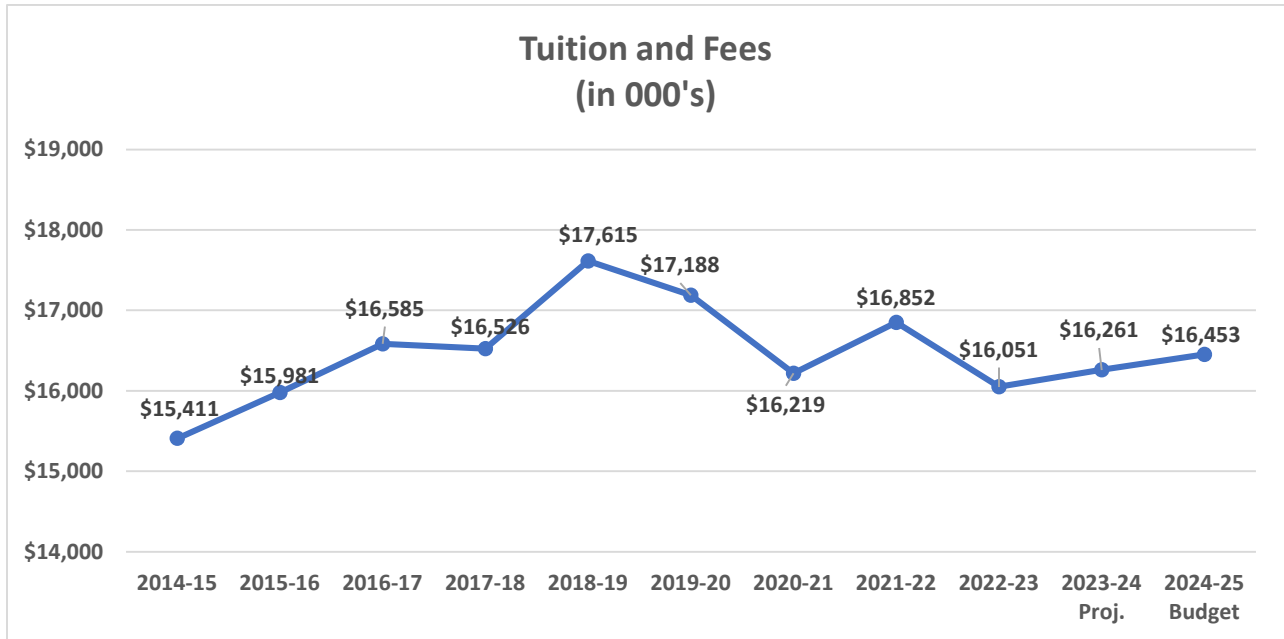
	FY2023-24 Rates	FY2024-25 Rates
In-district	\$130.00	\$135.00
Out-of-district	\$243.00	\$253.00
Newaygo Promise	\$200.00	\$206.00
Out-of-state	\$340.00	\$354.00
Direct Credit	\$40.00	\$40.00
Technology Fee	\$27.00	\$28.00
Infrastructure Fee	\$16.00	\$16.50

This increase will generate approximately \$192,000 in additional revenue for FY2024-2025 when compared to the FY2023-2024 projection.

The FY2024-2025 budget assumes that the registration fee will remain at \$35.00 per student per semester.

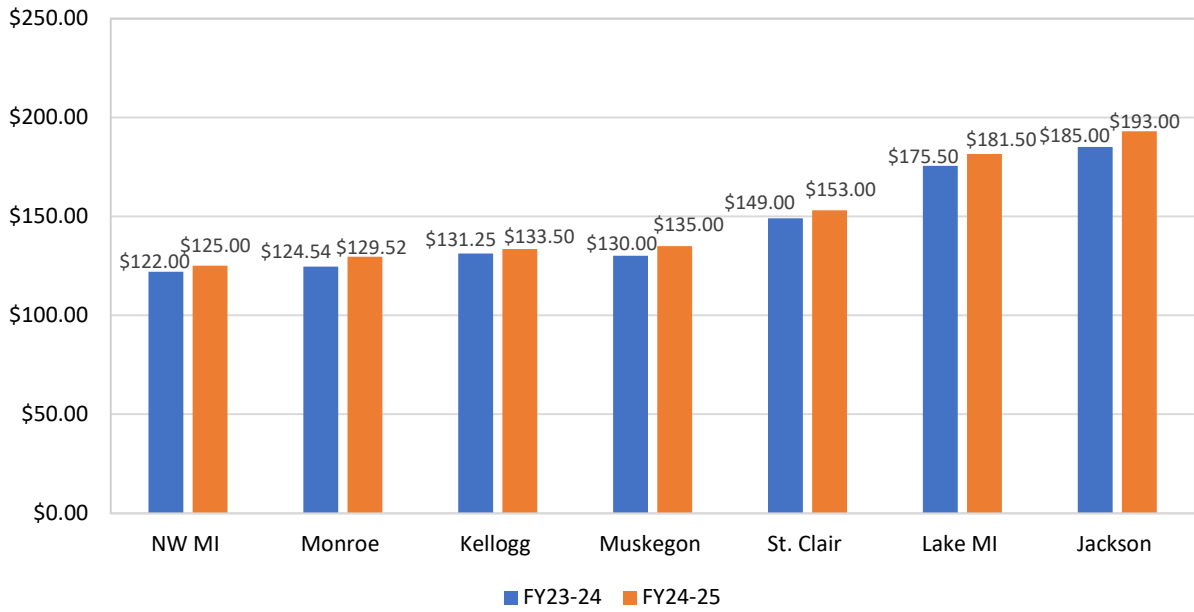
Given these increases, FY2024-2025 budget includes total tuition and fees of \$16,453,000.

The graph below illustrates the historical trend of tuition and fees since FY2014-2015. 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.

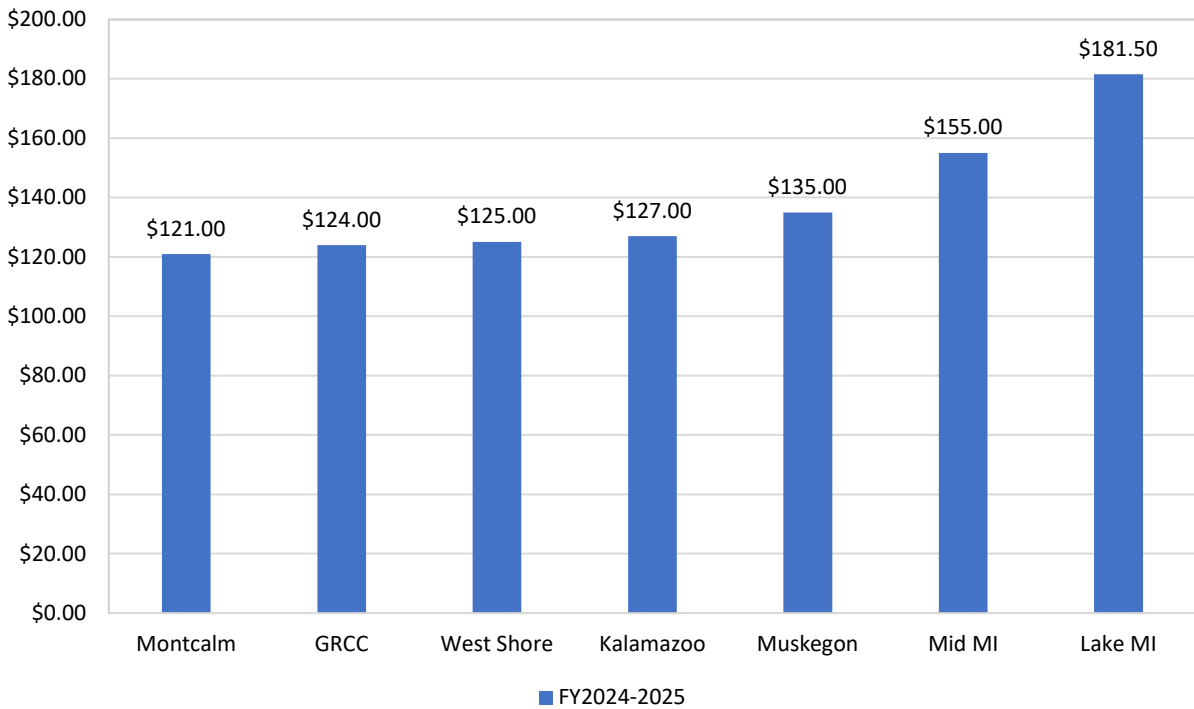


We have researched what other community colleges charge for tuition and fees, and the results are illustrated in the following two graphs. Based on these comparisons, we believe MCC remains a great educational value given the tuition and fee increases that are included.

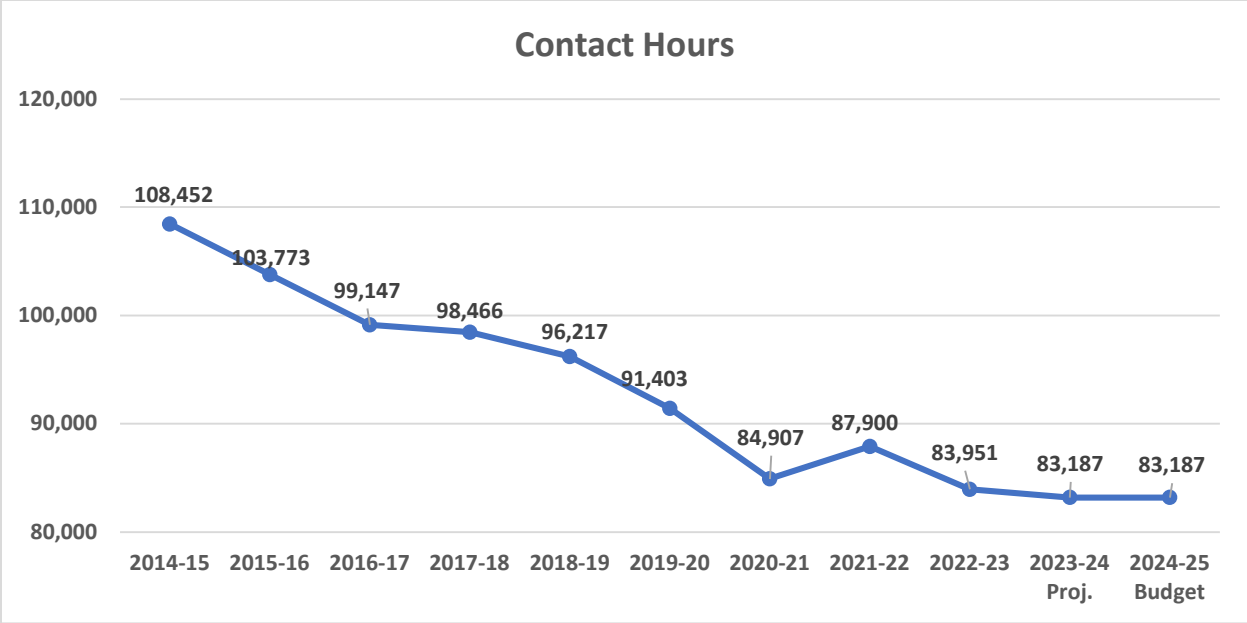
In-District 2024-2025 Tuition Rates Cohort Community College Comparison



In-District 2024-2025 Tuition Rates Surrounding Community College Comparison



Contact hours are projected to remain flat at 83,187 for FY2024-2025.



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 and Promise. Total revenue anticipated from grant sources is approximately 17% of budgeted revenues for FY2024-2025.

Expenditures

Total FY2024-2025 expenditures are budgeted at \$61,635,000. 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 67%. 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 FY2024-2025 budget total \$21,099,000.

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 32% of wages in FY2024-2025. 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 FY2024-2025 are projected to be \$11,604,000.

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 Development Aligning with Strategic Plan Initiatives

In developing the FY2024-2025 budget, the objectives of the College's *2022-2026 Strategic Plan: Aspiring to Be the Best* were taken into consideration. The three priorities of Access, Equity and Excellence were embedded in the preparation of next year's budget.

Access – Increase Financial Support

Removing barriers for our students continues to be a primary focus. The Jayhawk Hub is a one-stop center that connects students with resources related to food insecurity, housing instability, transportation emergencies, technology needs and other challenges that can impact academic success. Two years ago the position of Jayhawk Hub Manager was added to the budget to oversee the operation of the Hub and was funded with HEERF grant funds. When the grant ended in 2023 the decision was made to continue to fund the position with operational funds as it has proven to be invaluable to helping our students succeed. To address feedback received related to orientation challenges of new students, a First Year Experience Coordinator position has been added to next year's budget to provide students with an excellent onboarding experience at MCC. This position will be partially funded by a state grant and is responsible for developing and delivering in-person and virtual activities for new students. A Financial Aid Advisor position has been included in next year's budget. This position will be tasked with staying current on all financial aid policies and procedures to assist students with questions and concerns regarding their financial aid and inform them if they have missing documentation. This position is being funded by repurposing funds from another position that has been vacated.

Several state and local initiatives have assisted in providing financial support and raised awareness of MCC. The state granted funding to qualified community colleges to combat learning loss among recent high school graduates who experienced interruptions to in-person learning due to the COVID-19 pandemic. MCC was initially awarded \$208,000 allowing MCC's Kick-Off Program (also known as the Michigan Academic Catch-Up Program) to be launched in the summer 2023 semester. This funding provided a summer educational program in college-level English or math to these recent graduates at no cost to them. MCC had 52 students complete the program that first semester which translated into 39 of those students enrolling in the fall 2023 semester. MCC's program was so successful that the state provided \$379,000 in additional funding to expand the program into the fall 2023, winter 2024 and summer 2024 semesters. An additional 29 students participated in the program in the fall and winter semesters which resulted in 18 enrolling in MCC after completing the program. The summer 2024 semester currently has 24 students enrolled.

In addition the Michigan Achievement Scholarship provides students who graduate from a Michigan high school in 2023 or after up to \$2,750 per year for up to three years to attend a community college. This scholarship has made accessibility to higher education even more

affordable to students. MCC awarded 493 students a total of \$346,000 in scholarships during FY2023-2024.

The Michigan Reconnect Program which provides free in-district tuition at community colleges to individuals 25 years and older has afforded many students over the last three years with the opportunity to go back to school and start or finish their degree. The state lowered the age requirement to 21 years during FY2023-2024 which resulted in 217 students taking advantage of this program and \$526,000 in financial aid being awarded. The Reconnect program continues enhance student enrollment into FY2024-2025.

Local initiatives that will improve access to students include the lowering of the GPA requirement from 3.25 to 3.0 to be eligible to receive the Muskegon Promise Scholarship. Also eligible are the top 30% of each graduating class of each district regardless of GPA. Another change included allowing summer guest students to attend MCC using the Promise that have chosen to attend a 4-year university. Additionally students that live outside of Muskegon County but graduated from an in county high school will have their out-of-district tuition covered by the Promise. It is anticipated that these changes will result in approximately 100 more students becoming eligible. College leadership was involved in the discussions that helped lead to these changes.

Increasing community engagement with the College is another focus area toward improving student access. MCC's Foundation exists to generate funds to provide scholarships, enhance support services like the Jayhawk Hub, and improve campus facilities. Fundraising goals and priorities are part of the budget process that will provide another funding source outside of existing operational funds. A strategic plan objective was achieved by the development of a signature annual fundraising event called *An Evening with MCC* to help generate funds for various operational needs. The FY2024-2025 budget includes \$300,000 in unrestricted dollars raised through donations to the Foundation.

Equity – Reduce Achievement Gaps

Creating a culture of diversity, equity and inclusion is an important priority of MCC. The DEI Office was created in FY2022. Operational funding as well as grant funding from the Community Foundation of Muskegon County support the staffing and other expenses for this office. Trainings on Implicit Bias, Microaggressions and Inclusive Culture are offered internally to employees as well as to the community for a fee. Continuation of funding both internal and external to support this office is included in the FY2024-2025 budget.

Enhancing the student's experience while attending MCC will improve retention, increase passing rates and completion rates. The Student Success Strategy Team provides ongoing reports to faculty, who develop strategies to improve classroom success and retention. In addition the partnership with the Michigan College Access Network (MCAN) has funded two additional Completion Coaches that provide one-on-one support to students. This funding has been extended through FY2025-2026.

Excellence – Increase Success Rate

The Excellence priority focuses on improving outcomes for all students related to retention and pass rates. The Student Success Strategy Team has developed a 3-year Enrollment Management Plan (EMP) with these goals in mind. The EMP was developed with the assistance of highly regarded consultants from EAB and Achieving the Dream (ATD) coaches. Funding is included in the FY2024-2025 budget for continuation of consulting services from the ATD coaches to evaluate and provide feedback on our progress.

Improving institutional effectiveness is another objective that falls under the Excellence priority. Keeping the College's facilities maintained and up to date is important to provide an effective learning environment for students, however it is a costly undertaking. The Board authorized a Facilities Plan Update to be performed by an architecture and engineering firm Tower Pinkster. The Plan includes an assessment of the condition and accessibility of the College's facilities. Input from students, faculty, staff, and the community is being sought in developing the Plan. The results of the Plan will be presented to the Board in the Fall of 2024 including recommendations for the future with the goal of improving the overall learning environment as well as guiding the direction for prioritizing and budgeting for capital needs moving forward.

In addition, another strategy is to take advantage of the non-operational funding for as many capital needs as possible. MCC's Foundation will be used in conjunction with the Opportunity Team to evaluate, prioritize and fundraise for proposals submitted by departments capital and noncapital that were not part of the approved budget. The Foundation will also set fundraising goals for various College initiatives such as the Jayhawk Hub to provide additional funding resources that had previously come from operational funding. Grants will continue to be another funding resource that is pursued at both the state and local level for large capital items.

In conjunction with providing an effective teaching and learning environment for students, continuing professional development of our faculty and staff is a key. The FY2024-2025 budget includes funding for training on evidence-based teaching practices shown to improve student engagement, increase persistence and close equity gaps.

FY2024-2025 Budget Balancing Strategies

In preparing the FY2024-2025 budget, the Board approved increase to tuition and fee rates for next year is also necessary to help fill the gap. However, increases in operational costs including wages and fringes are projected to outpace any additional revenue anticipated to be generated.

Each year the College realizes savings through attrition resulting from 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 FY2024-2025 budget followed this practice by holding some positions vacant to achieve cost savings while ensuring that the objectives of the College's mission are still achieved. Attrition savings of \$500,000 in wages and approximately \$250,000 in fringe benefits has been built into the budget to represent savings from positions that will become vacant during the fiscal year. As positions are vacated from

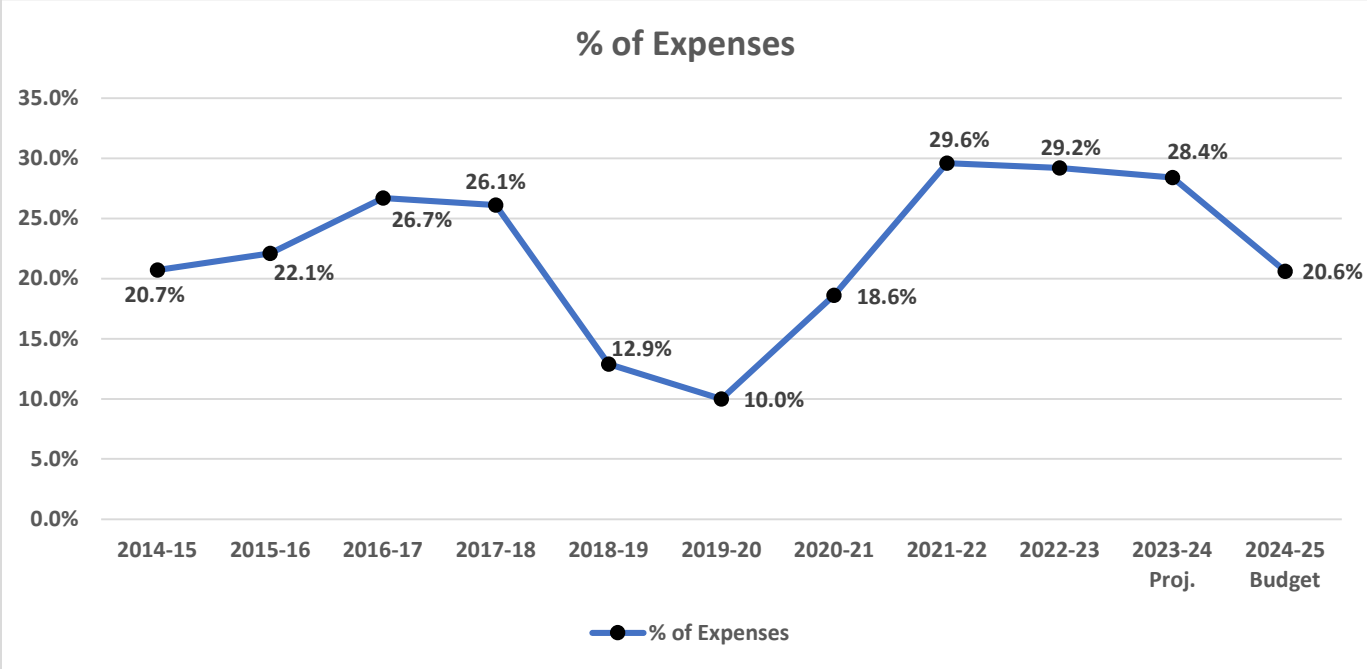
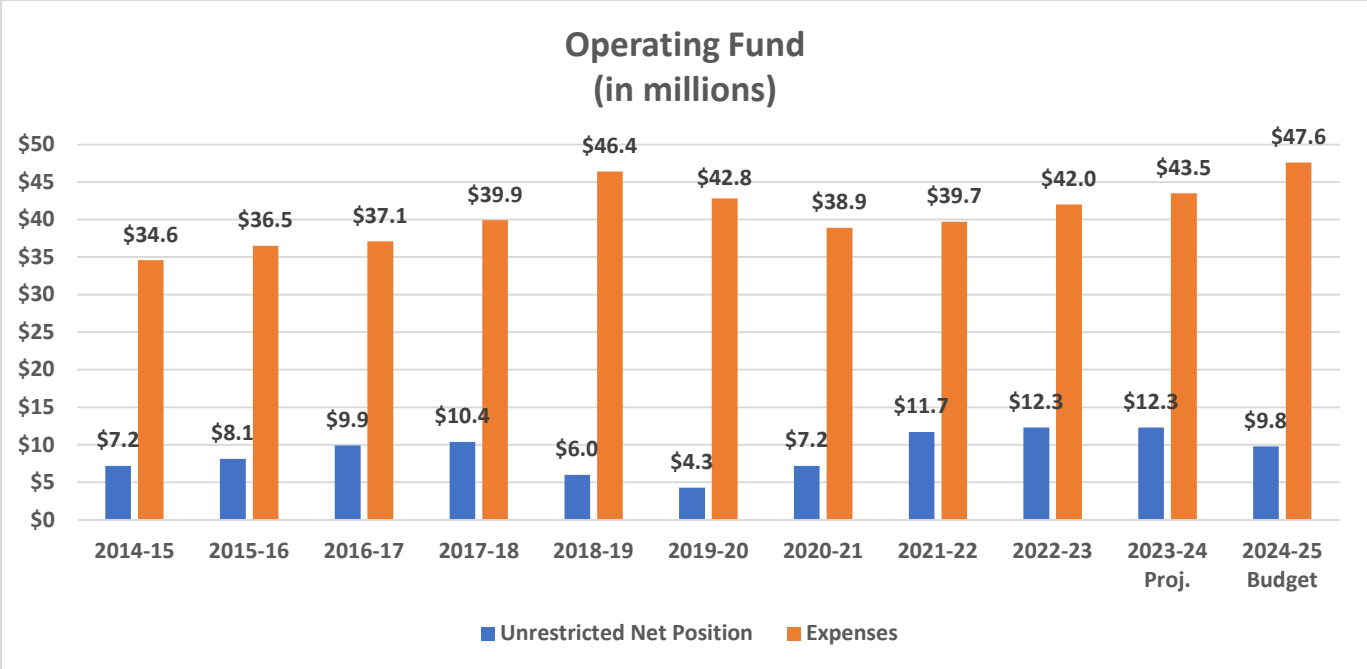
retirements or normal attrition, the timing of refilling these positions will take into consideration this budgeted savings that needs to be achieved.

A review of department requests for various operational expense accounts was also completed. This review took into consideration historical spending. As a result travel, materials and supplies were decreased by a total of \$247,000 from what was initially requested.

In addition to holding positions open, in recent years decisions have been made to cut back on other operating costs such as facility expenses. The sale of the Lakeshore Fitness Center in FY2021 eliminated the cost of maintaining that building and covering the operational shortfall that averaged approximately \$700,000 a year from 2016-2020. Maintaining several of the college facilities continues to be a challenge due to their age. The capital budget for the upcoming year is \$800,000 to be funded by operational revenues. With the exception of \$50,000 for some urgent operational equipment needs, the remainder of the capital budget request is not being designated at this time to await the results and recommendations from the Facilities Plan. A more detailed capital budget will be brought for Board approval after that Plan is available. In addition, there is a possibility that the state budget may include additional ITEMS (Infrastructure, Technology, Equipment, Maintenance, Safety) funds like the \$1.3 million received in FY2023-2024. College administration will continue to pursue state and local grant funding opportunities as they become available to help cover the cost of needed equipment and building improvements.

Changes in investment strategies of excess cash flow with the help of a new investment advisor and joining MILAF (Michigan Liquid Asset Fund) has benefited the College in earning approximately double the interest over the prior year (\$300,000 to \$600,000). However, it is anticipated that interest rates will decrease sometime during the next year and therefore the FY2024-2025 budgeted interest income conservatively at \$400,000.

Based on the current FY2023-2024 projection, the College is anticipated to end this fiscal year with the Operating Fund unrestricted net position (i.e. fund balance) at 28.4% of expenses or \$12.3 million. Although several cost reduction strategies previously described have been incorporated into next year's budget, the Operating Fund still shows expenses exceeding revenues by \$2.5 million. Given this availability of reserves that have accumulated over the last few years, the FY2024-2025 Operating Fund budget as presented proposes utilizing \$2.5 million of the unrestricted net position thereby reducing the balance to \$9.8 million or 20.6% of expenses, which is still above the Board's minimum threshold of 20%. The graph below shows the historical trend of the College's unrestricted net position over time.



Monitoring of all revenues and expenditures will continue to occur throughout the fiscal year to determine if budget adjustments become necessary.

Strategies for the Future

There are several factors that impact the future financial stability of the College. Enrollment is key and while the FY2024-2025 budget assumes flat enrollment, the Enrollment Management Plan (EMP) has identified many tactics to increase our student numbers as well as improve retention and completion. The 3 priorities of the EMP are to 1) Recruit new students 2) Retain current students 3) Regain past students. These strategies to achieve these priorities include 1) Streamline

the student onboarding experience 2) Promote state scholarships 3) Raise MCC profile outside of Muskegon County 4) Raise awareness of the value of higher education. There are measurable objectives assigned to each of these strategies. During the first year of the EMP, MCC realized increased enrollment from the Kick-Off Program, Michigan Achievement Scholarship and lowering eligibility age for Michigan Reconnect to 21. It is expected that the strategies from the EMP will continue to show results into FY2024-2025 and beyond.

Pursuing new funding resources is high on the priority list to support the College's operations as moving forward. Fundraising efforts will be a focus of MCC's Foundation with established monetary goals to help fund various needs of the College. In addition, monitoring the availability of funding at the state and local level for capital expenses and non-capital programs will continue to alleviate the use of operating resources. If the state budget approves another ITEMS funding allocation it could be used to cover the current capital budget for next year and more.

The results of the Facilities Plan will provide recommendations on where capital funding needs to be focused next year and in the future. In addition the Plan will also provide information regarding space utilization and where lower utilized space could be leased for revenue generating opportunities.

The evaluation of positions will continue in conjunction with enrollment projections. This practice along with reducing travel and capital has been in place for many years and has helped to offset revenue declines.

During the first quarter of the fiscal year, College Administration will monitor fall enrollment and the finalization of the state budget and prepare to make any budget adjustments if necessary.

While the FY2024-2025 Budget does result in the utilization of fund balance, it incorporates several of the strategies proposed in the BSP. Those strategies include assuming flat instead of declining enrollment, incorporating fundraising unrestricted revenues, increasing DEI training revenues, including space leasing revenues and reducing travel and materials and supplies expenses. This results in the fund balance percentage of operating expenses being above the Board's minimum threshold of 20%. College Administration will continue pursue the other long-term strategies for stabilizing future budgets. The BSP will be updated with the actual results of FY2023-2024 and reviewed with the Board in early FY2024-2025.

Conclusion

FY2024-2025 All Funds budget is presented on the following pages. This budget represents the coordination of efforts by all departments that have looked for ways to reduce costs and achieve operational efficiencies and continue to allow the College to provide educational opportunities to its students.

Muskegon Community College
Consolidated Budget - Revenues and Expenses
FY2024-2025

	Operating Fund		Restricted Fund	Plant Fund	All Funds
	General Fund	Auxiliary Fund			
Operating Revenues					
Tuition and Fees	\$ 16,453,367	\$ -	\$ -	\$ -	\$ 16,453,367
Federal Grants	-	-	4,756,811	-	4,756,811
Local Grants And Donations	300,000	15,000	2,704,745	-	3,019,745
State Grants	-	-	2,307,500	-	2,307,500
Sales, Services & Rentals	-	450,410	-	-	450,410
Other Income	241,094	62,000	-	-	303,094
Total Operating Revenue	16,994,461	527,410	9,769,055	-	27,290,926
Operating Expenses					
Salaries and Wages	20,406,777	214,588	478,028	-	21,099,392
Fringe Benefits	11,238,380	118,310	247,613	-	11,604,303
MPSERS UAAL Stabilization Payment	2,300,000	-	-	-	2,300,000
Advertising, Legal, And Other Professional Services	4,241,194	153,268	24,404	-	4,418,866
Material, Supplies, Postage, Books, Program Cost	1,153,754	155,866	441,880	-	1,751,499
Dues, Professional Development, Travel	893,914	17,663	66,808	-	978,385
Utilities, Energy Cost, Rent, Insurance	1,542,391	57,500	-	-	1,599,891
Repair And Maint. Capital And Capital Under \$5,000	2,328,299	66,150	1,133,507	-	3,527,956
Financial Aid And Scholarships	266,505	2,000	8,920,257	-	9,188,762
Bad Debt	350,000	-	-	-	350,000
Other Expenses	50,100	12,600	68,659	-	131,359
Depreciation	-	-	-	3,700,000	3,700,000
Total Operating Expenses	44,771,314	797,944	11,381,156	3,700,000	60,650,414
Operating Income/(Loss)	(27,776,853)	(270,534)	(1,612,101)	(3,700,000)	(33,359,488)
Non-Operating Revenues/(Expenses)					
State Aid	11,811,300	-	-	150,000	11,961,300
MPSERS UAAL Stabilization Payment	2,300,000	-	-	-	2,300,000
Property Taxes	13,015,000	-	-	1,373,000	14,388,000
Interest Income	400,000	-	-	5,000	405,000
Interest Expense	(229,206)	-	-	(755,000)	(984,206)
Transfers (Net)	(2,075,534)	270,534	-	1,805,000	-
Total Non-Operating Revenues/(Expenses)	25,221,560	270,534	-	2,578,000	28,070,094
Net Income/(Loss)	\$ (2,555,293)	\$ -	\$ (1,612,101)	\$ (1,122,000)	\$ (5,289,394)
FY24 Projected Unrestricted Net Position	12,347,372				
FY25 Projected Unrestricted Net Position	\$ 9,792,079				
Unrestricted Net Position % of Expenditures	20.6%				
Statement Of Cash Flow					
Cashflow Surplus (Shortfall)					(5,289,394)
Add: Depreciation and Bond Amortization					3,700,000
Less Debt Service/Principal Only					(1,720,000)
Less: Capital Expenditures					(800,000)
Total Cash Inflow/(Outflow)					(4,109,394)
FY24 Projected Ending Cash and Investments Balance					17,600,000
FY25 Projected Ending Cash and Investments Balance					\$ 13,490,606

**Muskegon Community College
Capital Budget
FY2024-2025 Budget**

Department	Description	Estimated Cost
Golf Course	Tractor/Loader	30,000
Golf Course	Utility Hauler	20,000
Undesignated*	Undesignated	750,000
		<u>\$ 800,000</u>

* Upon completion of the Facilities Plan and the state budget, a detailed recommendation of the allocation of the \$750,000 will be brought to the Board for approval at that time.