

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

Governing Board Agenda
 ITEM NUMBER

Meeting Date: 6/28/16
 RESPONSIBLE AGENTS

ITEM TITLE
 Budget Analysis Report
 Fund 1: General Unrestricted Fund
 For the Eleven Months Ending 5/31/2016

Ms. Debra Thompson
 Ms. Kim Granio

Expenditure Summary: \$562.1M (year to date); projected expenditure at year end: \$654.3M

- Typically evenly spread across each month, as the majority is payroll and benefits which are recorded every two weeks.
- 76.9% of expenditures have been recognized year to date (versus 72.6% in 14/15, 77.5% in 13/14, and 80.5% in 12/13).
- 14.5% of the budget remains unexpended or unencumbered (versus 19.8% in 14/15, 13.3% in 13/14, and 12.6% in 12/13).

Revenue Summary: \$655.7M (year to date); projected revenue at year end: \$659.6M

- 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.
- 95.2% of the budgeted revenue has been recognized year to date (versus 94.5% in 14/15, 95.3% in 13/14, and 97.1% in 12/13).

Fund Balance and Financial Stability Requirements

- Projections are for the Fund 1 balance to increase by ~\$5.3M (from \$167.2M to \$172.5M) 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 \$52.8M. The remaining fund balance of \$119.7M 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 \$5.9M.
- 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 5/31/16 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
 May 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 | 311,412,046 | 257,329,381 | 82.6 | 84.2 | 85.0 | 84.7 | 15,680,170 | 38,402,493 | 12.3 |
| PUBLIC SERVICE | 3,065,657 | 2,515,970 | 82.1 | 88.5 | 91.0 | 95.3 | 299,872 | 249,816 | 8.1 |
| ACADEMIC SUPPORT | 76,977,815 | 64,560,321 | 83.9 | 82.2 | 82.0 | 81.4 | 6,837,534 | 5,579,961 | 7.2 |
| STUDENT SERVICES | 76,054,321 | 64,708,483 | 85.1 | 81.7 | 83.5 | 81.9 | 7,734,100 | 3,611,738 | 4.7 |
| INSTITUTIONAL SUPPORT | 144,476,005 | 106,311,225 | 73.6 | 66.2 | 70.2 | 75.2 | 19,434,802 | 18,729,978 | 13.0 |
| OPERATION/MAINTENANCE OF PLANT | 64,338,736 | 53,559,689 | 83.2 | 82.9 | 85.7 | 88.3 | 12,775,277 | -1,996,230 | (3.1) |
| STUDENT FINANCIAL ASSISTANCE | 20,179,071 | 13,155,941 | 65.2 | 72.4 | 73.4 | 76.6 | 46,392 | 6,976,738 | 34.6 |
| CONTINGENCIES | 34,556,239 | 5,558 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 34,550,681 | |
| TOTAL OPERATIONAL | <u>731,059,890</u> | <u>562,146,568</u> | 76.9 | 72.6 | 77.5 | 80.5 | <u>62,808,147</u> | <u>106,105,175</u> | 14.5 |
| <u>By Account:</u> | | | | | | | | | |
| PERSONNEL SERVICES | 384,983,919 | 335,178,249 | 87.1 | 88.3 | 88.5 | 91.1 | 26,927,343 | 22,878,325 | 5.9 |
| EMPLOYEE BENEFITS | 115,287,139 | 102,733,127 | 89.1 | 88.9 | 89.0 | 87.8 | 7,358,610 | 5,195,402 | 4.5 |
| CONTRACTUAL SERVICES | 55,953,474 | 53,989,034 | 96.5 | 80.7 | 89.1 | 90.7 | 14,717,187 | -12,752,747 | (22.8) |
| SUPPLIES, MATERIALS, PARTS | 10,585,776 | 9,054,705 | 85.5 | 70.8 | 79.9 | 85.5 | 3,853,170 | -2,322,098 | (21.9) |
| CURRENT FIXED CHARGES | 8,920,730 | 9,663,661 | 108.3 | 87.1 | 88.6 | 80.4 | 769,872 | -1,512,802 | (17.0) |
| COMMUNICATIONS AND UTILITIES | 22,857,312 | 13,663,252 | 59.8 | 66.2 | 71.6 | 78.7 | 4,607,292 | 4,586,768 | 20.1 |
| TRAVEL | 3,540,726 | 5,315,740 | 150.1 | 89.7 | 90.8 | 92.9 | 2,505,275 | -4,280,289 | (120.9) |
| STUDENT AID AND MISCELLANEOUS | 35,897,260 | 19,183,798 | 53.4 | 59.4 | 64.5 | 54.1 | 2,067,389 | 14,646,073 | 40.8 |
| TRANSFERS-INTRAFUND | 42,426,696 | 9,591 | 0.0 | 0.0 | 0.0 | 0.0 | 2,009 | 42,415,096 | 100.0 |
| TRANSFERS TO OTHER FUNDS | 26,050,619 | 13,349,853 | 51.2 | 54.8 | 53.6 | 64.0 | 0 | 12,700,766 | 48.8 |
| CONTINGENCIES | 24,556,239 | 5,558 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 24,550,681 | |
| TOTAL OPERATIONAL | <u>731,059,890</u> | <u>562,146,568</u> | 76.9 | 72.6 | 77.5 | 80.5 | <u>62,808,147</u> | <u>106,105,175</u> | 14.5 |

(a) Represents budget as amended by approved transfers.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
 BUDGET ANALYSIS REPORT
 FUND 1 - CURRENT UNRESTRICTED FUND
 May 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 | 436,221,933 | 99.8 | 98.1 | 98.5 | 98.2 | 433,311,207 | -3,916,502 | Projected, see (a) |
| STATE AID | 0 | 0 | 0.0 | 100.0 | 100.0 | 100.0 | 0 | 0 | Per State Budget |
| IN LIEU TAX, SALT RIVER PROJECT | 9,575,128 | 9,462,117 | 98.8 | 99.3 | 99.9 | 101.5 | 9,462,118 | -113,010 | Based on budget |
| GENERAL TUITION | 218,855,940 | 185,580,176 | 84.8 | 86.5 | 89.0 | 92.0 | 192,855,940 | -26,000,000 | Projected, see (c) |
| OUT-OF-STATE TUITION | 15,160,431 | 15,981,960 | 105.4 | 103.3 | 94.0 | 100.5 | 15,160,431 | 0 | Based on budget |
| OUT-OF-COUNTY TUITION | 246,215 | 242,827 | 98.6 | 107.9 | 106.1 | 101.5 | 246,215 | 0 | Based on budget |
| OTHER FEES AND CHARGES | 4,593,131 | 5,008,182 | 109.0 | 103.1 | 95.8 | 96.4 | 5,093,131 | 500,000 | Based on budget |
| INVESTMENT INCOME | 505,000 | 1,002,855 | 198.6 | 148.8 | 159.5 | 125.2 | 750,000 | 245,000 | Based on budget |
| MISCELLANEOUS AND OTHER | 2,750,654 | 2,224,427 | 80.9 | 78.6 | 70.3 | 96.9 | 2,750,654 | 0 | Based on budget |
| SUBTOTAL REVENUES | 688,914,208 | 655,724,477 | 95.2 | 94.5 | 95.3 | 97.1 | 659,629,696 | -29,284,512 | |
| BUDGETED USE OF FUND BALANCE | 42,145,682 | 0 | 0.0 | 100.0 | 100.0 | 100.0 | 42,145,682 | 0 | Based on budget |
| TOTAL SOURCES | 731,059,890 | 655,724,477 | 89.7 | 84.3 | 95.6 | 97.3 | 701,775,378 | -29,284,512 | |

FINANCIAL CONDITION ANALYSIS

| | | |
|--|--------------|--------------------------------|
| Total projected revenues | 659,629,696 | |
| Less total projected expenditures (c) | -654,298,602 | |
| Projected increase / (decrease) in fund balance | 5,331,094 | % of Projected Revenues |
| Beginning fund balance (audited) | 167,181,746 | |
| Projected ending fund balance 6/30/16 | 172,512,840 | 26% |
| 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) | 52,770,376 | 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 | 5,899,196 | |

(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
May 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 more than the expenditures increased. |
| 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 Professional Services and Liability Insurance expenditures increasing while the budget for Professional Services decreased. |
| 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. |
| Student Financial Assistance | Maricopa funded scholarships such as the President's scholarship, and honors awards. Decrease in percent recognized is due to an increase in the budget for waivers while the expenditures remained 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 the budget for Professional Services decreasing while the expenditures increased. |
| 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. Increase in percent recognized is due to an increase in expenditures for Liability Insurance and settlements. Also, there are coding issues that have been noted in the new Financial Management system. The 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. |

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

Travel Includes mileage, in and out of state travel, international travel, registration, hotel, airfare, etc. Increase in percent recognized is due to expenditures being overstated in the new Financial Management System. A correction has been identified and will be processed in June, which will bring the FY 16 activity in line with the prior year.

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 lower than the trend as the allowance for bad debt is sufficient for FY 16 and recognizing expense for the year is not necessary.

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, however, an incorrect entry was made in May that resulted in an overstatement of approximately \$4.7M in revenue. This will be corrected in June.

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 posting waivers.

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 a decrease in the budget for registration fees while the actual receipts 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. Percent recognized is consistent with prior year.

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.