

Board Budget Workshop

March 12, 2015



MCC by the Numbers



- 80+ programs
- 37,000+ students a year
- 350,000+ FY2015 credit hours
- \$114m Operating Budget
- 5 campuses
- 51 Buildings; 2,098,351 sq. ft.
- 856 FTEs/2,138 PT



Budget Practices

- Historically used campus allocation model
 - Relied upon soft savings to balance the budget
 - Did not previously budget annual debt payment
- Undertook extensive Zero Based Budget Initiative in 2012
 - Began budgeting annual debt payment
 - Evaluated budget needs based on alignment to mission
- Moving towards Strategic Budgeting
 - Working to tie the budget to the strategic plan
- Future Budget Principles
 - Adopt a balanced budget & continue to budget debt payment
 - Use soft savings for “one time costs” only
 - Budget funds for deferred maintenance
 - Establish cost containment approaches



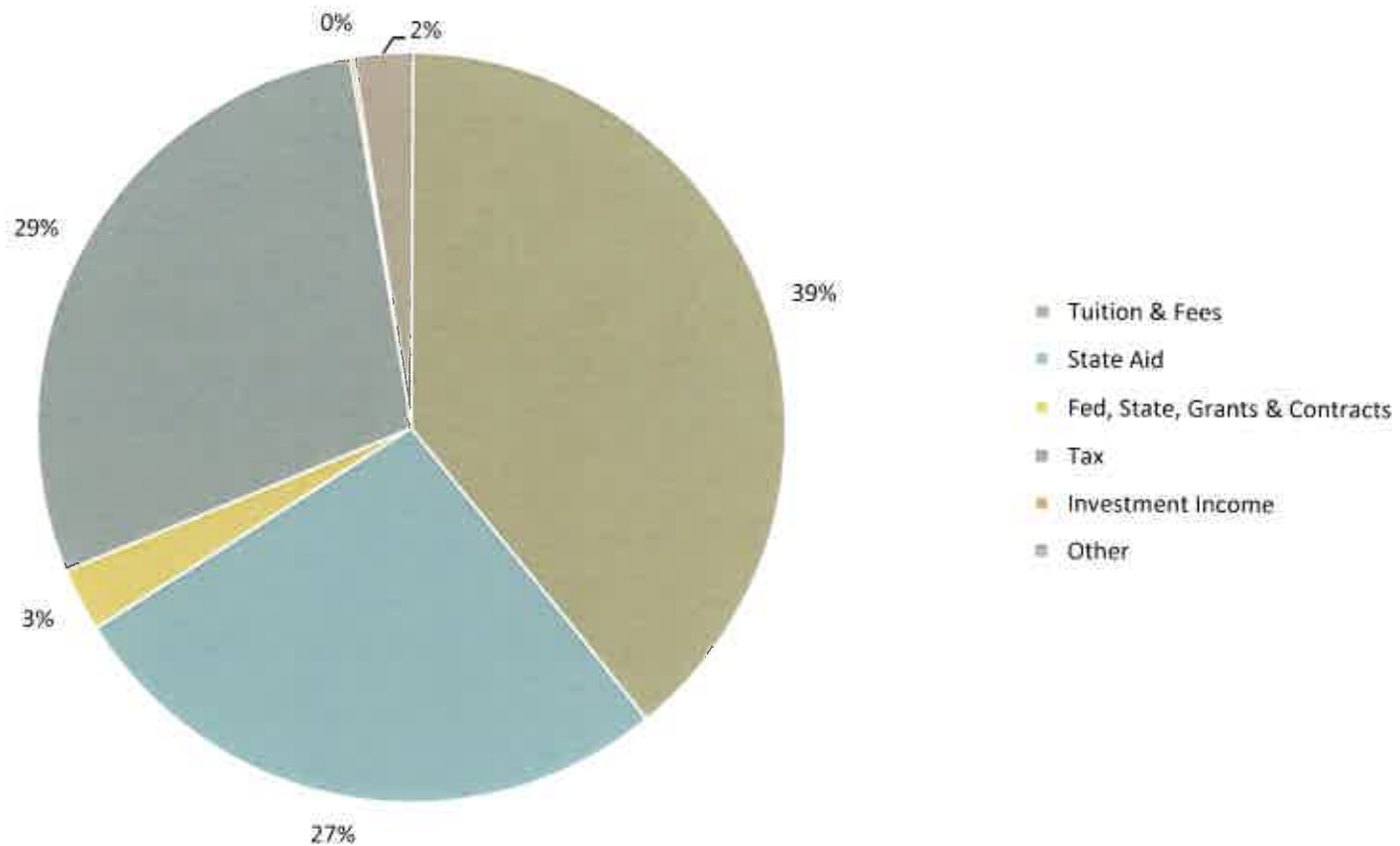
Revenue Analysis

General Operating Fund

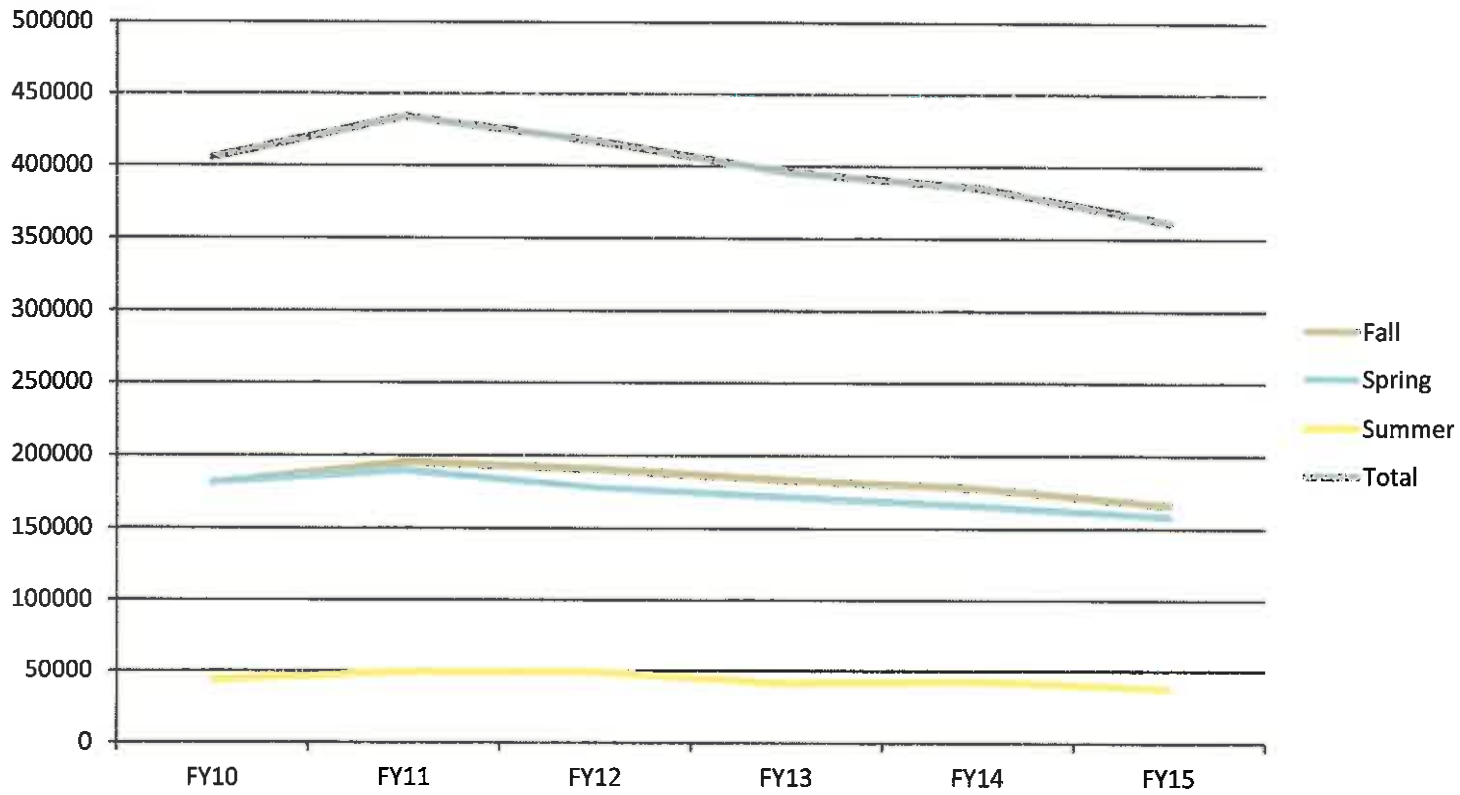


Budget Revenue Sources

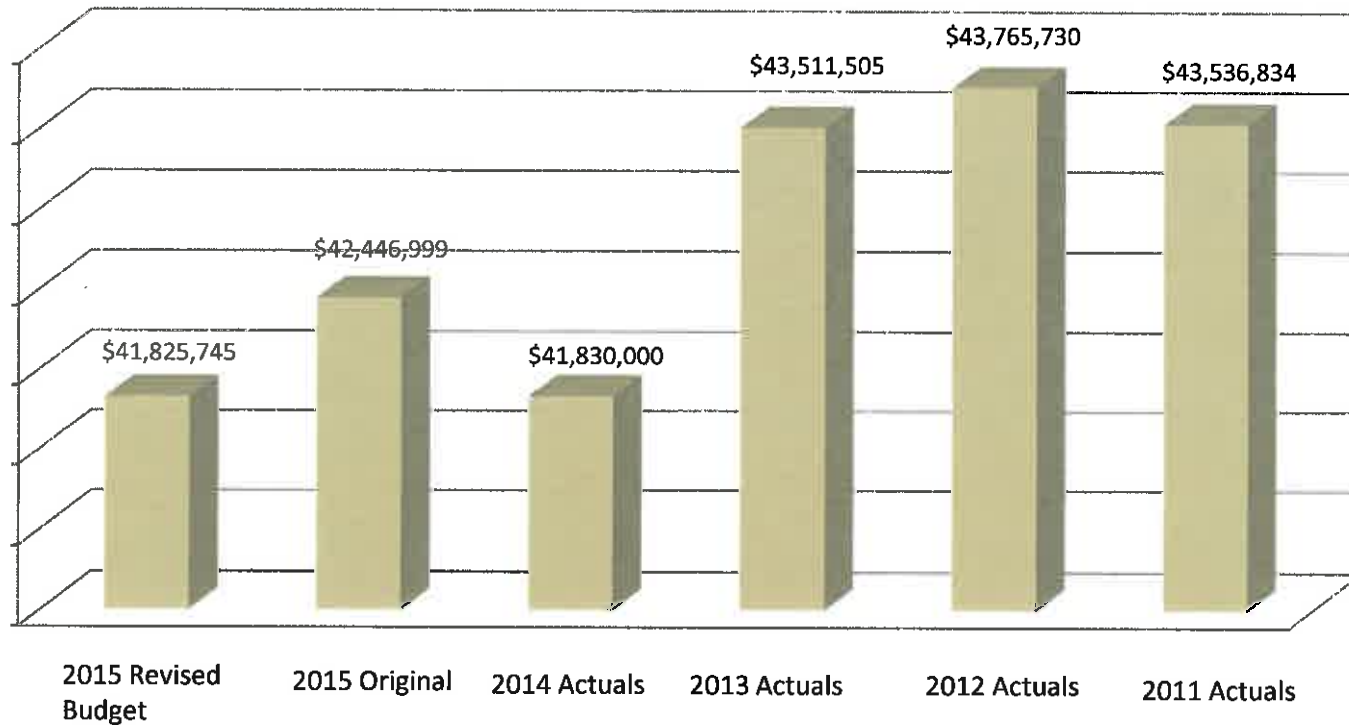
**Chart 1: Revenue by Major Source
Operating Funds (110&120) FY15**



Enrollment Trends



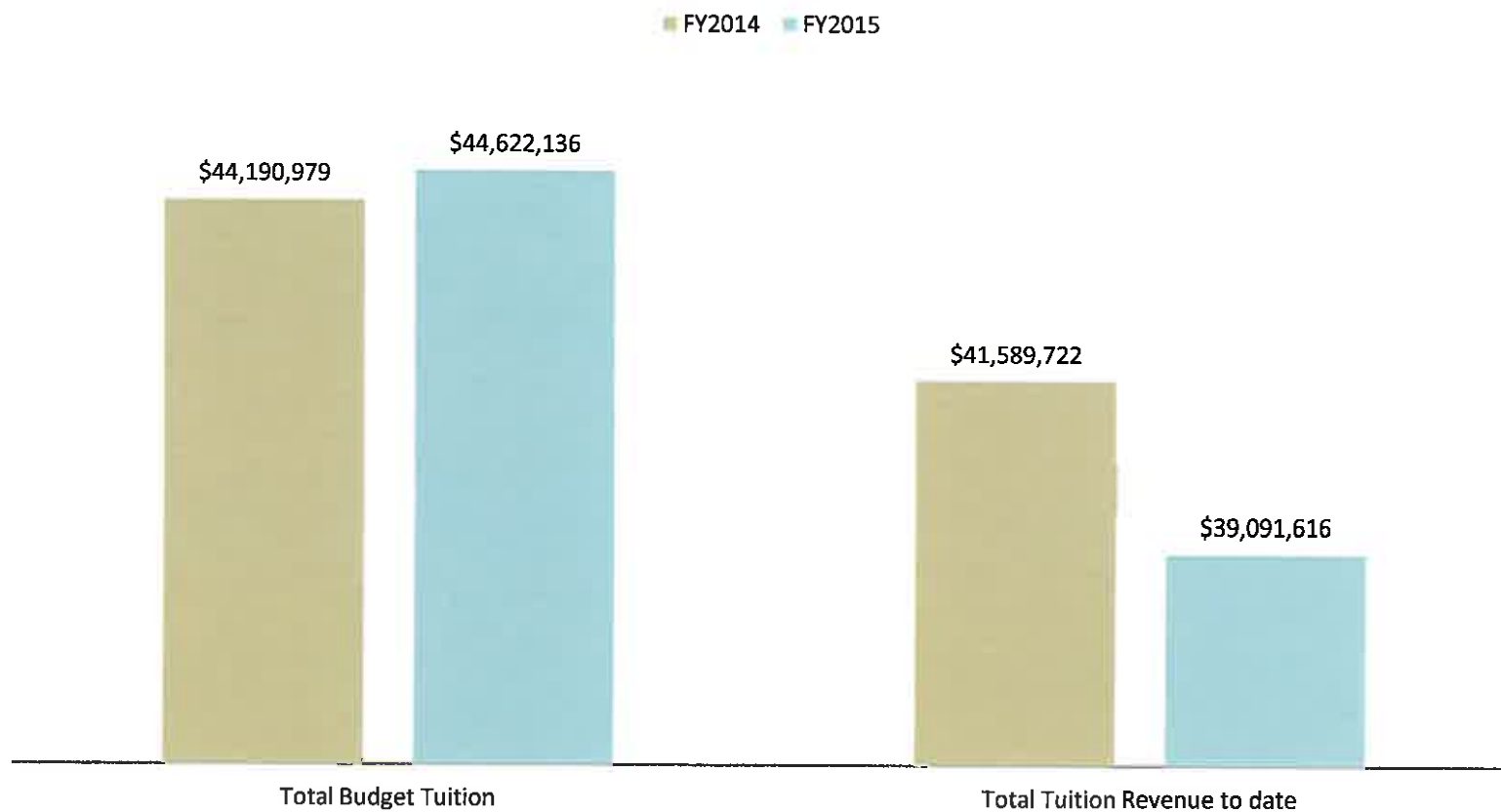
Historical Tuition & Fees Revenue Budget General Fund Only



Tuition & Fees

Operating Funds (General & Special Projects)

**Table 2: Revenue from Tuition & Fees
FY14 vs FY15**

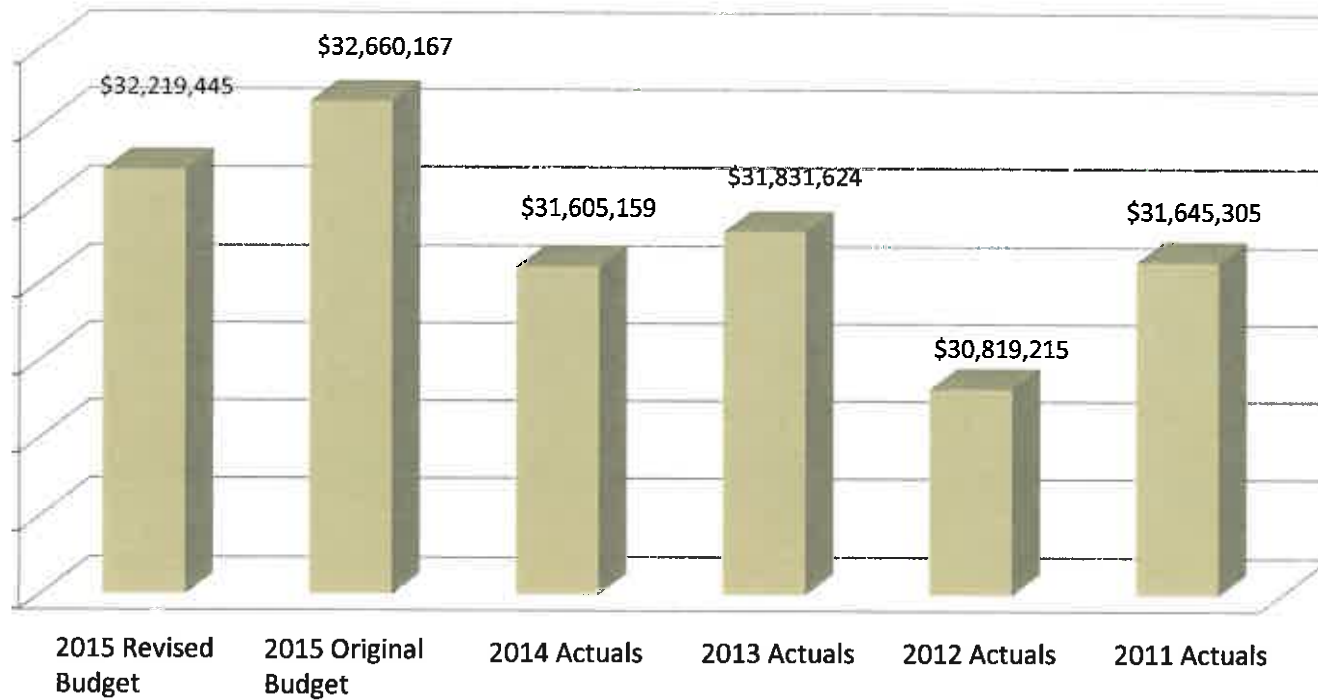


Area and MCCA Tuition Rates

	College	In District
Kansas City Area	Kansas City Kansas	\$93
	Johnson County	\$88
	MCC	\$95
	UMKC	\$369
MCCA	Crowder	\$93
	Three Rivers	\$100
	Moberly	\$99
	East Central	\$95
	Mineral Area	\$97
	Jefferson	\$100
	State Fair	\$98
	St. Charles	\$100
	OTC	\$116
	North Central	\$116
	St. Louis	\$101
State	University of Central Missouri	\$213
	Northwest Missouri State	\$272

Historical Tax Revenue Budget

General Fund

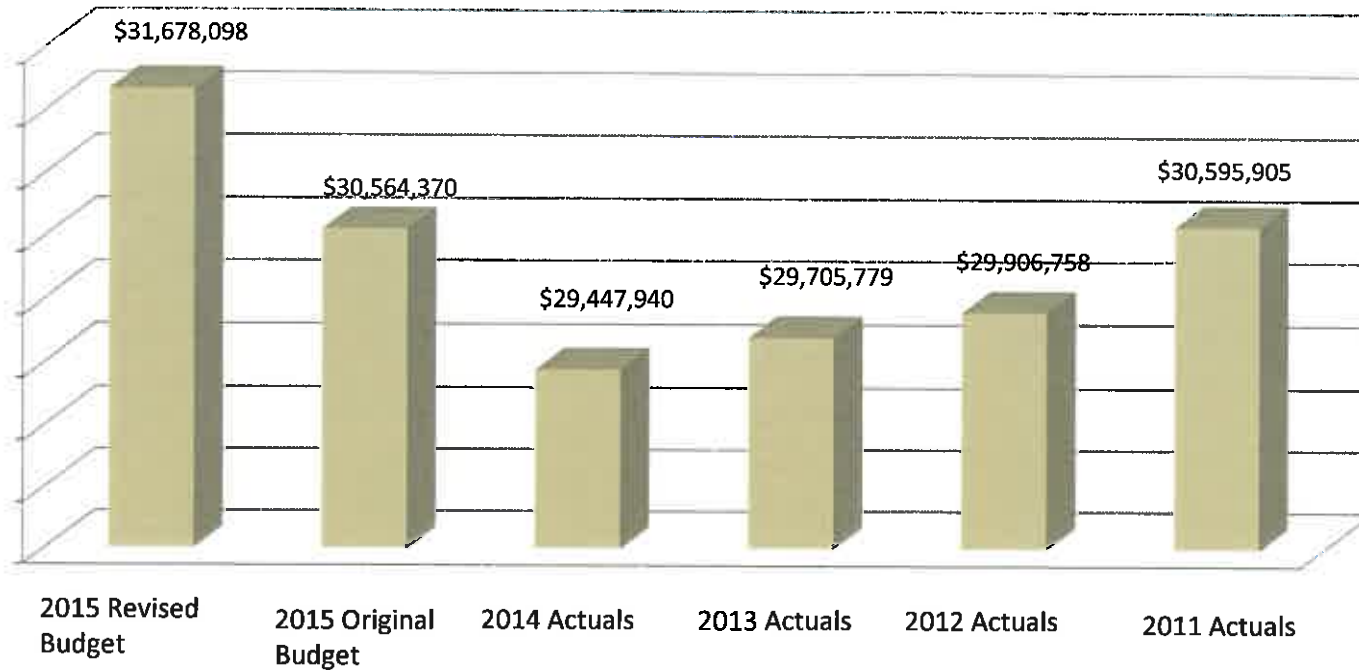


State Appropriations

- Between 2000 and 2014, community colleges (statewide) saw a decrease in state appropriations of \$22.1 million.
- Statewide appropriations for community colleges:
 - 2000: \$147.2 million
 - 2014: \$125.1 million
- This represents a 15% decrease in funding since 2000.
- Between 2000 and 2014, MCC experienced a disproportionate decrease in state appropriations of \$6.2 million, or 17% decrease in funding since 2000.
 - 2000: \$35.6 million
 - 2014: \$29.4 million



Historical State Appropriations Budget General Fund



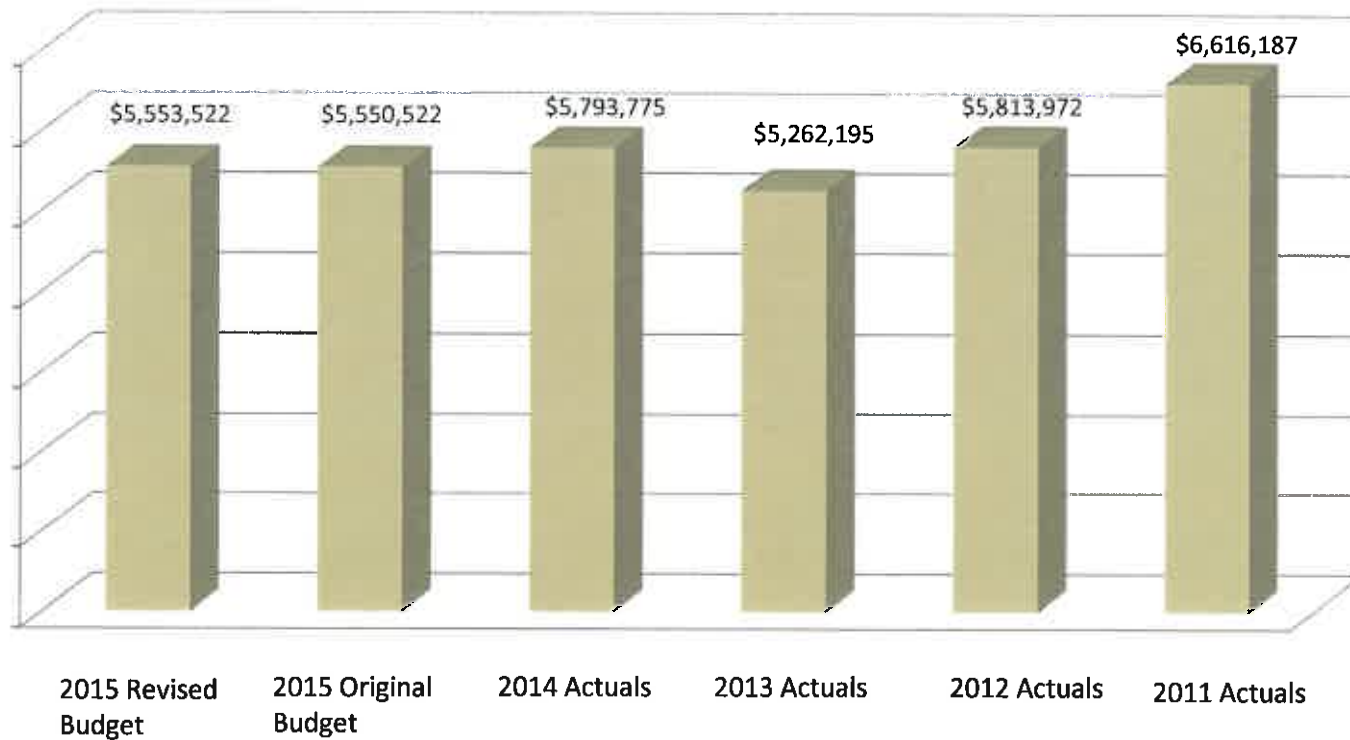
Changing Revenue Mix

- In 1985, state appropriations represented 40% of MCC's general fund revenues.
- In 2000, state appropriations represented 38% of MCC's general fund revenues.
- Today state appropriations represent 27% of MCC's general fund revenues.

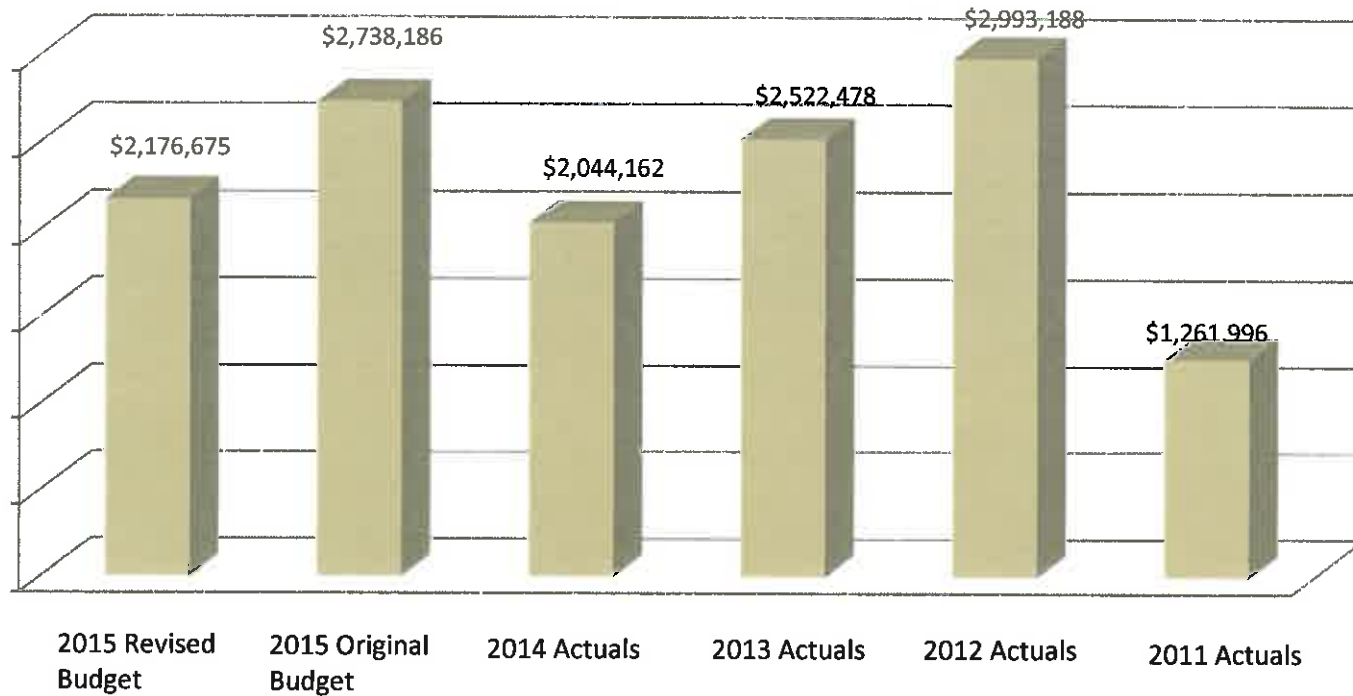


Historical Other Revenue

General Fund



Historical IWI, Auxiliary and Special Projects Contributions Revenue over Expense



Expense Analysis

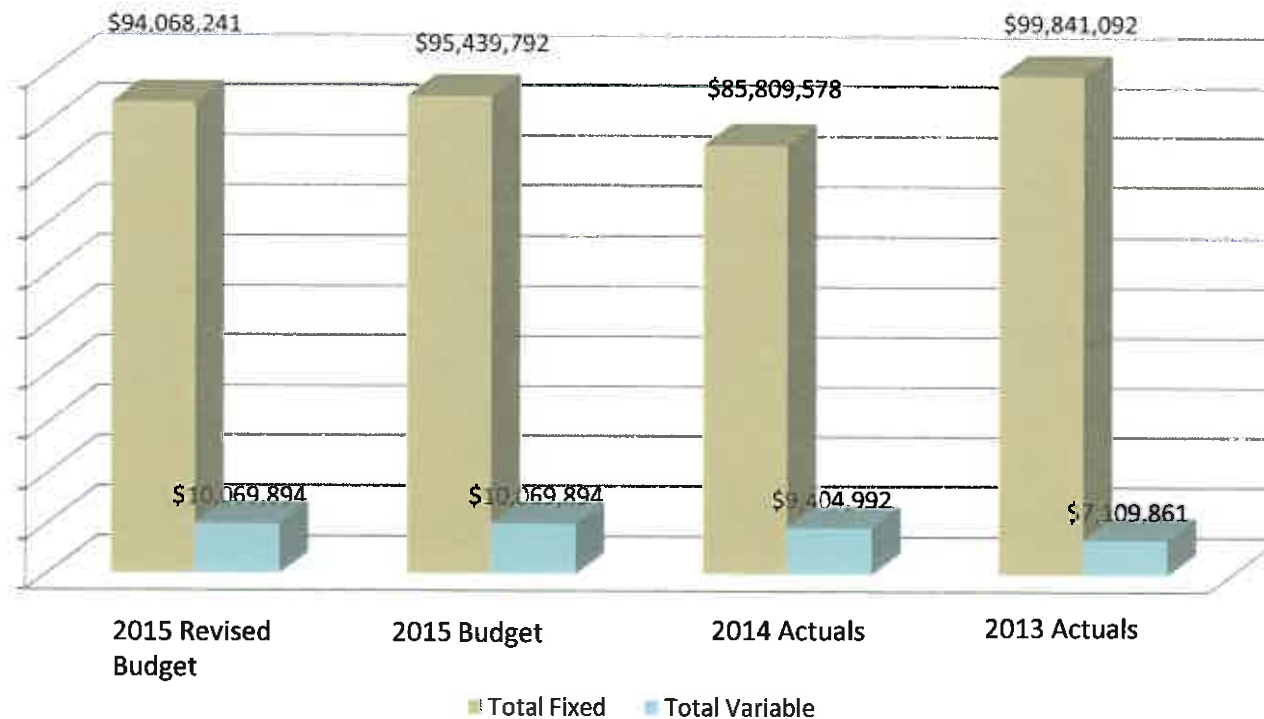
General Operating Fund



Expense Breakdown

Fixed vs Variable Costs

General Fund



Of the \$95.4 million budget for 2015, \$80.1 million is salary and benefits for full time and part time staff



Peer Data Expense Comparison

*2013 Reported Data

Institution Name	Percent of Expenses					
	Salaries & Wages	Fringe Benefits	Salary/Benefits Total	Other	Depreciation	Interest
Austin Community College District	53%	11%	64%	26%	4%	6%
Camden County College	42%	13%	54%	42%	3%	1%
Community College of Allegheny County	55%	15%	70%	24%	4%	2%
Cuyahoga Community College District	44%	11%	55%	35%	8%	2%
Harrisburg Area Community	41%	14%	55%	36%	6%	3%
Henry Ford Community College	40%	19%	60%	32%	6%	2%
Johnson County Community College	48%	19%	67%	27%	5%	1%
Kansas City Kansas Community College	43%	13%	57%	38%	5%	1%
Macomb Community College	42%	21%	63%	28%	9%	0%
Metropolitan Community College	47%	21%	68%	25%	5%	2%
Montgomery College	56%	15%	71%	26%	3%	0%
Ozarks Technical Community College	40%	9%	49%	49%	2%	0%
Pima Community College	49%	14%	62%	34%	4%	0%
Saint Louis Community College	50%	13%	64%	32%	4%	1%
Salt Lake Community College	41%	15%	56%	39%	5%	0%
San Jacinto Community College	41%	12%	54%	36%	6%	4%
The Community College of Baltimore County	50%	17%	67%	29%	4%	0%
Tulsa Community College	47%	17%	64%	30%	5%	1%
University of Missouri-Kansas City	53%	14%	67%	25%	6%	2%
Valencia College	44%	10%	54%	42%	4%	0%
Peer Average	46%	15%	61%	33%	5%	1%
Peer Median	45%	14%	62%	32%	5%	1%

Peer Data Liability Comparison

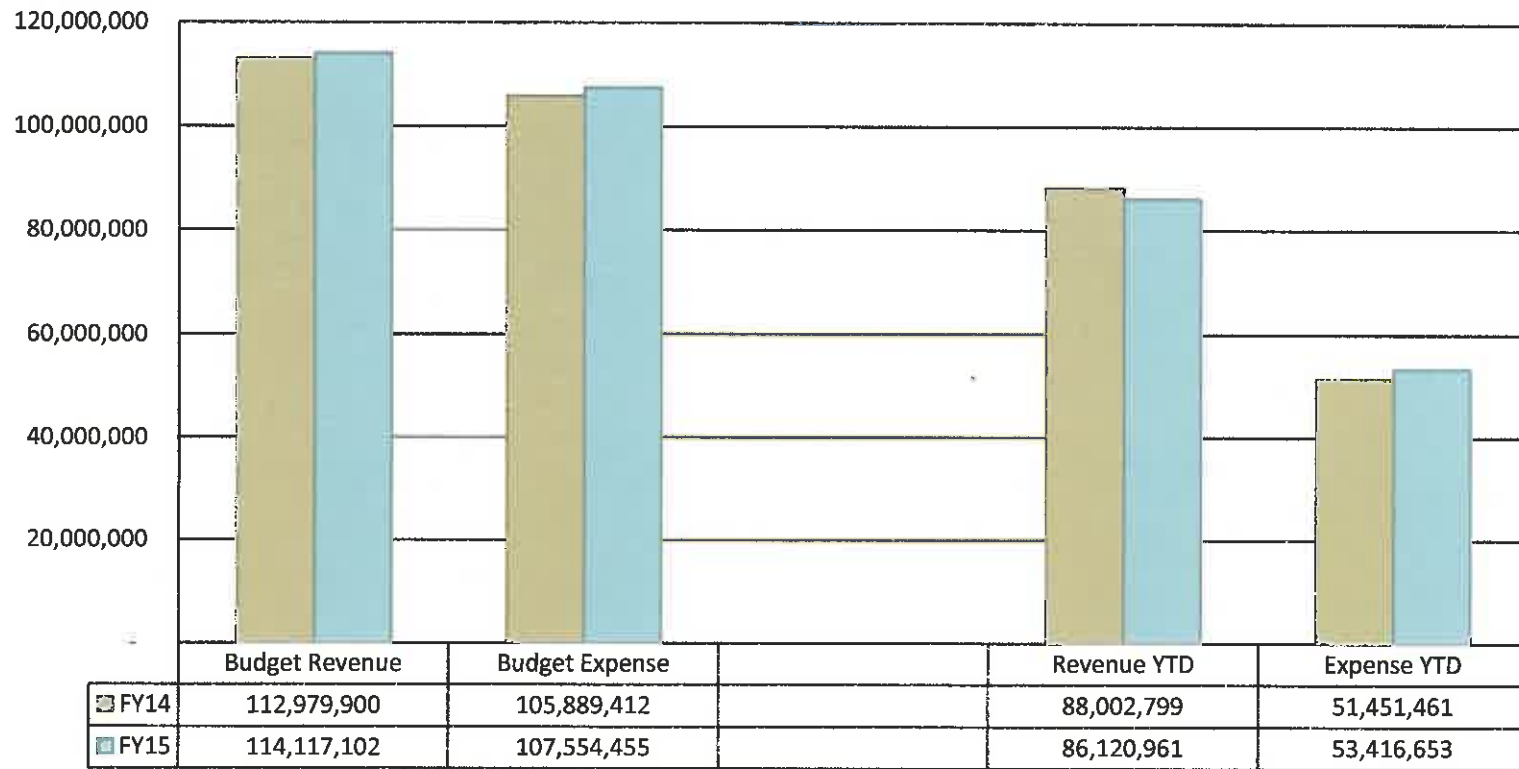
*2013 Reported Data

Institution Name	Liabilities				
	Long-term debt current portion	Other current liabilities	Long-term debt	Other noncurrent liabilities	Total liabilities
Austin Community College District	10,648,100	62,624,313	467,425,837	4,772,351	545,470,601
Camden County College	1,322,132	15,281,100	24,486,387	2,455,059	43,544,678
Community College of Allegheny County	4,714,670	16,634,145	72,747,173	339,017	94,435,005
Cuyahoga Community College District	10,294,376	123,374,018	146,353,734	9,339,849	289,361,977
Harrisburg Area Community College	9,968,314	18,866,126	138,728,755	980,220	168,543,415
Henry Ford Community College	2,304,942	11,784,918	32,909,416	720,244	47,719,520
Johnson County Community College	3,191,673	13,944,640	31,721,639	2,976,260	51,834,212
Kansas City Kansas Community College	1,790,000	11,878,750	23,940,000	4,269,162	41,877,912
Macomb Community College	2,900,000	13,888,289	6,010,942	2,777,730	25,576,961
Metropolitan Community College	6,440,279	20,721,998	72,880,853	4,228,680	104,271,810
Montgomery College	79,222	267,964	242,556	-	589,742
Ozarks Technical Community College	181,676	16,519,658	1,677,615	2,054,963	20,433,912
Pima Community College	-	16,077,597	1,355,000	3,275,753	20,708,350
Saint Louis Community College	2,170,000	18,913,896	24,730,000	512,500	46,326,396
Salt Lake Community College	1,546,783	29,841,616	5,716,940	3,408,922	40,514,261
San Jacinto Community College	10,360,626	45,529,979	296,921,672	2,620,178	355,432,455
The Community College of Baltimore County	-	23,443,468	-	8,394,611	31,838,079
Tulsa Community College	3,554,414	11,673,028	38,083,085	-	53,310,527
University of Missouri-Kansas City	5,157,223	50,407,817	220,809,801	-	276,374,841
Valencia College	490,000	15,908,378	4,560,000	7,600,053	28,558,431
Peer Average	3,855,722	26,879,085	80,565,070	3,036,278	114,336,154
Peer Median	2,602,471	16,576,902	28,225,820	2,698,954	47,022,958

Comparison Revenue / Expenditure

General & Special Projects Fund

**Table 6: Budget to Actuals Comparison
FY14 vs FY15**

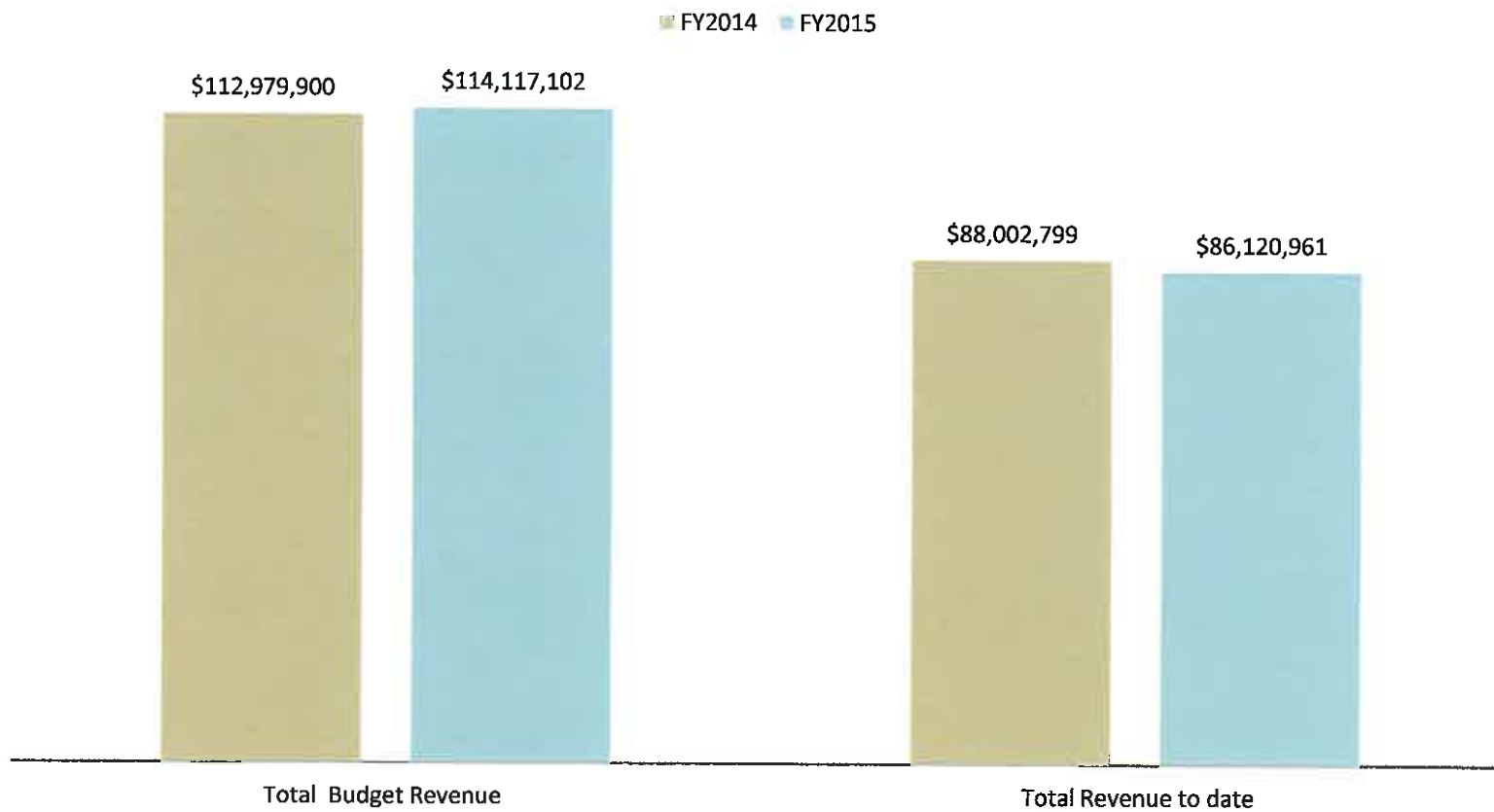


FY15 Midyear Adjustment



Status of FY15 – General Fund & Special Projects

**Table 1: Revenue Budget FY14 vs FY15
January 2015**



Mid year budget adjustment

- Revenue Adjustments
 - Enrollment was projected to decline 3.0%, but actual core enrollment will actually come in closer to an 8.5% decline (combined fall, spring, and summer semesters).
 - Although assessed valuation was originally projected to increase 2.0%, it actually increased only 1.0%. As a result, the projected levy of \$0.2384 was ultimately set at \$0.2374, resulting in a downward revision in tax revenue.
 - State aid revenue was revised upwards by approximately \$1.1 million as a result of the release of expenditure restrictions in the original MCC state aid appropriation.
- Expense Adjustments
 - Proposing adjustments on expenses for summer school and part time instructional cost (\$800K)
 - Reduction of bad debt, retiree health insurance, and unemployment (\$634)
 - Bond refunding net transfer (\$781k less)

Cost Containment

- Bond refunding in FY14
 - Allowed funds to be designated for deferred maintenance due to lower bond payment
- Adjusting part time salaries and summer school as relief to declining enrollment
- Analyzing cost by program area through Contribution Margin Analysis
- Discussions underway regarding size of classes & adopting consistent practices
- Reviewing every open position as an officers team to prioritize needs



FY16 Budget

General Fund & Special Projects Fund



FY16 Budget Revenue Assumptions

- Will roll forward the actual 8.5% reduction in core credit hours, plus 3%
 - Each 1% results in \$400,000 in reduced revenue
 - No proposed increase in tuition
 - Targeted fee increases proposed for fall 2015/16
- State appropriations are up 1.5%
- Local tax revenue anticipated to increase 1.6% (\$450k)
- IWI revenue flat at \$260,000
- Auxiliary transfers reduced to \$1.45 million (due to lower enrollment)



FY 16 Expense Assumptions

- Compensation is increased 3.5% as negotiated
- Insurance benefits for retirees is \$2.2 million (198)
- \$500,000 Contingency
- New bond payment of \$5.75 million due to refunding
- \$1.5 million transfer to deferred maintenance Facilities
- \$500,000 transfer to deferred maintenance IT
- Reduce summer and part time salaries by approximately \$1 million
- Reduce IT expense \$400,000 due to switch of data base platforms (oracle to sql)
- Working to identify additional expense reductions by department and campus to balance the budget
 - 2% across the board on non full time personnel
 - Strategic targeted reductions



Communications

- Updated Monthly Report
- Presenting Information to Board & Officers Monthly
- Reconstitution of the Budget Response Team
- Information Posted on the Internal Budget Blog



Future Outlook



Higher Learning Commission (HLC) Financial Ratios

- Provides HLC with the opportunity to review the financial stability of an institution
- Can identify potential problem areas
- Data is currently collected once per year - typically March/April

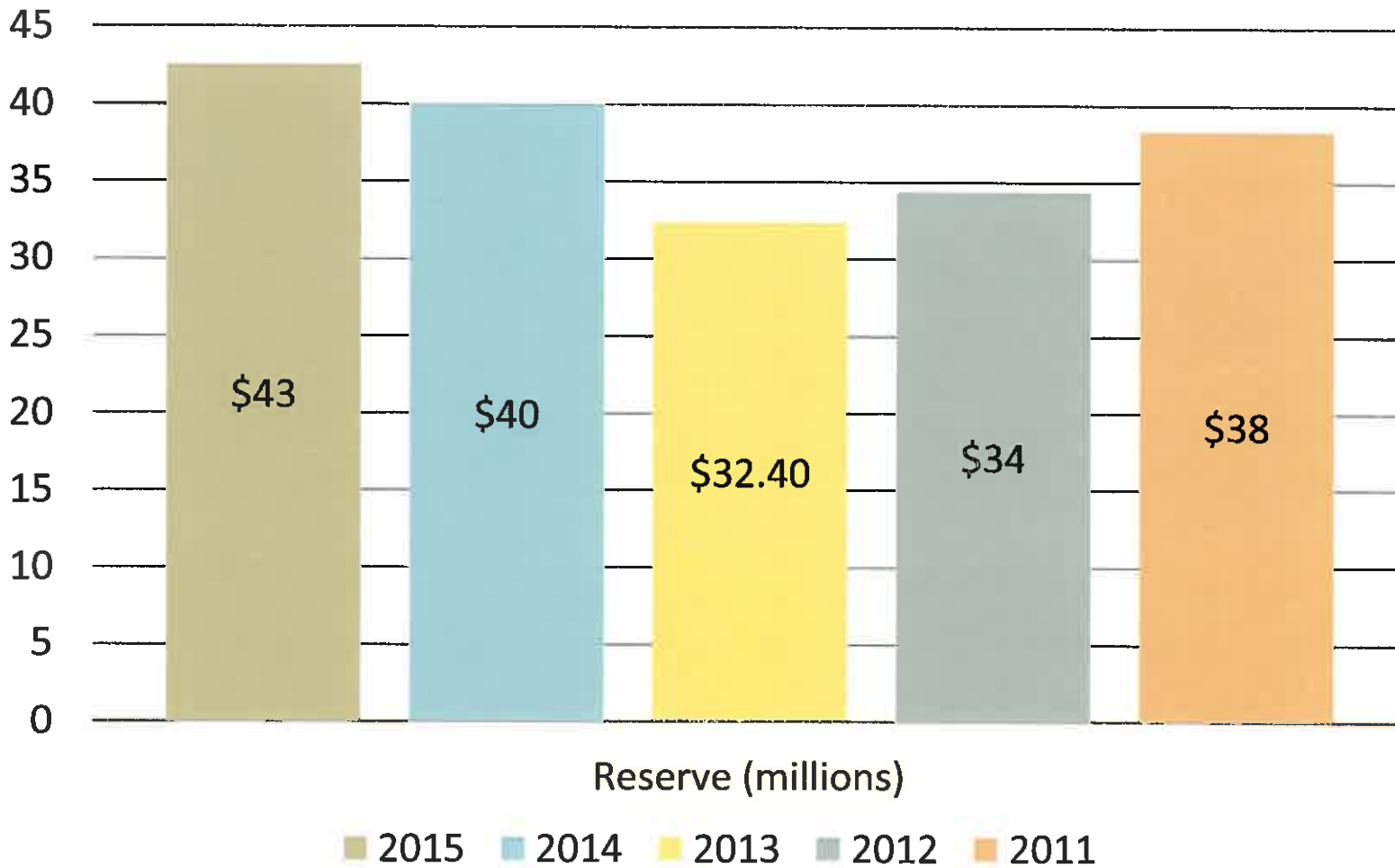


MCC HLC Ratios

Ratio and Description	Ideal per HLC	Projected 2014	2013	2012	2011	2010
Primary Reserve Ratio	.40 or better	0.60	0.48	0.47	0.52	0.51
Net Operating Revenue Ratio	2% - 4%	7.12%	-0.88%	-1.54%	2.64%	4.85%
Return on Net Assets Ratio	3%-4%	8.10%	0.29%	-2.04%	3.46%	6.01%
Viability Ratio	1.00	1.10	0.89	0.83	0.82	0.74
Composite Financial Indicator Score (CFI)	3 or greater	3.86	1.97	1.62	2.60	2.93

Significant improvement in financial health of the institution over the past 4 years

Trend of Unexpended Plant Fund (Reserve)



Investment in Technology

- IT Audit – IT Transformation
 - Network upgrades
 - LAN/WAN Hardware & Wireless Network - Complete
 - Internet capacity - 95% Complete
 - Phone infrastructure - Complete
 - Moving key applications to the cloud
 - Blackboard – Complete
 - People soft – May 2015
 - Office 365 – Complete
- IT Focus for FY16
 - Website
 - PC Refresh Strategy
 - Classroom Technology/Media
 - Security & Compliance – PCI, Email Archive
 - Peoplesoft standardization



Investment in Bricks & Mortar

- Deferred maintenance planning for all facilities
 - HVAC Complete
- Developing a specific plan for use of deferred maintenance funds
- Strategic use of State Operations & Maintenance funds
- State funding of \$4.4 million being considered for MCC from \$400 million bond issue – passed out of senate committee
- Maximize use of facilities; explore alternative energy sources
 - Solar RFP
- Use real estate for revenue generation
 - Cell Tower RFP
 - Updated Leases



Investment in the Future....

- Increase Revenue
 - Market Analysis
 - New markets – Market analysis in Clarus Report
 - Packaging
 - Review of Offerings
 - Work of the Foundation
 - Retention
 - Focus Grant
 - Tiered Enrollment
 - Student Payment Review Committee
 - Recruitment
 - Hobson's
 - Rework of Website
 - Branding Work with Marketing & TWG
- Expenditure Refocus
 - Focus spending on strategic goals
 - Explore outsourcing in targeted areas
 - Contribution Margin analysis to streamline operations



Questions

