

Grand Rapids Community College Board of Trustees

2015-16

Budget Work Session

May 4, 2015



AGENDA

1. 2014-15 Budget Update
2. 2015-16 Preliminary General Fund (GF) Scenario
 - Significant assumptions
 - Ad Hoc Budget Committee Recommendations:
 - Revenue Enhancements
 - Expense Reductions
 - Other Position Reductions
3. Five Year Budget Projection
4. Next Steps

2014-15 Budget Update

- Enrollment:
 - At this point, Summer 2015 billing hours are running approximately 3.5% below budget (with a full week before the semester starts), however:
 - A swing toward out-district enrollment negates any revenue impact
 - Approx. 60% of Summer 2015 tuition/fee revenue is included in 2014-15 fiscal year
- State Aid:
 - The MPSERS unfunded liability payment for 2014-15 (which is entirely remitted back to the state) increased to \$4,600,080. This variance will be reflected in both State Aid revenue and Retirement expense.
- Other revenues generally appear to be track with the mid-year budget

2014-15 Budget Update

- Salaries/fringes:
 - On track with the mid-year budget
 - Savings from open positions (either transiently or for the entire year) is expected to meet or exceed the \$500,000 budget
- Non salary/fringe expenses:
 - On track with the mid year budget
 - We again anticipate under-spending in controllable line items. The budget assumes \$500,000, and we anticipate, based on past experience, to exceed that amount

2015-16 Preliminary GF Scenario

Significant assumptions - Revenues

- Enrollment:
 - 5% reduction in billing units from 2014-15 (mid year)
 - Total budgeted billing units = 322,161
 - Tuition at rates as adopted by the BOT in March
- Property Taxes:
 - 2.0% increase in ad valorem tax revenues (based on preliminary Kent County equalization data)
- State Aid:
 - 1.3% increase in our base appropriation (Executive Budget) plus estimated Renaissance Zone reimbursement and MPSERS health offset
 - Est. MPSERS unfunded liability payment increased to \$4,600,080 (based on 2014-15 actual, as noted earlier) from \$2,694,292

2015-16 Preliminary GF Scenario

Significant assumptions - Expenses

- Salaries:
 - Faculty: estimated merit-based adjustments, based on the current contract
 - Meet & Confer: 2%, based on merit
 - ESP & CEBA: estimated at 2% (negotiations in progress)
 - POLC: based on current contract
 - Continued savings from open positions of \$500,000
- Health Care:
 - State “cap” increase = 2.3%
 - Demographics based on January 2015 enrollment

2015-16 Preliminary GF Scenario

Significant assumptions – Expenses (cont'd)

- Retirement:
 - Highest MPSERS rate increases from 24.53% to 25.78% on Oct 1, 2015
 - Increase of nearly \$2 million in the MPSERS unfunded liability payment (as noted earlier)
- Utilities and other:
 - Rent, utility and insurance inflationary adjustments ranging from 2% to 5%
 - Reversal of 2014-15 one-time allocations
 - Restoration of the Contingency fund at 0.25% of total revenues
 - Continued savings (under-spending) in controllable line-items of \$500,000

2015-16 Preliminary GF Scenario

Ad Hoc Budget Committee - Revenue Enhancements

The following recommendations were accepted by the President and EBCO's and have been included in the GF scenario:

Recommendation:	Estimated Impact
Implement Differential Tuition (rates approved by the BOT in March)	\$850,000
Implement additional course fees for Child Development classes that use the Preschool as a lab	80,000
Increase public (non-student) parking rates	<u>30,000</u>
Total revenue enhancements	<u>\$960,000</u>

2015-16 Preliminary GF Scenario

Ad Hoc Budget Committee - Expense Reductions

The following recommendations were accepted by the President and EBCO's and have been included in the GF scenario:

Recommendation:	Estimated Impact
Offer a voluntary early separation plan (VESP)	\$900,000
Eliminate four (4) Meet & Confer positions and one (1) ESP position that were open due to attrition	445,000
Reduce controllable budgets in multiple departments	241,800
Expand the PC replacement cycle from 3 to 4 years	125,000
Reduce college GF support for the TRIO program (grant will be retained and focus will be on serving more students)	66,500

2015-16 Preliminary GF Scenario

Ad Hoc Budget Committee - Expense Reductions (cont'd)

The following recommendations were accepted by the President and EBCO's and have been included in the GF scenario:

Recommendation:	Estimated Impact
Close the existing Older Learner Center and focus on pursuing grant funding to maintain some services	\$47,500
Close the Wealthy Learning Corner facility	25,000
Eliminate two IT service contracts deemed to have a low ROI	23,000
Discontinue membership in the Continuous Quality Improvement Network (CQIN)	12,500

2015-16 Preliminary GF Scenario

Ad Hoc Budget Committee - Expense Reductions (cont'd)

The following recommendations were accepted by the President and EBCO's and have been included in the GF scenario:

Recommendation:	Estimated Impact
Switch to a "charge per call" model vs. flat fee for a software support contract	8,000
Process employee expense reimbursements via payroll	<u>1,200</u>
Total expense reductions	<u>\$1,895,500</u>

2015-16 Preliminary GF Scenario

Ad Hoc Budget Committee – Total Impact

In total, the work of the Ad Hoc Committee resulted in over \$2.8 million in recommendations to offset the impact of declining enrollment on the 2015-16 budget:

Total Revenue Enhancements	\$960,000
Total Expense Reductions	<u>1,895,500</u>
Total Impact	<u>\$2,855,500</u>

2015-16 Preliminary GF Scenario

Other Position Reductions

In addition to the work of the Ad Hoc Committee, the EBCO's identified 19.5 positions, *vacated due to the VESP and other attrition*, that would not be refilled and permanently removed from the budget:

Employee Group	Est. Savings
Faculty – 9 FTE's	\$211,000
Meet & Confer – 4.5 FTE's	419,000
ESP – 2 FTE's	117,000
CEBA – 4 FTE's	<u>204,000</u>
Total – 19.5 FTE's	<u>\$951,000</u>

2015-16 Preliminary GF Scenario

Summary

Total Projected Revenues	\$107,431,692
Total Projected Expenditures & Transfers	<u>\$107,175,702</u>
Surplus (Deficit)	\$255,990
Beginning Net Assets	<u>\$9,451,151</u>
Ending Net Assets	<u>\$9,707,141</u>
% of Total Revenues (BOT goal: 10%-15%)**	<u>9.04%</u>

**** Net Assets temporarily below goal due to recording the entire VESP liability of \$1,670,000 in 2014-15.**

Five Year Budget Projection



Next Steps

- We will present the complete budget (all funds) at the June work-session (June 1), along with a request to approve our 2015 tax levy.
- At that time, we anticipate having final:
 - Summer 2015 enrollment
 - 2015 property tax values from the County
 - Transfer amounts needed for restricted grant match requirements
- Final adoption of the 2015-16 budget at the June BOT meeting

Questions/Comments

