

MONITORING REPORT
POLICY TYPE: CHANCELLOR LIMITATIONS
POLICY TITLE: FINANCIAL CONDITION AND ACTIVITIES; FINANCIAL PLANNING AND BUDGETING

Governing Board Agenda
 ITEM NUMBER

Meeting Date: 2/23/16
 RESPONSIBLE AGENTS

ITEM TITLE
 Budget Analysis Report
 Fund 1: General Unrestricted Fund
 For the Seven Months Ending 1/31/2016

Ms. Debra Thompson
 Ms. Kim Granio

Expenditure Summary: \$345.4M (year to date); projected expenditure at year end: \$680.6M

- Typically evenly spread across each month, as the majority is payroll and benefits which are recorded every two weeks.
- 47.3% of expenditures have been recognized year to date (versus 44.4% in 14/15, 48.8% in 13/14, and 49.9% in 12/13).
- 23.2% of the budget remains unexpended or unencumbered (versus 31.3% in 14/15, 24.6% in 13/14, and 26.2% in 12/13).

Revenue Summary: \$438.4M (year to date); projected revenue at year end: \$685.0M

- The two major revenues, property taxes and tuition, are collected in cycles. Tuition revenue is generally collected at the beginning of each semester while property tax revenue is mostly collected in the fall and spring when semi-annual payments are due from property owners.
- 63.6% of the budgeted revenue has been recognized year to date (versus 64.7% in 14/15, 65.6% in 13/14, and 67.1% in 12/13).

Fund Balance and Financial Stability Requirements

- Projections are for the Fund 1 balance to increase by ~\$4.4M (from \$168.9M to \$173.3M) in FY 15/16.
- MCCCDC is required to maintain a financial stability balance equal to 8% of the annual projected revenue. This currently equates to \$54.8M. The remaining fund balance of \$118.5M is comprised of college carryforward, designations for future operations, minimum financial condition measure for future years, allowance for student bad debt, priority initiatives, capital master planning, reserves for potential claims/contingency, enrollment growth/retention, and a projected undesignated balance of \$4.7M.
- Financial activities of the District comply with the Governing Board Policies, Chancellor Interpretations 2.4 and 2.6, though Restricted Fund revenue collection often lags behind expenditures given that the nature of grants and financial aid is one of reimbursement for expenditures and awards.
- The Governing Board contingency beginning balance is \$900,000. The remaining balance as of 1/31/16 is \$900,000.

Items of Particular Interest: Substantial Deviations from Budget or Expectations

None.

More information on the Budget Analysis Report

access: <http://www.maricopa.edu/business/reporting/reports.html>

This report is also provided to the Audit & Finance Committee quarterly.

Funding	Approvals/Certifications
<u>Source:</u>	Chancellor _____
<u>Account Identification:</u>	Academic & Student Affairs _____
	Business Services _____
	Human Resources _____ ITS _____
	Res Dev & Com Relations _____
	College President _____

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
 BUDGET ANALYSIS REPORT
 FUND 1 - CURRENT UNRESTRICTED FUND
 January 2016

EXPENDITURE ANALYSIS

<u>By Function:</u>	Budget (a)	Amount Expended	Percent Expended 15-16	Percent Expended 14-15	Percent Expended 13-14	Percent Expended 12-13	Amount Encumbered	Unencumbered Balance Available	Percent of Budget Available
INSTRUCTION	318,496,574	155,617,261	48.9	51.9	54.4	53.0	74,977,212	87,902,100	27.6
PUBLIC SERVICE	3,064,650	1,500,013	48.9	54.2	56.7	63.6	976,926	587,711	19.2
ACADEMIC SUPPORT	77,325,293	40,756,543	52.7	52.4	52.8	52.1	25,003,714	11,565,035	15.0
STUDENT SERVICES	76,287,474	39,557,163	51.9	51.7	53.5	50.2	25,540,618	11,189,693	14.7
INSTITUTIONAL SUPPORT	135,918,524	67,354,369	49.6	37.0	40.1	41.9	58,761,551	9,802,604	7.2
OPERATION/MAINTENANCE OF PLANT	64,278,785	31,707,397	49.3	56.3	58.1	59.4	30,390,641	2,180,748	3.4
STUDENT FINANCIAL ASSISTANCE	21,570,720	8,947,064	41.5	42.0	56.0	63.0	213,392	12,410,264	57.5
CONTINGENCIES	34,117,870	5,558	0.0	0.0	0.0	0.0	0	34,112,312	
TOTAL OPERATIONAL	731,059,890	345,445,368	47.3	44.4	48.8	49.9	215,864,054	169,750,467	23.2
<u>By Account:</u>									
PERSONNEL SERVICES	384,311,768	199,564,846	51.9	52.7	54.7	54.7	122,795,279	61,951,643	16.1
EMPLOYEE BENEFITS	115,287,468	62,620,597	54.3	53.5	54.3	52.6	25,621,039	27,045,831	23.5
CONTRACTUAL SERVICES	54,513,774	36,097,705	66.2	53.6	62.1	61.2	37,006,493	-18,590,424	(34.1)
SUPPLIES, MATERIALS, PARTS	10,900,695	6,248,977	57.3	47.2	52.9	49.3	8,721,555	-4,069,836	(37.3)
CURRENT FIXED CHARGES	9,010,306	6,486,470	72.0	71.4	72.2	66.9	5,706,171	-3,182,335	(35.3)
COMMUNICATIONS AND UTILITIES	22,676,133	7,265,039	32.0	45.7	51.6	53.7	10,768,189	4,642,904	20.5
TRAVEL	3,370,299	2,638,678	78.3	57.2	56.0	56.7	2,496,974	-1,765,353	(52.4)
STUDENT AID AND MISCELLANEOUS	36,466,940	12,673,329	34.8	33.2	36.6	35.1	2,740,112	21,053,499	57.7
TRANSFERS-INTRAFUND	44,203,742	6,474	0.0	0.0	0.0	0.0	8,242	44,189,026	100.0
TRANSFERS TO OTHER FUNDS	26,200,895	11,837,695	45.2	48.8	50.6	63.0	0	14,363,200	54.8
CONTINGENCIES	24,117,870	5,558	0.0	0.0	0.0	0.0	0	24,112,312	
TOTAL OPERATIONAL	731,059,890	345,445,368	47.3	44.4	48.8	49.9	215,864,054	169,750,467	23.2

(a) Represents budget as amended by approved transfers.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
BUDGET ANALYSIS REPORT
FUND 1 - CURRENT UNRESTRICTED FUND
January 2016

REVENUE ANALYSIS (a)	Budget (b)	Recognized	Percent Recognized 15-16	Percent Recognized 14-15	Percent Recognized 13-14	Percent Recognized 12-13	Projected Revenue	Projected Variance Over/(Under) Budget	Comments
PROPERTY TAX	437,227,709	247,880,654	56.7	57.8	58.0	57.5	433,311,207	-3,916,502	Projected, see (a)
STATE AID	0	0	0.0	75.0	75.0	75.0	0	0	Per State Budget
IN LIEU TAX, SALT RIVER PROJECT	9,575,128	4,731,059	49.4	49.7	50.0	50.7	9,575,128	0	Based on budget
GENERAL TUITION	218,855,940	165,348,006	75.6	76.0	79.0	81.4	218,855,940	0	Based on budget
OUT-OF-STATE TUITION	15,160,431	14,521,383	95.8	91.2	85.0	87.8	15,160,431	0	Based on budget
OUT-OF-COUNTY TUITION	246,215	20,477	8.3	65.8	5.3	58.6	246,215	0	Based on budget
OTHER FEES AND CHARGES	4,593,131	4,090,398	89.1	83.7	78.6	78.0	4,593,131	0	Based on budget
INVESTMENT INCOME	505,000	569,361	112.7	108.2	113.3	107.4	505,000	0	Based on budget
MISCELLANEOUS AND OTHER	2,750,654	1,204,725	43.8	50.7	41.7	54.0	2,750,654	0	Based on budget
SUBTOTAL REVENUES	688,914,208	438,366,063	63.6	64.7	65.6	67.1	684,997,706	-3,916,502	
BUDGETED USE OF FUND BALANCE	42,145,682	0	0.0	0.0	100.0	100.0	42,145,682	0	Based on budget
TOTAL SOURCES	731,059,890	438,366,063	60.0	57.7	67.8	68.8	727,143,388	-3,916,502	

FINANCIAL CONDITION ANALYSIS

Total projected revenues	684,997,706	
Less total projected expenditures (c)	-680,616,758	
Projected increase / (decrease) in fund balance	4,380,948	% of Projected Revenues
Beginning fund balance (audited)	168,939,447	
Projected ending fund balance 6/30/15	173,320,396	25%
Less projected designations for future operations		
3.5% college carry forward	20,689,757	
Additional allocations	22,367,935	
Total budgeted designations:	43,057,692	
Less minimum financial condition measure (d)	54,799,816	8%
Less minimum financial condition measure for future years	8,778,094	
Less allowance for student bad debt	3,000,000	
Less priority initiatives (SSE, SSI, Corporate College, ITS, etc.)	24,696,664	
Less capital master planning	5,000,000	
Less reserves for potential claims/contingency	18,848,518	
Less enrollment growth/retention	10,462,300	
Projected undesignated balance	4,677,312	

(a) See specific revenue analysis by type on page 4

(b) Represents adopted budget, as amended by approved budget transfers.

(c) Projections based on college actuals, district office averages, and assumptions regarding transfers and reserve lines.

(d) The financial condition measure represents that portion of the undesignated general fund balance equal to 8% of the annual projected revenues. This measure represents the minimum level of the undesignated general fund balance that must be continuously maintained to ensure continued operations in the event of unforeseen circumstances and contingencies.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
BUDGET ANALYSIS REPORT
FUND 1 - CURRENT UNRESTRICTED FUND
January 2016

EXPENDITURE COMMENTS

Expenditures have been selected for comment (1) if the percent of budget expended varies from the prior year by at least five percentage points or (2) if transactions or activities during the month are unusual. Some of these variations result from fluctuations in budget amounts allocated from year to year. Others are the result of timing differences for annually recurring expenditures.

By Function

Instruction	Includes expenditures directly related to instruction including credit courses and vocational and technical courses. Percent recognized is consistent with prior year.
Public Service	Includes expenditures for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the District. Decrease in percent recognized is due to the budget increasing while actual expenditures increased slightly.
Academic Support	Includes activities to support the District's primary mission, such as student computing and library services. Percent recognized is consistent with prior year.
Student Services	Includes activities that contribute to the students' emotional and physical well being; to promote intellectual, cultural, and social development outside the context of the formal classroom; and to facilitate student enrollment in courses. Examples are Admissions and Records, student activities, financial aid, counseling, etc. Percent recognized is consistent with prior year.
Institutional Support	Includes activities that provide safety, security, printing, travel, marketing, insurance, management, business and human resource operations, and planning. In prior years, this had been split into two functions: General Institutional and Administration. Increase in percent recognized is due to a decrease in budget for flex benefits, while expenditures remained consistent with prior year. For FY16, the budget for flex benefits has been allocated across the applicable functional categories based on expected salary expenditures. In prior years, this budget was initially held in the Institutional Support function and allocated throughout the year. Also, coding issues in the new Financial Management System have been identified and are being investigated and corrected.
Operation/Maintenance of Plant	Includes expenditures allocated for the operation and maintenance of the physical plant, such as utility costs and staff responsible for the maintenance of buildings and grounds for all units. Percent recognized is consistent with prior year. Decrease in percent recognized is due to an increase in budget for flex benefits, while expenditures remained consistent with prior year. For FY16, the budget for flex benefits has been allocated across the applicable functional categories based on expected salary expenditures. In prior years, this budget was initially held in the Institutional Support function and allocated throughout the year. Also, coding issues in the new Financial Management System have been identified and are being investigated and corrected.
Student Financial Assistance	Maricopa funded scholarships such as the President's scholarship, and honors awards. Percent recognized is consistent with prior year.
Contingencies	Includes amounts carried from one fiscal year to the next by the colleges and district office units, amount of property tax levied but not collected, basic contingency for unexpected needs as prioritized by the Governing Board. Minor coding issues have been noted in the new Financial Management System and are being investigated and corrected.

By Account

Personnel Services	Includes salaries and wages for all employees in all types of positions such as full-time, part-time, temporary, permanent, all employee groups, etc. Percent recognized is consistent with prior year.
Employee Benefits	Includes all employer paid costs of employee health insurance, retirement contributions, social security and Medicare, life insurance, workers compensation, unemployment, etc. Percent recognized is consistent with prior year.
Contractual Services	Includes expenditures such as funding for professional services, advertising, marketing, etc. Increase in percent recognized is due to coding issues that have been noted in the new Financial Management System. The issues are being investigated and corrected.
Supplies, Materials, Parts	Includes the cost of classroom and office supplies and materials, software, audiovisual aids, etc. Increase in percent recognized is due to coding issues that have been noted in the new Financial Management System. The issues are being investigated and corrected.
Current Fixed Charges	Includes expenditures for facilities rentals, liability and property insurance, subscriptions, etc. Percent recognized is consistent with prior year. However, coding issues have also been noted in the new Financial Management System for Accident Insurance, Liability Insurance, and Property insurance. These issues are being investigated and corrected.
Communications and Utilities	Includes all costs relating to telephone, postage, electricity, water, sewer, etc. Decrease in percent recognized is due to coding issues noted in the new Financial Management System. The issues are being investigated and corrected.

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Travel	Includes mileage, in and out of state travel, international travel, registration, hotel, airfare, etc. Increase in percent recognized is due to an increase in out of state travel expenditures primarily relating to professional growth activities.
Student Aid and Miscellaneous	Includes statutory waivers, employee and dependent waivers, non-capital equipment, bad debt expense relating to student accounts, etc. Percent recognized is consistent with prior year.
Transfers-Intrafund	Includes allocations for enrollment growth funding (reserved to help fund additional courses for increased student enrollment), funds for incremental costs from capital development facilities, etc. Transfers will be made near the end of FY 16. Minor coding issues have been noted in the new Financial Management System and are being investigated and corrected.
Transfers to Other Funds	Includes transfers for programs accounted for in other funds of the district, such as the Maricopa and Southwest Skill Centers, mandatory match associated with federal programs (financial aid and Small Business Development Center), funds for Meet and Confer, etc. Percent recognized is consistent with prior year.
Contingencies	Includes amounts carried from one fiscal year to the next by the colleges and district office units, amount of property tax levied but not collected, basic contingency for unexpected needs as prioritized by the Governing Board. Minor coding issues have been noted in the new Financial Management System and are being investigated and corrected.

REVENUE COMMENTS

Property Tax	Primary property taxes levied and collected for use in current operations without restrictions. The projected variance under budget is made up of the estimated uncollected tax levy of \$3,916,502. Percent recognized is consistent with prior year.
State Aid	Effective in FY 16, the State of Arizona no longer provides financial support to the Maricopa County Community College District.
In Lieu Tax, Salt River Project	Monies paid to the District by SRP for use in current operations as a substitution for property taxes. Percent recognized is consistent with prior year.
General Tuition	Tuition and fees received from students whether directly or from a third party. Percent recognized is consistent with prior year.
Out-of-State Tuition	Tuition and fees received from students who do not reside within the state or are not otherwise eligible for in-state tuition, whether directly or from a third party. Percent recognized is consistent with prior year.
Out-of-County Tuition	Counties that do not have a community college district provide monies for operations to the districts where their students attend. Decrease in percent recognized is due to a timing difference in receiving the payments.
Other Fees and Charges	Includes funds received from students for various fees such as registration, transcripts, evaluation by examination registration fees, music lessons, etc. Increase in percent recognized is due to the budget for Registration Fees decreasing, while the actual revenue remained consistent with prior year.
Investment Income	Idle monies of the District are invested per Governing Board policy and the income is available for operating purposes. Based on accounting standards, the District adjusts the value of its investments monthly to that of the market and these adjustments are reflected in the investment income line. Therefore, the actual amount for this revenue line can fluctuate up and down over the course of the year. The projected revenue is what the District expects the final income amount to be at the end of the fiscal year regardless of the increases and decreases that can occur monthly.
Miscellaneous and Other	Includes funds recovered from previously written off student debts as well as other small types of revenues. Decrease in percent recognized is due to a decrease in bookstore commissions.
Budgeted Use of Fund Balance	Includes budget capacity to allow colleges and district office divisions to carry forward up to 3.5% of operating budgets from one fiscal year to the next, enrollment growth funding for the colleges, and contingencies for unanticipated expenses. In prior years, 100% of the budgeted amount was recognized for reporting purposes; however, beginning with the Dec-14 Report, fund balance will not be recognized as a source until used. Therefore, the percent recognized from prior years will not be relevant to the current year's calculation.