

MONITORING REPORT
CHANCELLOR LIMITATIONS
FINANCIAL CONDITION AND ACTIVITIES; FINANCIAL PLANNING AND BUDGETING

Governing Board Agenda

Meeting Date: 12/10/24

| Item Number | Item Title | Responsible Agents |
|--------------------|--|--|
| | Budget Analysis Report General Fund For the Twelve Months Ending 6/30/2024 REVISIED FINAL | Kimberly Brainard Granio, Vice Chancellor, Business Services |

Revenue Summary: \$757.1M

- 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.
- 102.3% of budgeted revenue were recognized in FY 2024.

Expenditure Summary: \$816.1M

- 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.
- 103.7% of budgeted expenditures were recognized in FY 2024. (See “*Items of Particular Interest*” below for additional information on transfers out and expenses recorded for the Qasimyar judgement with Maricopa County.)
- Contingencies of \$8.0M included in the Expenditure Analysis line items in the attached report were not expended.

Fund Balance and Financial Stability Requirements

- The Fund 1 balance decreased by \$59.0M (from \$235.7M to \$176.7M) in FY2024.
- MCCCCD is required to maintain a financial stability balance equal to 10% of the annual projected revenue. This currently equates to \$75.2M. An additional \$42.8M 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, an undesignated balance of \$0 remains, due to the Qasimyar judgement noted below (see “*Items of Particular Interest*”).
- 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 was \$900,000. The remaining balance as of 6/30/24 is \$600,000. \$300,000 was transferred to operations for potential expenditure limit ballot preparation costs. \$134,757 has been expended for polling and focus group activities.

Items of Particular Interest: Abnormal Deviations from Budget or Expectations

- In December 2023, the Governing Board approved the re-establishment of a \$17,800,000 Quasi-Endowment to function as a reserve for the District’s self-insured medical plan to protect against catastrophic events. In March, \$17.8 million was transferred from the General Fund to the Quasi-Endowment Fund to establish this reserve.
- Beginning in August 2024, the Maricopa County Treasurer began withholding property tax revenues from the District for refunds processed in accordance with the Qasimyar judgement. In accordance with accounting standards, the District recorded an expense and corresponding liability in FY 2024 for the estimated amount to be withheld during FY2025, which affects the *Institutional Support* (expense by function) and *Student Aid and Miscellaneous* (expense by account) lines of the report. Expenses recorded are \$44,686,487.

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 to Actual

All Business Units

FUND: 110 - General Fund

FINAL

Twelve months ending June 30, 2024 - FINAL (Audited)



| | Full Year Budget | Recognized | Percent Recognized 23-24 | Percent Recognized 22-23 | Percent Recognized 21-22 | Percent Recognized 20-21 | Revenue | Variance Over/(Under) Budget | Comments |
|--------------------------------------|------------------------|--------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------|--------------------------------------|-----------------------------------|
| REVENUE ANALYSIS | | | | | | | | | |
| Property taxes | 537,797,972 | 533,006,269 | 99.11% | 100.02% | 99.56% | 99.53% | 533,006,269 | (4,791,703) | Projected, see (a) |
| State aid | - | - | | | | | | - | Per State Budget |
| In lieu taxes | 8,836,631 | 9,645,800 | 109.16% | 98.87% | 100.06% | 100.05% | 9,645,800 | 809,169 | Based on budget |
| General tuition | 166,667,682 | 172,354,315 | 103.41% | 97.55% | 90.36% | 81.99% | 172,354,315 | 5,686,633 | Based on budget |
| Out of state tuition | 15,424,787 | 12,493,322 | 81.00% | 100.58% | 115.86% | 54.01% | 12,493,322 | (2,931,465) | Based on budget |
| Out of county tuition | 274,100 | 221,537 | 80.82% | 65.24% | 126.38% | 138.43% | 221,537 | (52,563) | Based on budget |
| Other fees and charges | 3,663,378 | 4,073,839 | 111.20% | 113.84% | 88.79% | 85.87% | 4,073,839 | 410,461 | Based on budget |
| Investment income | 300,000 | 12,382,690 | 4127.56% | 1892.15% | -229.10% | 8.16% | 12,382,690 | 12,082,690 | Based on budget |
| Miscellaneous and other | 1,640,811 | 7,688,236 | 468.56% | 101.94% | 59.96% | 88.75% | 7,688,236 | 6,047,425 | Based on budget |
| Transfers from other funds | 5,219,511 | 5,219,331 | 100.00% | 100.00% | 100.00% | 100.00% | 5,219,331 | (180) | Based on budget |
| Subtotal Revenues | 739,824,872 | 757,085,339 | 102.33% | 100.35% | 99.83% | 99.18% | 757,085,339 | 17,260,467 | |
| Fund balance carryforward | 211,111,889 | - | 0.00% | 0.00% | 0.00% | 0.00% | 211,111,889 | - | Based on budget |
| Total Sources | 950,936,761 | 757,085,339 | 79.61% | 75.69% | 76.80% | 77.70% | 968,197,228 | 17,260,467 | |
| EXPENDITURE ANALYSIS | | | | | | | | | |
| | 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 Function | | | | | | | | | |
| Instruction | 263,745,949 | 267,062,544 | 101.26% | 103.04% | 95.79% | 100.02% | - | (3,316,594) | -1.26% |
| Public service | 2,718,729 | 2,699,001 | 99.27% | 114.43% | 124.62% | 110.36% | - | 19,727 | 0.73% |
| Academic support | 93,969,315 | 98,246,874 | 104.55% | 102.64% | 102.46% | 99.72% | - | (4,277,559) | -4.55% |
| Student services | 88,120,422 | 82,756,041 | 93.91% | 89.34% | 87.43% | 86.01% | - | 5,364,381 | 6.09% |
| Institutional support | 232,741,689 | 267,341,398 | 114.87% | 83.40% | 84.53% | 88.15% | - | (34,599,709) | -14.87% |
| Operation and maintenance of plant | 78,173,745 | 79,269,720 | 101.40% | 96.52% | 103.62% | 105.56% | - | (1,095,975) | -1.40% |
| Student financial assistance | 19,581,831 | 18,735,070 | 95.68% | 86.32% | 86.30% | 67.09% | - | 846,761 | 4.32% |
| Unused carryforward and contingency | 7,959,629 | - | 0.00% | 0.00% | 0.00% | 0.00% | - | 7,959,629 | 100.00% |
| Total Operational by Function | 787,011,309 | 816,110,647 | 103.70% | 93.76% | 92.45% | 93.53% | - | (29,099,338) | -3.70% |
| By Account | | | | | | | | | |
| Personal services | 459,270,453 | 442,406,206 | 96.33% | 95.95% | 95.66% | 100.24% | - | 16,864,247 | 3.67% |
| Employee benefits | 136,793,914 | 132,859,069 | 97.12% | 97.79% | 97.17% | 100.34% | - | 3,934,845 | 2.88% |
| Contractual services | 79,052,382 | 89,973,772 | 113.82% | 101.04% | 87.81% | 90.86% | - | (10,921,390) | -13.82% |
| Supplies, materials, parts | 10,541,830 | 9,249,659 | 87.74% | 81.38% | 71.84% | 71.44% | - | 1,292,170 | 12.26% |
| Current fixed charges | 13,837,024 | 14,312,305 | 103.43% | 100.21% | 97.43% | 89.01% | - | (475,281) | -3.43% |
| Communications and utilities | 17,581,811 | 18,934,860 | 107.70% | 93.07% | 84.09% | 85.17% | - | (1,353,049) | -7.70% |
| Travel operating expenses | 7,017,631 | 5,512,818 | 78.56% | 70.91% | 56.55% | 48.36% | - | 1,504,813 | 21.44% |
| Student aid and miscellaneous | 44,531,127 | 77,969,016 | 175.09% | 66.85% | 73.64% | 65.34% | - | (33,437,889) | -75.09% |
| Intrafund transfers | 5,269,313 | - | 0.00% | 0.00% | 0.00% | 4.52% | - | 5,269,313 | 100.00% |
| Transfers to other funds | 5,156,196 | 24,892,942 | 482.78% | 123.01% | 190.89% | 89.63% | - | (19,736,746) | -382.78% |
| Unused carryforward and contingency | 7,959,629 | - | 0.00% | 0.00% | 0.00% | 0.00% | - | 7,959,629 | 100.00% |
| Total Operational by Account | 787,011,309 | 816,110,647 | 103.70% | 93.76% | 92.45% | 93.53% | 0 | (29,099,338) | -3.70% |

FINANCIAL CONDITION ANALYSIS

| | | |
|---|-------------------|----------------------|
| Total revenues | | 757,085,339 |
| Less total expenditures (b) | | <u>(816,110,647)</u> |
| Decrease in fund balance | | (59,025,308) |
| Beginning fund balance (audited) | | <u>235,687,218</u> |
| Ending fund balance 6/30/24 (audited) | | <u>176,661,910</u> |
| Less designations for future operations: | | |
| 3.5% college carry forward | 22,660,788 | |
| Less minimum financial condition measure (c) | 75,186,601 | |
| Less additional reserves (d) | 42,820,580 | |
| Less designations for system-wide strategic efforts (e) | <u>35,993,941</u> | |
| Total Designations | | <u>176,661,910</u> |
| Undesignated balance | | <u>-</u> |

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

(b) - Represents budgeted expenses less contingencies.

(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.

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. This line also includes Government Property Lease Excise Tax (GPLET) properties for Mesa Community College. |
| 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. In February, we received \$2.625 million for a settlement of claim against AXA XL for reimbursement of costs. We also received \$5 million from the Governor for lost revenue recovery. The projected revenue has been increased by those amounts. |
| Transfers from Other Funds | Includes transfers from auxiliary and plant funds. |
| 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, enrollment growth funding for the colleges, and contingencies for 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. Beginning in August 2024, the Maricopa County Treasurer began withholding property tax revenues from the District for refunds processed in accordance with the Qasimyar judgement. In accordance with accounting standards, the District recorded an expense and a liability in FY 2024 for the estimated amount to be withheld during FY 2025. Expenses recorded are \$44,686,487. |
| 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 funding for 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. Beginning in August 2024, the Maricopa County Treasurer began withholding property tax revenues from the District for refunds processed in accordance with the Qasimyar judgement. In accordance with accounting standards, the District recorded an expense and a liability in FY 2024 for the estimated amount to be withheld during FY 2025. Expenses recorded are |
| 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 Maricopa and Southwest Skill Centers, mandatory match associated with federal programs (financial aid and Small Business Development Center), etc. In December 2023, the Governing Board approved the re-establishment of a \$17,800,000 Quasi-Endowment to function as a reserve for the District's self-insured medical plan to protect against catastrophic events. In March, \$17.8 million was transferred from the General Fund to the Quasi-Endowment Fund to establish this reserve. |
| 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. |