

June 20, 2016

Lansing Community College Fiscal Year 2017 Proposed Budget Narrative

Introduction

The FY2017 Budget process started in December 2015 when the Financial Services division invited all college employees to attend *"LCC Financial Briefing"* sessions at Main and West campuses. Over 60 employees attended one of the three sessions. 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 January 2016, two FY2017 *"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 FY2017 budget. These two meetings were attended by over 60 employees. 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 FY2017 *"Budget Launch"* meetings, ELT members, with input from their respective teams, crafted budget savings and reallocation recommendations., which were then submitted to FPAR in February.

At the March 2016 Board of Trustees meeting, the Chief Financial Officer presented a high-level two-year financial forecast. That forecast showed a projected deficit of \$658 thousand for FY2017 and included a \$7 increase in the In-District tuition rate (from \$88 to \$95) to narrow the gap.

Based upon review and acceptance of various Savings Recommendations and Reallocation Requests, a draft FY2017 budget was discussed with the members of the Board of Trustees at two workshops held on May 2, 2016. This draft budget closed the \$658 thousand deficit gap presented in the two-year financial forecast in April. The draft budget included over \$800 thousand of accepted Savings Recommendations and in excess of \$3.2 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.

Towards the end of the May 2nd budget workshops, President Knight and others led a discussion with the Board of Trustees regarding the additional support for students that could be provided if an additional \$4 increase in the In-District tuition rate was approved by the Board for FY2017. Specifically discussed was the need for additional academic success and tutoring services. The significant expansion of these services would greatly enhance LCC students' ability to persist and complete their academic goals.

The final budget workshop with the Board of Trustees was held on May 23rd. The focus of this workshop was more discussion and explanation of the advantages to LCC students if the additional \$4 tuition increase was approved. The result of those discussions was to focus on the addition of 20 full-time academic success staff, four additional full-time tutors, and to provide for a significant increase in tutoring services for students.

The increased 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. In addition, budgets for Property Tax and State Appropriation revenue have been updated based upon additional information not previously available.

Summary of General Fund Budgets

Lansing Community College's Fiscal Year 2017 (FY2017) 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 \$127 million (see Attachment A - General Fund Budgets).

Revenues

Summary of Fiscal Year 2017 General Fund Revenues

General Fund Revenues					
Total Revenues	2014 Actual	2015 Actual	2016 Adopted Budget	2017 Proposed	Percent change 2016 to 2017
State Appropriations	\$ 30,303,385	\$ 31,112,791	\$ 31,562,000	\$ 32,176,000	1.9%
Property Taxes	\$ 36,718,154	\$ 37,390,260	\$ 37,147,000	\$ 38,973,000	4.9%
Tuition and Fees	\$ 52,168,821	\$ 49,110,493	\$ 51,210,000	\$ 53,280,000	4.0%
Other Revenue	\$ 2,871,718	\$ 3,108,187	\$ 2,242,000	\$ 2,702,500	20.5%
Total	\$122,062,078	\$120,721,731	\$122,161,000	\$127,131,500	4.1%

State Appropriations – The State's FY2017 appropriations to Lansing Community College are budgeted to increase by 1.9%. Most of this increase is based upon the Michigan legislature and governor's conference committee agreement. The other portion is from the additional funding to replace LCC's lost property tax revenue from the corporate personal property tax reform.

Property Taxes – For FY2017, general property tax revenue is estimated to increase by 4.9% which also includes a conservative 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 \$53.3 million in tuition and fees assumes decreases in enrollment of 3.2% from FY2016 estimated enrollments and a 12.5% increase in tuition rates for in-district, in-state, out-of-state and international students of \$11, \$22, \$33, and \$38 respectively. A significant portion of this increase reflects our commitment to the improved success of our students. Increased course fees previously approved by the Board are also included.

Uncollectable tuition in FY2017 is projected at 1.0% which is the same as FY2016 and FY2015. This is included as an offset to tuition and fee revenue.

Other Revenues – Other revenues include contracted training (non-credit) from the Business and Community Institute (BCI), 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 and fees (such as training opportunities, certification & testing fees, massage fees, etc.). The College projects a 20.5% increase in Other Revenue for FY2017.

Operating Budgets

Salaries, Wages, and Benefits – Salaries and benefits will comprise 67.2% of all General Fund expenses and transfers in FY2017. This is compared to 67.1% in the FY2016 budget. Much of the increase here is related to the determination to include a significant increase in the provision of "wrap-around services" to enhance student success. The model is based on incorporating higher education best practices and includes 24 new full-time positions: 20 Academic Success Coaches and four Tutors. The state minimum wage will increase 4.7% to \$8.90 per hour, effective January 1, 2017. LCC has chosen to implement the increase effective with the July 1, 2016 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, 2016, and the MPSERS rates to be effective October 1, 2016. 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" for FY2017. 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 3.6% from the FY2016 budget. This includes savings recommendations, increased utility costs, and costs directly associated with increased course fee revenue (see Attachment B – General Fund Budgets - Detail).

Institutional Scholarships – The FY2017 budget is \$1.4 million which includes an adjustment for proposed tuition rates. The institutional scholarship budget provides for Board of Trustees, Honors, divisional, athletic, and other scholarships.

Child Care Scholarships – The FY2017 budget is \$275 thousand which includes an adjustment for approved child care fee increases.

Contingency – The proposed Contingency budget for FY2017 is \$1.3 million or 1% of the proposed revenues, as prescribed in the Board of Trustees policy.

Transfer Budgets

Grant Match – The FY2017 budget is \$1.1 million. This is the same as the FY2016 budget. This is based on requirements of current grant awards and anticipated grant awards.

Capital Equipment - The FY2017 budget is \$1.1 million, a \$100 thousand increase from FY2016.

Outstanding Debt Service – \$8.9 million is budgeted for required principal and interest payments on existing debt. This represents an increase in principal payments, offset by a reduction in interest payments, resulting in a net increase of \$327 thousand from FY2016. The College refinanced outstanding bond debt in FY2016 with a \$1.2 million savings over the life of the bonds.

Plant Improvement – The FY2017 budget is proposed at \$3.1 million. This is the same as the FY2016 budget. The College currently owns and maintains approximately 1.8 million square feet of space.

Technology Infrastructure – The FY2017 budget is proposed at \$2.9 million. This is the same as the FY2016 budget.

Technology Fee – The 2017 Budget is proposed at \$325 thousand, a reduction from FY2016 of 6.6%, reflecting anticipated enrollment decline.

ELCC Subsidy – The FY2017 budget is proposed at \$225 thousand. The subsidy is the College's financial commitment to the operation of the child care center.

Tuition Increase Considerations

The College's proposed in-district tuition rate of \$99 is below the projected state-wide average.

The attached table shows a comparison of individual college tuition rates as of information available on June 15, 2016.

LANSING COMMUNITY COLLEGE
General Fund Budgets
 Fiscal Year 2017 Proposed Budget

	FY 2014	FY 2015	FY 2016	FY 2017		
	Actual	Actual	Adopted Budget	Change from FY2016 Adopted	Administrative Proposal	Percent Change
<u>Revenues</u>						
State Appropriations	\$ 30,303,385	\$ 31,112,791	\$ 31,562,000	\$ 614,000	\$ 32,176,000	1.9%
Property Taxes	36,718,154	37,390,260	37,147,000	1,826,000	\$ 38,973,000	4.9%
Tuition & Fees	52,168,821	49,110,493	51,210,000	2,070,000	\$ 53,280,000	4.0%
Other Revenues	2,871,718	3,108,187	2,242,000	460,500	\$ 2,702,500	20.5%
Total Revenues	122,062,078	120,721,731	122,161,000	4,970,500	127,131,500	4.1%
<u>Operating Budgets</u>						
Salaries & Wages	56,885,631	56,608,955	57,720,800	2,280,800	60,001,600	4.0%
Employee Benefits	23,526,613	25,030,919	24,252,200	1,119,500	25,371,700	4.6%
Total Salaries + Benefits	80,412,244	81,639,874	81,973,000	3,400,300	85,373,300	4.1%
Services & Supplies	18,961,750	19,473,806	20,446,000	729,200	21,175,200	3.6%
Student Services Technology Project	-	500,000	-	-	-	0.0%
Institutional Scholarships	1,226,489	1,217,547	1,265,000	158,000	1,423,000	12.5%
Child Care Scholarships	197,810	198,828	270,000	5,000	275,000	1.9%
Total Salaries, Benefits & Other Expense	100,798,293	103,030,055	103,954,000	4,292,500	108,246,500	4.1%
Contingency	-	-	1,222,000	49,000	1,271,000	4.0%
Total Operating Budgets	100,798,293	103,030,055	105,176,000	4,341,500	109,517,500	4.1%
<u>Transfers</u>						
Grant Match	1,360,616	1,245,174	1,094,000	-	1,094,000	0.0%
Capital Equipment	1,135,000	1,135,000	1,000,000	100,000	1,100,000	10.0%
Debt Service, all Issues	8,752,000	8,756,000	8,581,000	327,000	8,908,000	3.8%
Physical Plant Improvement	3,162,000	3,162,000	3,062,000	-	3,062,000	0.0%
Technology Infrastructure	2,715,000	3,100,000	2,900,000	-	2,900,000	0.0%
Technology Fee	387,083	350,898	348,000	(23,000)	325,000	-6.6%
Facilities-Auxiliary Fund	400,000	-	-	-	-	N/A
ELCC Subsidy	-	-	-	225,000	225,000	N/A
Total Transfers	17,911,699	17,749,072	16,985,000	629,000	17,614,000	3.7%
Total Revenues	122,062,078	120,721,731	122,161,000	4,970,500	127,131,500	4.1%
Total Expenses/Transfers	118,709,992	120,779,127	122,161,000	4,970,500	127,131,500	4.1%
Change in Fund Balance Before Board Approved Transfers & Designations	3,352,086	(57,396)	-	-	-	N/A
Board of Trustee Approved Transfers	-	(8,200,000)	-	-	-	
Net Change in Unrestricted Fund Balance	3,352,086	(8,257,396)	-	-	-	N/A
Unrestricted General Fund Balance Beginning of Period	23,588,754	26,940,840	18,683,444	-	18,683,444	0.0%
Unrestricted General Fund Balance End of Period	\$ 26,940,840	\$ 18,683,444	\$ 18,683,444	\$ -	\$ 18,683,444	0.0%
Outstanding Encumbrances	(1,330,325)	(291,198)	-	-	-	N/A
Undesignated General Fund Balance End of Period	\$ 25,610,515	\$ 18,392,246	\$ 18,683,444	\$ -	\$ 18,683,444	0.0%

LANSING COMMUNITY COLLEGE
General Fund Budgets - Detail
Fiscal Year 2017 Proposed Budget

	FY 2014	FY 2015	FY 2016	FY 2017		
	Actual	Actual	Adopted Budget (Restated)	Change from FY2016	Administrative Proposal	Percent Change
<i>Operating Budgets - Divisions</i>						
Academic Affairs	\$ 2,803,862	\$ 3,672,748	\$ 4,907,500	\$ (837,400)	\$ 4,070,100	-17.1%
Administrative Services	11,568,451	11,659,781	10,924,000	869,700	11,793,700	8.0%
Advancement & External Affairs	2,697,872	2,925,870	3,289,300	(47,100)	3,242,200	-1.4%
Arts & Sciences	24,751,302	24,146,433	26,266,200	421,600	26,687,800	1.6%
Board of Trustees	216,166	205,803	280,000	(6,200)	273,800	-2.2%
Community Education & Workforce Dvlpmt	2,493,154	3,191,894	3,372,200	204,700	3,576,900	6.1%
Executive Office	3,532,399	2,747,530	3,131,500	242,900	3,374,400	7.8%
Financial Services	4,699,272	6,367,925	5,327,400	38,600	5,366,000	0.7%
Health & Human Services	11,571,805	11,711,317	11,582,400	(129,000)	11,453,400	-1.1%
Human Resources	1,607,607	1,634,872	1,950,500	18,500	1,969,000	0.9%
Information Technology Services	9,250,206	9,143,290	10,152,700	276,300	10,429,000	2.7%
Student Affairs	14,550,461	14,307,536	11,584,600	2,029,900	13,614,500	17.5%
Technical Careers	9,631,437	9,398,682	9,650,700	1,047,000	10,697,700	10.8%
Total all Divisions	99,373,994	101,113,680	102,419,000	4,129,500	106,548,500	4.0%
<i>Operating Budgets - Account</i>						
Administrator Full-Time	11,987,593	12,908,088	14,298,800	1,679,100	15,977,900	11.7%
Administrator Part-Time	1,151,071	867,816	864,300	(88,300)	776,000	-10.2%
Faculty Full-Time	14,611,073	15,128,804	15,268,400	258,400	15,526,800	1.7%
Faculty Part-Time	16,560,361	15,250,650	14,048,600	108,800	14,157,400	0.8%
Support Full-Time	8,402,769	8,577,704	8,613,600	557,400	9,171,000	6.5%
Support Part-Time	2,395,969	2,209,979	2,754,500	(378,300)	2,376,200	-13.7%
Student	1,776,795	1,665,914	1,872,600	143,700	2,016,300	7.7%
Total Salaries and Wages	56,885,631	56,608,955	57,720,800	2,280,800	60,001,600	4.0%
Employee Benefits	23,526,613	25,030,919	24,252,200	1,119,500	25,371,700	4.6%
Non-Capital Equipment	192,874	160,164	202,100	(89,800)	112,300	-44.4%
Institutional Expenses	1,744,712	1,725,068	1,779,000	(33,000)	1,746,000	-1.9%
Utilities	3,241,440	3,521,516	3,094,600	204,500	3,299,100	6.6%
Liability Insurance	326,188	371,087	469,000	40,400	509,400	8.6%
Professional Services	1,512,102	1,301,554	1,551,300	(170,300)	1,381,000	-11.0%
Purchased Services	3,667,494	3,683,124	3,055,500	512,300	3,567,800	16.8%
Rental Expense	816,802	790,959	801,800	95,700	897,500	11.9%
Repair and Maintenance	1,060,415	1,474,884	1,779,000	(96,200)	1,682,800	-5.4%
Supplies	5,336,346	5,276,899	6,623,700	150,300	6,774,000	2.3%
Travel, Training & Conferences	1,063,377	1,168,551	1,090,000	115,300	1,205,300	10.6%
Total Services and Supplies	18,961,750	19,473,806	20,446,000	729,200	21,175,200	3.6%
Total Division Operating	\$ 99,373,994	\$ 101,113,680	\$ 102,419,000	\$ 4,129,500	\$ 106,548,500	4.0%