

June 19, 2017

Lansing Community College Fiscal Year 2018 Proposed Budget Narrative

Introduction

The FY2018 Budget process started in December 2016 when the Financial Services division invited all college employees to attend "*LCC Financial Briefing*" sessions at the Downtown and West campuses. Nearly 50 employees attended one of the three sessions. In addition, it was presented to the Academic Senate in December. These sessions provided an overview of the College's revenue sources and types of expenses and were intended to engage employees and raise the overall awareness of the College's finances within the College community. Good discussions were held, and all questions were answered. Copies of the presentations were made available at the sessions and upon request.

In late January 2017, two FY2018 "*Budget Launch*" meetings were held to provide instructions and guidance, as well as to answer questions regarding the specific process to be used in the submission of necessary information to develop the FY2018 budget. These two meetings were attended by over 70 employees. In early February, the "*Budget Launch*" was presented to the Academic Senate. There was good dialogue and all questions were answered. Employees were encouraged to engage in the process within their respective divisions. The Chief Financial Officer and members of the Financial Planning, Analysis and Review (FPAR) department also met with individual members of the Executive Leadership Team (ELT) and others to provide additional support during the budget development process.

Subsequent to the FY2018 "*Budget Launch*" meetings, ELT members, with input from their respective teams, forwarded Savings Recommendations to FPAR in February and Reallocation Requests to FPAR in March.

On March 27, 2017, the Chief Financial Officer presented a high-level two-year financial forecast to the Board. That forecast projected a balanced budget for FY2018 and included a \$5 increase in the In-District tuition rate (from \$99 to \$104).

Based upon review and acceptance of various Savings Recommendations and Reallocation Requests, a draft FY2018 budget was discussed with the members of the Board of Trustees at two workshops held on May 18th and June 8th. The draft budget included over \$284 thousand of accepted Savings Recommendations and in excess of \$2 million in approved Reallocation Requests. The overall goal of the Savings Recommendations and Reallocation Requests was to direct more resources to the achievement of the Strategic Plan, Student Success, and Operation 100% and to prevent a reduction in the existing levels of service to students.

At the June 8th budget workshop, based upon the receipt of actual property taxable values, the Administration changed the recommendation from a \$5 tuition increase to a \$4 tuition increase. The decrease in tuition revenue was offset by the increase in property tax revenue. State Appropriation revenues are based upon the governor's recommendations from February 2017 because the legislature has not finalized the state's FY2018 budget.

The resources contained in this budget proposal are for the express purpose and intent of making significant improvements in student success by directly impacting persistence, retention and completion in support of students' academic and career goals.

Summary of General Fund Budgets

Lansing Community College's Fiscal Year 2018 (FY2018) proposed budget is presented to the Board of Trustees in summary form with supporting documentation. The Administration requests adoption as proposed.

Total revenues are projected to exceed \$126 million (see Exhibit A - General Fund Budgets).

Revenues

Summary of Fiscal Year 2018 General Fund Revenues

General Fund Revenues					
Total Revenues	2015 Actual	2016 Actual	2017 Adopted Budget	2018 Proposed	Percent change 2017 to 2018
State Appropriations	\$ 31,112,791	\$ 31,545,505	\$ 32,176,000	\$ 32,410,000	0.7%
Property Taxes	\$ 37,390,260	\$ 39,207,101	\$ 38,973,000	\$ 40,709,000	4.5%
Tuition and Fees	\$ 49,110,493	\$ 46,840,847	\$ 53,280,000	\$ 50,106,000	-6.0%
Other Revenue	\$ 3,108,187	\$ 4,017,041	\$ 2,702,500	\$ 2,950,000	9.2%
Total	\$120,721,731	\$121,610,492	\$127,131,500	\$126,175,000	-0.8%

State Appropriations – The State's FY2018 appropriations to Lansing Community College are budgeted to increase by 0.7%. This increase is due to estimated additional funding that replaces LCC's lost property tax revenue from the corporate personal property tax reform.

Property Taxes – For FY2018, general property tax revenue is estimated to increase by 4.5% which also includes an assumption for uncollectible property taxes. This reflects the recent steady increase of the District's property values after several years of

declining values, offset by the loss of corporate personal property tax revenue (see above). The College's millage rate will remain at 3.8072 mills.

Tuition and Fees – The budget of \$50.1 million in tuition and fees assumes decreases in enrollment of 6.0% from FY2017 estimated enrollments and a 4.0% increase in tuition rates for in-district, in-state, out-of-state and international students of \$4, \$8, \$12, and \$13 respectively. Changes in course fees previously approved by the Board are also included. This increase reflects our commitment to maintaining the current level of support for our students.

Other Revenues – Other revenues include the College's contracts with the Eaton and Clinton County Regional Educational Services Agencies, interest income, University Center income, rental income, and other miscellaneous revenues. The College projects a 9.2% increase in Other Revenue for FY2018.

Operating Budgets

Salaries, Wages, and Benefits – Salaries and benefits will comprise 67.9% of all General Fund expenses and transfers in FY2018. This is compared to 67.2% in the FY2017 budget. The increase is primarily related to contractual obligations in the college's various collective bargaining agreements. The state minimum wage will increase 3.9% to \$9.25 per hour, effective January 1, 2018. LCC has chosen to implement the increase effective with the July 1, 2017 fiscal year for student employees.

The College's contribution to the Michigan Public School Employees Retirement System (MPSERS) is calculated based upon a weighted average of salaries and wages. This weighted average rate is based upon an analysis of individual employee MPSERS pension/health insurance elections, the MPSERS rates in effect on July 1, 2017, and the MPSERS rates to be effective October 1, 2017. Only those full-time administrators and faculty who have chosen the College's optional retirement program (ORP) do not participate in MPSERS. For those individuals that have selected the ORP, the College contributes 12% of their salaries into the plan. Health care costs have increased to the extent of the increase in the State of Michigan employer maximum "hard cap". Other benefit costs include dental and vision group insurance, Social Security and Medicare payroll taxes, tuition benefits, life and disability insurance, and workers' and unemployment compensation.

Services and Supplies – Services and supplies are projected to increase 3.7% from the FY2017 budget. This includes increased institutional expenses, utility costs, purchased services and rental expense (see Exhibit B – General Fund Budgets - Detail).

Tuition Scholarships – The FY2018 budget is \$1.5 million which includes an adjustment for proposed tuition rates. This scholarship budget provides for Board of Trustees, Honors, divisional, athletic, and other scholarships.

Child Care Scholarships – The FY2018 budget is \$289 thousand which includes an adjustment for approved child care fee increases.

Contingency – The proposed Contingency budget for FY2018 is \$1.26 million or 1% of the proposed revenues, as prescribed in the Board of Trustees policy.

Transfer Budgets

Grant Match – The FY2018 budget is \$1.05 million. This is a \$44 thousand reduction from the FY2017 budget. This is based on requirements of current grant awards and anticipated grant awards.

Capital Equipment – The FY2018 budget is \$1.1 million, the same amount as FY2017.

Outstanding Debt Service – \$6.9 million is budgeted for principal and interest payments on debt. Due to the payoff of the 2005 and 2007 bond issues, the budget has been reduced by \$2 million.

Plant Improvement – The FY2018 budget is proposed at \$3.1 million. This is the same as the FY2017 budget. The College currently owns and maintains approximately 1.8 million square feet of space.

Technology Infrastructure – The FY2018 budget is proposed at \$2.9 million. This is the same as the FY2017 budget.

Technology Fee – The FY2018 budget is proposed at \$294 thousand, a reduction from FY2017 of \$31 thousand, reflecting anticipated enrollment declines.

Other Transfers – The FY2018 budget is proposed at \$150 thousand, a decrease of \$75 thousand. The subsidy is the College's financial commitment to the operation of the Early Learning Children's Community.

Tuition Increase Considerations

The College's proposed in-district tuition rate of \$103 is below the projected state-wide average.

The attached tables show a comparison of individual college tuition rates as of information available on June 13, 2017, and LCC's history of recent tuition increases.

LANSING COMMUNITY COLLEGE
General Fund

	FY2017 Adopted Budget	FY2018 Proposed Budget	\$ Change	% Change
<u>Revenues</u>				
1 State Appropriations	\$ 32,176,000	\$ 32,410,000	\$ 234,000	0.7%
2 Property Taxes, Net of Estimated Uncollectible	\$ 38,973,000	\$ 40,709,000	\$ 1,736,000	4.5%
3 Tuition & Fees, Net of Estimated Uncollectible	\$ 53,280,000	\$ 50,106,000	\$ (3,174,000)	-6.0%
4 Other Revenues	\$ 2,702,500	\$ 2,950,000	\$ 247,500	9.2%
Total Revenues	\$ 127,131,500	\$ 126,175,000	\$ (956,500)	-0.8%
<u>Expenses</u>				
5 Salaries & Wages	\$ 60,001,600	\$ 60,115,000	\$ 113,400	0.2%
6 Employee Benefits	\$ 25,371,700	\$ 25,606,000	\$ 234,300	0.9%
Total Salaries and Benefits	\$ 85,373,300	\$ 85,721,000	\$ 347,700	0.4%
7 Services & Supplies	\$ 21,175,200	\$ 21,956,000	\$ 780,800	3.7%
Total Operating Expenses	\$ 106,548,500	\$ 107,677,000	\$ 1,128,500	1.1%
8 Tuition Scholarships	\$ 1,423,000	\$ 1,495,000	\$ 72,000	5.1%
9 Child Care Scholarships	\$ 275,000	\$ 289,000	\$ 14,000	5.1%
Total Student Financial Support Expenses	\$ 1,698,000	\$ 1,784,000	\$ 86,000	5.1%
Total Expenses	\$ 108,246,500	\$ 109,461,000	\$ 1,214,500	1.1%
<u>Transfers (In)/Out</u>				
10 Grant Match	\$ 1,094,000	\$ 1,050,000	\$ (44,000)	-4.0%
11 Capital Equipment	\$ 1,100,000	\$ 1,100,000	\$ -	0.0%
12 Debt Service	\$ 8,908,000	\$ 6,896,000	\$ (2,012,000)	-22.6%
13 Physical Plant Improvement	\$ 3,062,000	\$ 3,062,000	\$ -	0.0%
14 Technology Infrastructure	\$ 2,900,000	\$ 2,900,000	\$ -	0.0%
15 Technology Fee	\$ 325,000	\$ 294,000	\$ (31,000)	-9.5%
16 Other Transfers	\$ 225,000	\$ 150,000	\$ (75,000)	-33.3%
Total Transfers	\$ 17,614,000	\$ 15,452,000	\$ (2,162,000)	-12.3%
17 Contingency	\$ 1,271,000	\$ 1,262,000	\$ (9,000)	-0.8%
Board of Trustee Approved Transfers				
Total Revenues	\$ 127,131,500	\$ 126,175,000	\$ (956,500)	-0.8%
Total Expenses, Transfers and Contingency	\$ 127,131,500	\$ 126,175,000	\$ (956,500)	-0.8%
Net Change in Unrestricted Fund Balance	\$ -	\$ -	\$ -	0.0%
18 Unrestricted General Fund Balance Beginning of Period	\$ 19,875,194	\$ 19,875,194		
Unrestricted General Fund Balance End of Period	\$ 19,875,194	\$ 19,875,194		

LANSING COMMUNITY COLLEGE
General Fund
Operating Expenses: Proposed Budget

	FY2017 Adopted Budget *	FY2018 Proposed Budget	\$ Change	% Change
<u>Operating Expenses - Divisions</u>				
1 Academic Affairs	\$ 3,335,700	\$ 3,275,000	\$ (60,700)	-1.8%
2 Administrative Services	\$ 11,793,900	\$ 12,267,600	\$ 473,700	4.0%
3 Advancement & External Affairs	\$ 3,242,200	\$ 3,289,600	\$ 47,400	1.5%
4 Arts & Sciences	\$ 26,576,300	\$ 26,320,100	\$ (256,200)	-1.0%
5 Board of Trustees	\$ 273,800	\$ 282,500	\$ 8,700	3.2%
6 Community Education & Workforce Dvlpmnt	\$ 3,576,900	\$ 3,810,600	\$ 233,700	6.5%
8 Executive Office	\$ 3,200,300	\$ 3,252,600	\$ 52,300	1.6%
7 Financial Services	\$ 5,366,000	\$ 5,637,400	\$ 271,400	5.1%
9 Health & Human Services	\$ 11,453,400	\$ 11,276,200	\$ (177,200)	-1.5%
10 Human Resources	\$ 1,969,000	\$ 1,979,800	\$ 10,800	0.5%
11 Information Technology Services	\$ 10,429,000	\$ 10,525,800	\$ 96,800	0.9%
12 Student Affairs	\$ 8,299,800	\$ 8,180,900	\$ (118,900)	-1.4%
13 Student Success	\$ 6,334,500	\$ 6,550,700	\$ 216,200	3.4%
14 Technical Careers	\$ 10,697,700	\$ 11,028,200	\$ 330,500	3.1%
Total all Divisions	\$ 106,548,500	\$ 107,677,000	\$ 1,128,500	1.1%
<u>Operating Expenses - Account</u>				
15 Full-Time Administrator	\$ 15,977,800	\$ 16,774,300	\$ 796,500	5.0%
16 Part-Time Administrator	\$ 776,000	\$ 730,000	\$ (46,000)	-5.9%
17 Full-Time Faculty	\$ 15,526,800	\$ 15,906,700	\$ 379,900	2.4%
18 Part-Time Faculty	\$ 14,157,400	\$ 13,575,500	\$ (581,900)	-4.1%
19 Full-Time Support	\$ 9,171,000	\$ 9,175,900	\$ 4,900	0.1%
20 Part-Time Support	\$ 2,376,300	\$ 2,154,000	\$ (222,300)	-9.4%
21 Student	\$ 2,016,300	\$ 1,798,600	\$ (217,700)	-10.8%
Total Salaries and Wages	\$ 60,001,600	\$ 60,115,000	\$ 113,400	0.2%
Employee Benefits	\$ 25,371,700	\$ 25,606,000	\$ 234,300	0.9%
23 Non-Capital Equipment	\$ 112,300	\$ 127,500	\$ 15,200	13.5%
24 Institutional Expenses	\$ 2,255,400	\$ 2,436,200	\$ 180,800	8.0%
25 Utilities	\$ 3,299,100	\$ 3,463,200	\$ 164,100	5.0%
26 Professional Services	\$ 1,331,500	\$ 1,273,200	\$ (58,300)	-4.4%
27 Purchased Services	\$ 3,617,300	\$ 3,878,000	\$ 260,700	7.2%
28 Rental Expense	\$ 897,500	\$ 1,011,700	\$ 114,200	12.7%
29 Repair and Maintenance	\$ 1,682,800	\$ 1,616,000	\$ (66,800)	-4.0%
30 Supplies	\$ 6,774,000	\$ 6,878,800	\$ 104,800	1.5%
31 Travel, Training and Conferences	\$ 1,205,300	\$ 1,271,400	\$ 66,100	5.5%
Total Services and Supplies	\$ 21,175,200	\$ 21,956,000	\$ 780,800	3.7%
Total Division Operating Expenses	\$ 106,548,500	\$ 107,677,000	\$ 1,128,500	1.1%

* Restated to conform with FY2018 Presentation