

MONITORING REPORT

CHANCELLOR LIMITATIONS

FINANCIAL CONDITION AND ACTIVITIES; FINANCIAL PLANNING AND BUDGETING

Governing Board Agenda

Meeting Date: 8/22/23

<u>Item Number</u>	<u>Item Title</u>	<u>Responsible Agents</u>
	Budget Analysis Report General Fund For the One Month Ending 7/31/2023	Kimberly Brainard Granio, Vice Chancellor, Business Services

REPORT FORMAT CHANGE: Beginning in FY2024, the Budget Analysis Report for the General Fund presents the District's financial information in an annual budget format, returning to a similar report structure used prior to implementing monthly budgeting in FY2019. The report includes budget and year-to-date (YTD) actual data, encumbrances, remaining balances, deviations from budget and the percent of budget expended to date in the current year compared to the same measure for the prior three years.

Revenue Summary: \$65.4M year to date; projected revenue at year end: \$739.8M

- 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.
- 8.8% of projected revenue have been recognized year to date.

Expenditure Summary: \$42.3M year to date; projected expenditure at year end: \$747.7M

- Expenses for Personal Services and Employee Benefits are generally consistent throughout the academic year (August through May) as faculty expenses are primarily recognized during this period. Expenses in July and June of each fiscal year are typically lower.
- 5.7% of projected expenditures have been recognized year to date.
- Contingencies of \$25.8M included in the Expenditure Analysis line items in the attached report are not expected to be expended.

Fund Balance and Financial Stability Requirements

- Projections are for the Fund 1 balance to decrease by \$8.0M (from \$235.8M to \$227.9M) in FY2024.
- MCCCCD is required to maintain a financial stability balance equal to 10% of the annual projected revenue. This currently equates to \$73.5M. An additional \$44.1M in fund balance has been reserved to provide another layer of financial protection and provide financial flexibility in uncertain times, such as unforeseen drops in enrollment, uncollected tax levy, unexpected increases in uncollectible student debt, unplanned/unavoidable expenses, etc. The combination of these two reserves provides approximately two months of expenses for the MCCCCD system. After these reserves and a designation for college carryforward of \$22.7M, a projected undesignated balance of \$49.5M remains.
- While the projected undesignated fund balance is expected to be just over \$49M, there are ongoing expenses that may potentially impact these balances (i.e., technology, etc.).
- 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 7/31/23 is \$900,000.

Items of Particular Interest: Abnormal Deviations from Budget or Expectations

- None.

More information on the Budget Analysis Report access: <https://district.maricopa.edu/budget/financial-services-controller/financial-reports>

This report is also provided to the Audit & Finance Committee semi-annually.

Funding

**Source
Account Information**

Maricopa County Community College District

Budget Analysis Report

All Business Units

FUND: 110 - General Fund



One month ending July 31, 2023

	Full Year Budget	Year-To-Date Recognized	Percent Recognized 23-24	Percent Recognized 22-23	Percent Recognized 21-22	Percent Recognized 20-21	Projected Revenue	Projected Variance Over/(Under) Budget	Comments
REVENUE ANALYSIS									
Property taxes	537,797,972	2,209,990	0.41%	0.41%	0.40%	0.34%	537,797,972	0	Projected, see (a)
State aid	-	-						0	Per State Budget
In lieu taxes	8,836,631	-	0.00%	0.00%	0.00%	0.00%	8,836,631	0	Based on budget
General tuition	166,667,682	51,341,226	30.80%	28.09%	27.48%	25.89%	166,667,682	0	Based on budget
Out of state tuition	15,424,787	9,931,253	64.39%	60.22%	55.46%	42.96%	15,424,787	0	Based on budget
Out of county tuition	274,100	52,900	19.30%	8.30%	14.09%	14.18%	274,100	0	Based on budget
Other fees and charges	3,663,378	977,920	26.69%	23.68%	20.91%	21.18%	3,663,378	0	Based on budget
Investment income	300,000	927,617	309.21%	172.04%	12.71%	4.52%	300,000	0	Based on budget
Miscellaneous and other	1,640,811	6,132	0.37%	0.46%	11.76%	7.76%	1,640,811	0	Based on budget
Transfers from other funds	5,219,511	-	0.00%	0.00%	0.00%	0.00%	5,219,511	0	Based on budget
Subtotal Revenues	739,824,872	65,447,037	8.85%	7.40%	7.69%	7.80%	739,824,872	0	
Fund balance carryforward	211,111,889	-	0.00%	0.00%	0.00%	0.00%	211,111,889	0	Based on budget
Total Sources	950,936,761	65,447,037	6.88%	5.58%	5.91%	6.11%	950,936,761	0	

	Full Year Budget	Year-To-Date Expended	Percent Expended 23-24	Percent Expended 22-23	Percent Expended 21-22	Percent Expended 20-21	Amount Encumbered	Unencumbered Balance Available	Percent of Budget Available
EXPENDITURE ANALYSIS									
By Function									
Instruction	263,309,780	7,328,723	2.78%	2.84%	2.81%	5.29%	157,704,930	98,276,127	37.32%
Public service	2,799,378	139,776	4.99%	5.28%	5.13%	6.24%	2,227,945	431,657	15.42%
Academic support	90,793,115	5,212,228	5.74%	5.48%	5.79%	6.10%	72,370,295	13,210,592	14.55%
Student services	87,293,342	3,941,177	4.51%	4.94%	4.81%	5.52%	62,688,551	20,663,614	23.67%
Institutional support	224,351,643	22,857,240	10.19%	5.62%	3.91%	5.72%	127,967,352	73,527,051	32.77%
Operation and maintenance of plant	73,130,855	2,778,355	3.80%	2.33%	4.01%	4.74%	62,102,079	8,250,421	11.28%
Student financial assistance	19,587,637	62,923	0.32%	0.43%	0.72%	0.66%	0	19,524,714	99.68%
Unused carryforward	25,834,826	-	0.00%	0.00%	0.00%	0.00%	0	25,834,826	100.00%
Total Operational by Function	787,100,575	42,320,422	5.38%	3.95%	3.62%	5.18%	485,061,151	259,719,003	33.00%

	Full Year Budget	Year-To-Date Expended	Percent Expended 23-24	Percent Expended 22-23	Percent Expended 21-22	Percent Expended 20-21	Amount Encumbered	Unencumbered Balance Available	Percent of Budget Available
By Account									
Personal services	460,550,868	17,281,618	3.75%	3.67%	3.91%	3.96%	335,830,669	107,438,582	23.33%
Employee benefits	136,064,487	6,963,745	5.12%	5.26%	5.54%	5.65%	83,230,419	45,870,323	33.71%
Contractual services	70,755,498	3,362,104	4.75%	5.07%	-2.37%	5.60%	42,172,061	25,221,333	35.65%
Supplies, materials, parts	11,296,003	488,341	4.32%	2.82%	3.49%	8.35%	2,560,223	8,247,438	73.01%
Current fixed charges	12,815,768	2,499,667	19.50%	10.29%	17.49%	11.12%	2,609,790	7,706,310	60.13%
Communications and utilities	16,941,213	308,725	1.82%	-3.28%	0.86%	1.41%	16,534,488	98,000	0.58%
Travel operating expenses	4,264,486	202,903	4.76%	1.61%	0.53%	0.28%	563,449	3,498,135	82.03%
Student aid and miscellaneous	32,659,709	9,670,136	29.61%	2.48%	3.14%	3.54%	1,560,051	21,429,521	65.61%
Intrafund transfers	10,951,906	-	0.00%	0.00%	0.00%	0.00%	0	10,951,906	100.00%
Transfers to other funds	4,965,811	1,543,183	31.08%	24.63%	21.46%	54.63%	0	3,422,628	68.92%
Unused carryforward	25,834,826	-	0.00%	0.00%	0.00%	0.00%	0	25,834,826	100.00%
Total Operational by Account	787,100,575	42,320,422	5.38%	3.95%	3.62%	5.18%	485,061,151	259,719,003	33.00%

FINANCIAL CONDITION ANALYSIS

Total projected revenues	739,824,872
Less total projected expenditures	(747,745,546)
Projected increase / (decrease) in fund balance	(7,920,674)
Beginning fund balance (preliminary)	235,807,634
Projected ending fund balance 6/30/24	227,886,960
Less projected designations for future operations:	
3.5% college carry forward	22,660,788
Less minimum financial condition measure (c)	73,460,536
Less additional reserves (d)	44,076,322
Less designations for system-wide strategic efforts (e)	38,237,644
Total Designations	178,435,290
Projected undesignated balance	49,451,670

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

(b) - Unused.

(c) - The financial condition measure represents that portion of the undesignated general fund balance equal to 10% of the annual projected revenues, excluding transfers-in from other funds. 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.

(d) - Additional reserves are intended to provide another layer of financial protection and provide financial flexibility in uncertain times. The intention is to have a combined reserve (minimum financial condition measure plus additional reserves) which provides two months of expenses should the district face financial uncertainties (i.e., unforeseen drops in enrollment, uncollected tax levy, unexpected increases in uncollectible student debt, unplanned/unavoidable expenses, etc.).

(e) - Funded from recoveries of lost revenue (FY21) with Higher Education Emergency Relief Funds; includes efforts such as strategic scheduling software, advising case management, scholarship software, changes to SIS and Admissions. Amount is adjusted as expenses are incurred.

REVENUE DESCRIPTIONS

Property Tax	Primary property taxes levied and collected for use in current operations without restrictions.
State Aid	Effective in FY 16, the State of Arizona no longer provides operational support to the Maricopa County Community College District.
In Lieu Tax	Monies paid to the District by SRP for use in current operations as a substitution for property taxes.
General Tuition	Tuition and fees received from students whether directly or from a third party.
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.
Out-of-County Tuition	Counties that do not have a community college district provide monies for operations to the districts where their students attend.
Other Fees and Charges	Includes funds received from students for various fees such as registration, transcripts, evaluation by examination registration fees, music lessons, etc.
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.
Transfers from other funds	Includes support from other funds such as capital funds to support the licensing costs of our enterprise systems and support from the Maricopa Corporate College for ongoing personnel costs.
Fund balance carryforward	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, funds to cover budget shortfalls, and contingencies for one-time unanticipated expenses. Fund balance will not be recognized as a source until used.

EXPENDITURE DESCRIPTIONS**By Function**

Instruction	Includes expenditures directly related to instruction including credit courses and vocational and technical courses.
Public Service	Includes expenditures for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the District.
Academic Support	Includes activities to support the District's primary mission, such as student computing and library services.
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.
Institutional Support	Includes activities that provide safety, security, printing, travel, marketing, insurance, management, business and human resource operations, and planning.
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.
Student Financial Assistance	Maricopa funded scholarships such as the President's scholarship and honors awards.
Unused carryforward and contingency	Includes amounts carried from one fiscal year to the next by the colleges and district office units (up to 3.5% of adopted budget) and basic contingency for unexpected needs as prioritized by the Governing Board.

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.
Employee Benefits	Includes all employer paid costs of employee health insurance, retirement contributions, social security and Medicare, life insurance, workers compensation, unemployment, etc.
Contractual Services	Includes expenditures such as professional services, advertising, marketing, etc.
Supplies, Materials, Parts	Includes the cost of classroom and office supplies and materials, software, audiovisual aids, etc.
Current Fixed Charges	Includes expenditures for facilities rentals, liability and property insurance, subscriptions, etc.
Communications and Utilities	Includes all costs relating to telephone, postage, electricity, water, sewer, etc.
Travel	Includes mileage, in and out of state travel, international travel, registration, hotel, airfare, etc.
Student Aid and Miscellaneous	Includes statutory waivers, employee and dependent waivers, non-capital equipment, bad debt expense relating to student accounts, etc.
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 to Other Funds	Includes transfers for programs accounted for in other funds of the district such as the mandatory match associated with federal programs (financial aid and Small Business Development Center), up to .5% of adopted budget for college capital needs, etc.
Unused carryforward and contingency	Includes amounts carried from one fiscal year to the next by the colleges and district office units (up to 3.5% of adopted budget) and basic contingency for unexpected needs as prioritized by the Governing Board.