



FY24-28 Five-Year Budget Forecast

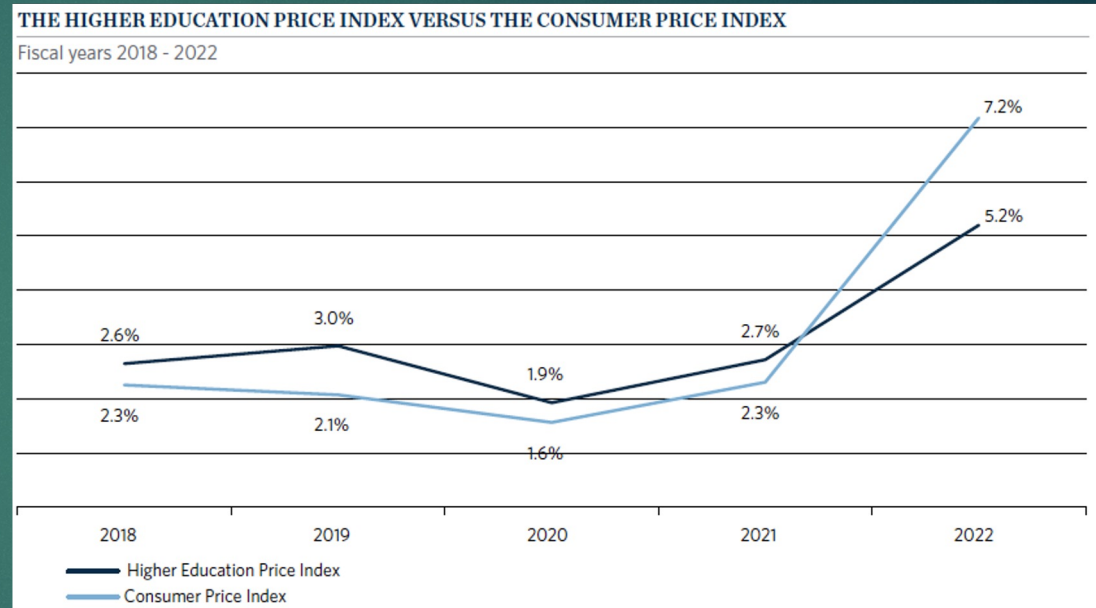
DECEMBER 20, 2023

John Nisbet, Interim VP for Finance & Operations

Considerations - Economic Parameters

- ▶ Commonfund Institute **Higher Education Price Index (HEPI)**, cost factors included:

- ▶ Faculty Salaries
- ▶ Administrative Salaries
- ▶ Clerical
- ▶ Service Employees
- ▶ Fringe Benefits
- ▶ Miscellaneous Services
- ▶ Supply and Materials
- ▶ Utilities

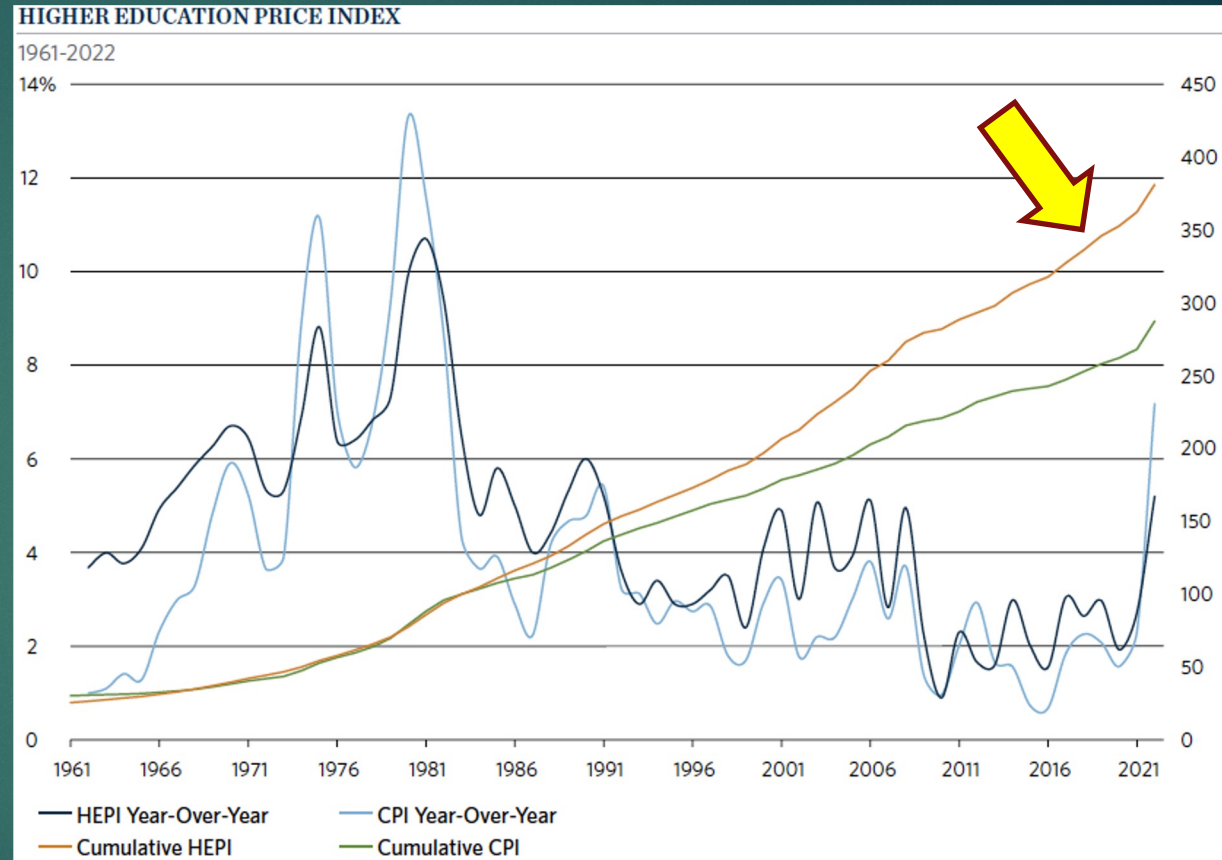


- ▶ Essential tool to help institutions determine increases in funding necessary to maintain real purchasing power and investment.

Recent Economics

- ▶ **FY22 HEPI – 5.2%**
- ▶ FY21 HEPI – 2.7%
- ▶ FY20 HEPI – 1.9%

- ▶ **FY22 CPI – 7.2%**
- ▶ FY21 CPI – 1.3%
- ▶ FY20 CPI – 1.6%



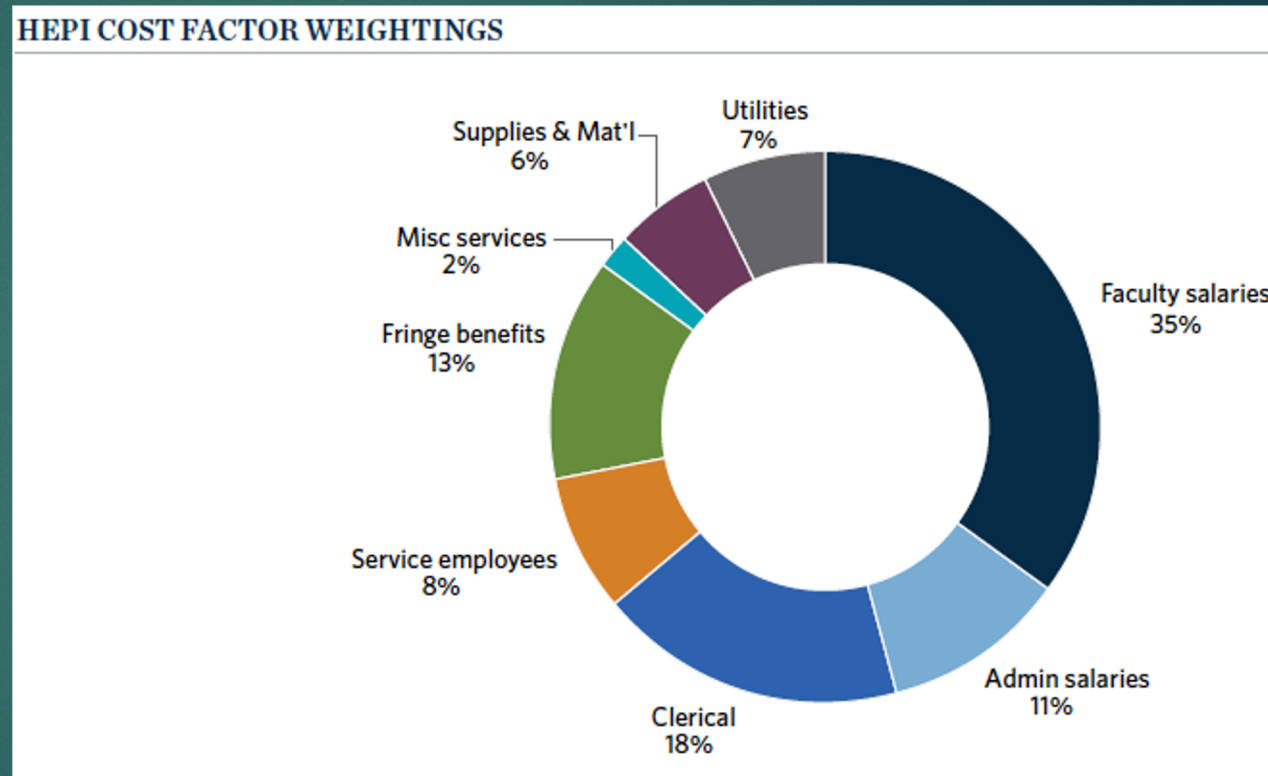
- ▶ Largest increase in HEPI since 2001.
- ▶ FY23 projected similar, perhaps slightly less.

HEPI to LCC Comparison

▶ 84% of LCC Operating Expenses represent Personnel.

▶ 85% of HEPI is weighted toward Personnel.

▶ HEPI is highly relevant to LCC budget projections.



Budget Forecast Process

- ▶ **FY23 Ending Fund Balance included, pending final audit adjustments.**
- ▶ Budget Office teamwork sessions and cross-campus collaboration key toward a comprehensive and inclusive effort.
- ▶ Including FY23-24 service level changes, FY24 forecasted based on 5 months of actual budget.
- ▶ Identified a few prior omissions to fund transfers resulting in subfund deficits and included a restoration plan to resolve those issues.
- ▶ Reviewed materials and consulted with the HECC to accurately assess the CCSF (State Funding) model and project LCC funding model, including new Growth model and Student Support/Success.
- ▶ Investigated key factors driving OPE (fringe benefits) and projections to PERS contributions.
- ▶ Strongly considered HEPI data and this influence on LCC projections.

Budget Forecast – Revenue Assumptions

- ▶ CCSF Total Public Resources (TPR) Funding are expected at 3% across the forecasted scenario's timeframes. Indications are that following this year's increase, allocations will increase at a rate consistent with historical. LCC will maintain the same proportion of the CCSF TPR.
- ▶ Property taxes will continue to increase at 3% per year.
- ▶ Enrollment/credit hours will increase by 5-7% per year across scenarios.
- ▶ Tuition and Fees rates will use HEPI to inform future increases but will maintain competitive rate across other State Community Colleges. Scenarios include 2-3%.
- ▶ Other revenues such as Administrative Recovery and Sale of Goods and Services are guided by historic actuals.

Budget Forecast – Expense Assumptions

- ▶ LCC recognizes the need to maintain competitive salary and benefit structures in order to recruit and retain. Annual increases are a collective of FT and PT faculty, classified staff, managers, and students. Increases range from 3.5%-4% in aggregate for scenarios.
- ▶ \$1.6M of one-time positions held this year are evaluated for FY25 in scenarios.
- ▶ OPE is guided by historic actuals, including increases in insurances, and PERS rates.
- ▶ HEPI is used as a guide to project material and supply, purchased services, as well as utilities.

Budget Forecast – Base Case Scenario

	FY2023 Actuals*	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
Beginning Fund Balance	\$ 8,093,000	\$ 9,692,000	\$ 8,523,000	\$ 6,619,000	\$ 2,663,000	\$ (2,926,000)
Total Revenues	\$ 84,936,000	\$ 93,172,000	\$ 94,379,000	\$ 96,724,000	\$ 99,675,000	\$ 103,779,000
Federal Support	\$ 1,268,000	\$ -	\$ 1,400,000	\$ -	\$ -	\$ -
State Support	\$ 28,526,000	\$ 31,151,000	\$ 31,824,000	\$ 32,779,000	\$ 32,779,000	\$ 33,762,000
Property Taxes	\$ 24,170,000	\$ 25,123,000	\$ 25,877,000	\$ 26,653,000	\$ 27,453,000	\$ 28,276,000
Student Tuition & Fees	\$ 25,088,000	\$ 28,263,000	\$ 29,114,000	\$ 31,097,000	\$ 33,217,000	\$ 35,484,000
Other Revenue	\$ 5,883,000	\$ 8,635,000	\$ 6,165,000	\$ 6,195,000	\$ 6,226,000	\$ 6,257,000
Δ Revenues	2.4%	9.7%	1.3%	2.5%	3.1%	4.1%
Total Expenditures	\$ 83,603,000	\$ 91,610,000	\$ 94,717,000	\$ 99,515,000	\$ 103,700,000	\$ 108,113,000
Personnel Services	\$ 73,368,000	\$ 77,814,000	\$ 81,851,000	\$ 85,980,000	\$ 89,419,000	\$ 92,996,000
Materials & Services	\$ 10,116,000	\$ 13,596,000	\$ 12,660,000	\$ 13,323,000	\$ 14,062,000	\$ 14,892,000
Capital Outlay	\$ 119,000	\$ 200,000	\$ 206,000	\$ 212,000	\$ 219,000	\$ 225,000
Δ Expenditures	2.9%	9.6%	3.4%	5.1%	4.2%	4.3%
Net Transfers In / (Out)	\$ 266,000	\$ (2,731,000)	\$ (1,566,000)	\$ (1,165,000)	\$ (1,564,000)	\$ (1,423,000)
Change in Fund Balance	\$ 1,599,000	\$ (1,169,000)	\$ (1,904,000)	\$ (3,956,000)	\$ (5,589,000)	\$ (5,757,000)
Ending Fund Balance (EFB)	\$ 9,692,000	\$ 8,523,000	\$ 6,619,000	\$ 2,663,000	\$ (2,926,000)	\$ (8,683,000)
% of EFB to Total Exp	11.4%	8.9%	6.8%	2.6%	-2.8%	-7.9%
EFB (Short) / Over	\$ 1,196,000	\$ (1,064,000)	\$ (3,076,000)	\$ (7,512,000)	\$ (13,519,000)	\$ (19,704,000)

► Growth Assumptions: CCSF @ 3%, Enrollment @ 5%, Tuition @ 2%, Personnel @ 4%, M&S @ 3%

Budget Forecast – More Favorable Scenario

	FY2023 Actuals*	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
Beginning Fund Balance	\$ 8,093,000	\$ 9,692,000	\$ 8,523,000	\$ 9,327,000	\$ 9,524,000	\$ 9,696,000
Total Revenues	\$ 84,936,000	\$ 93,172,000	\$ 95,185,000	\$ 98,471,000	\$ 102,516,000	\$ 107,886,000
Federal Support	\$ 1,268,000	\$ -	\$ 1,400,000	\$ -	\$ -	\$ -
State Support	\$ 28,526,000	\$ 31,151,000	\$ 31,824,000	\$ 32,779,000	\$ 32,779,000	\$ 33,762,000
Property Taxes	\$ 24,170,000	\$ 25,123,000	\$ 25,877,000	\$ 26,653,000	\$ 27,453,000	\$ 28,276,000
Student Tuition & Fees	\$ 25,088,000	\$ 28,263,000	\$ 29,919,000	\$ 32,844,000	\$ 36,058,000	\$ 39,591,000
Other Revenue	\$ 5,883,000	\$ 8,635,000	\$ 6,165,000	\$ 6,195,000	\$ 6,226,000	\$ 6,257,000
Δ Revenues	2.4%	9.7%	2.2%	3.5%	4.1%	5.2%
Total Expenditures	\$ 83,603,000	\$ 91,610,000	\$ 92,815,000	\$ 97,109,000	\$ 100,780,000	\$ 104,644,000
Personnel Services	\$ 73,368,000	\$ 77,814,000	\$ 79,949,000	\$ 83,574,000	\$ 86,499,000	\$ 89,527,000
Materials & Services	\$ 10,116,000	\$ 13,596,000	\$ 12,660,000	\$ 13,323,000	\$ 14,062,000	\$ 14,892,000
Capital Outlay	\$ 119,000	\$ 200,000	\$ 206,000	\$ 212,000	\$ 219,000	\$ 225,000
Δ Expenditures	2.9%	9.6%	1.3%	4.6%	3.8%	3.8%
Net Transfers In / (Out)	\$ 266,000	\$ (2,731,000)	\$ (1,566,000)	\$ (1,165,000)	\$ (1,564,000)	\$ (1,423,000)
Change in Fund Balance	\$ 1,599,000	\$ (1,169,000)	\$ 804,000	\$ 197,000	\$ 172,000	\$ 1,819,000
Ending Fund Balance (EFB)	\$ 9,692,000	\$ 8,523,000	\$ 9,327,000	\$ 9,524,000	\$ 9,696,000	\$ 11,515,000
% of EFB to Total Exp	11.4%	8.9%	9.8%	9.6%	9.4%	10.8%
EFB (Short) / Over	\$ 1,196,000	\$ (1,064,000)	\$ (178,000)	\$ (410,000)	\$ (605,000)	\$ 841,000

- ▶ Growth Assumptions: CCSF @ 3%, Enrollment @ 7%, Tuition @ 3%, Personnel @ 3.5%, M&S @ 3%
- ▶ ONLY FILL ½ of CURRENT \$1.6M ONE-TIME VACANT POSITIONS IN FY25

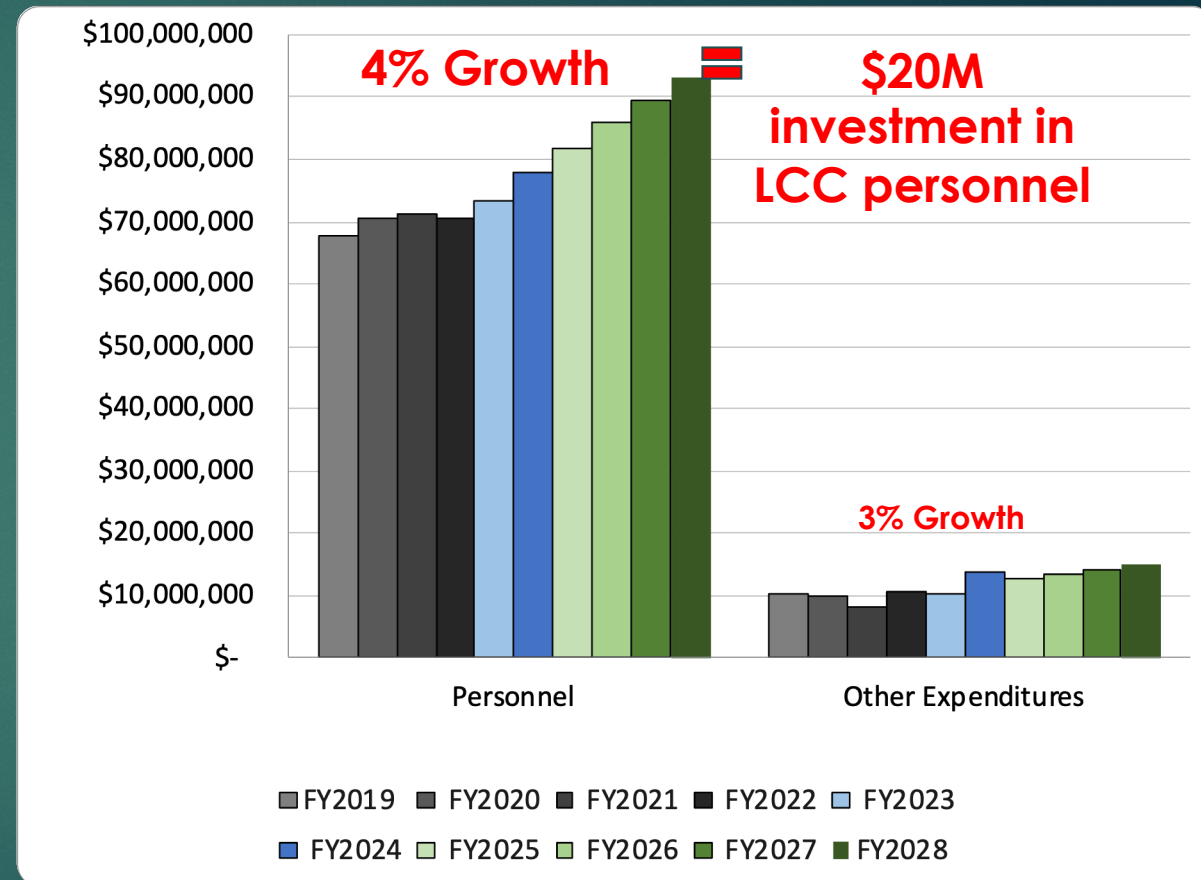
Budget Forecast – Expense Reduction Scenario

	FY2023 Actuals*	FY2024 Forecast	FY2025 Forecast	FY2026 Forecast	FY2027 Forecast	FY2028 Forecast
Beginning Fund Balance	\$ 8,093,000	\$ 9,692,000	\$ 8,523,000	\$ 9,666,000	\$ 8,918,000	\$ 6,666,000
Total Revenues	\$ 84,936,000	\$ 93,172,000	\$ 94,379,000	\$ 96,724,000	\$ 99,675,000	\$ 103,779,000
Federal Support	\$ 1,268,000	\$ -	\$ 1,400,000	\$ -	\$ -	\$ -
State Support	\$ 28,526,000	\$ 31,151,000	\$ 31,824,000	\$ 32,779,000	\$ 32,779,000	\$ 33,762,000
Property Taxes	\$ 24,170,000	\$ 25,123,000	\$ 25,877,000	\$ 26,653,000	\$ 27,453,000	\$ 28,276,000
Student Tuition & Fees	\$ 25,088,000	\$ 28,263,000	\$ 29,114,000	\$ 31,097,000	\$ 33,217,000	\$ 35,484,000
Other Revenue	\$ 5,883,000	\$ 8,635,000	\$ 6,165,000	\$ 6,195,000	\$ 6,226,000	\$ 6,257,000
Δ Revenues	2.4%	9.7%	1.3%	2.5%	3.1%	4.1%
Total Expenditures	\$ 83,603,000	\$ 91,610,000	\$ 91,670,000	\$ 96,307,000	\$ 100,363,000	\$ 104,643,000
Personnel Services	\$ 73,368,000	\$ 77,814,000	\$ 78,804,000	\$ 82,772,000	\$ 86,082,000	\$ 89,526,000
Materials & Services	\$ 10,116,000	\$ 13,596,000	\$ 12,660,000	\$ 13,323,000	\$ 14,062,000	\$ 14,892,000
Capital Outlay	\$ 119,000	\$ 200,000	\$ 206,000	\$ 212,000	\$ 219,000	\$ 225,000
Δ Expenditures	2.9%	9.6%	0.1%	5.1%	4.2%	4.3%
Net Transfers In / (Out)	\$ 266,000	\$ (2,731,000)	\$ (1,566,000)	\$ (1,165,000)	\$ (1,564,000)	\$ (1,423,000)
Change in Fund Balance	\$ 1,599,000	\$ (1,169,000)	\$ 1,143,000	\$ (748,000)	\$ (2,252,000)	\$ (2,287,000)
Ending Fund Balance (EFB)	\$ 9,692,000	\$ 8,523,000	\$ 9,666,000	\$ 8,918,000	\$ 6,666,000	\$ 4,379,000
% of EFB to Total Exp	11.4%	8.9%	10.3%	9.0%	6.5%	4.1%
EFB (Short) / Over	\$ 1,196,000	\$ (1,064,000)	\$ 275,000	\$ (936,000)	\$ (3,594,000)	\$ (6,295,000)

- ▶ Growth Assumptions: CCSF @ 3%, Enrollment @ 5%, Tuition @ 2%, Personnel @ 4%, M&S @ 3%
- ▶ VACANT ONE-TIME POSITIONS WILL NOT BE FILLED

Key Strategic Risks & Opportunities

- ▶ Enrollment and CCSF uncertainty – demographic decline in students is a risk, but economic pressures represent an opportunity for LCC.
- ▶ LCC Operating expenses are currently 84% personnel. **Continued growth in personnel costs outpacing revenues will not be sustainable.**
- ▶ OPE Expenses at 64% of salaries exceeds national averages. (2021 avg. for HE was 25-40%, which at 40% for LCC hypothetically represents a \$7.9M reinvestment opportunity.)



Budget Forecast – Notes

- ▶ In order to maintain a sustainable operating budget and Board Policy on UEFB at 10%, LCC either needs enrollment growth >5% annually or annual cost containment initiatives.
- ▶ Historic Fund IX program deficits are resolved in FY24.
- ▶ Includes an investment toward deferred maintenance or other strategic priorities @ \$700K annually.

Repeated strategic multi-year financial action planning is essential to proactively mitigate shortfalls.



Questions

FY23 Ending Fund Balance

- ▶ Top Examples of Change:
 - ▶ Payroll journal entries
 - ▶ Deferred Comp
 - ▶ Vacation Accrual entries
 - ▶ OR Savings Growth Plan
 - ▶ Double booked liabilities
 - ▶ HR Payroll ER contributions
 - ▶ PERS Bond
 - ▶ Recording PERS Bond Debit Service
 - ▶ Revenue
 - ▶ Tuition revenue adjustment
 - ▶ Reversal of prior year AP accrual

