

# MONITORING REPORT

## CHANCELLOR LIMITATIONS

### FINANCIAL CONDITION AND ACTIVITIES; FINANCIAL PLANNING AND BUDGETING

#### Governing Board Agenda

Meeting Date: 4/23/24

<u>Item Number</u>	<u>Item Title</u>	<u>Responsible Agents</u>
	Budget Analysis Report General Fund For the Nine Months Ending 3/31/2024	Kimberly Brainard Granio, Vice Chancellor, Business Services

#### Revenue Summary: \$561.8M year to date; projected revenue at year end: \$750.1M

- 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.
- 74.9% of projected revenue have been recognized year to date.

#### Expenditure Summary: \$559.1M year to date; projected expenditure at year end: \$764.6M

- 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.
- 73.1% of projected expenditures have been recognized year to date.
- Contingencies of \$9.5M 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 \$14.5M (from \$235.7M to \$221.2M) in FY2024.
- MCCCCD is required to maintain a financial stability balance equal to 10% of the annual projected revenue. This currently equates to \$74.5M. An additional \$44.7M 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 \$41.1M remains.
- While the projected undesignated fund balance is expected to be just over \$41M, 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 was \$900,000. The remaining balance as of 3/31/24 is \$600,000. \$300,000 was transferred to operations for potential expenditure limit ballot preparation costs. \$134,757 has been encumbered or 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.

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.

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### Funding

**Source  
Account Information**

Maricopa County Community College District

Budget to Actual

All Business Units

FUND: 110 - General Fund



Nine months ending March 31, 2024

	Full Year Budget	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
<b>REVENUE ANALYSIS</b>									
Property taxes	537,797,972	363,674,944	67.62%	69.30%	68.66%	68.52%	537,797,972	-	Projected, see (a)
State aid	-	-						-	Per State Budget
In lieu taxes	8,836,631	4,951,639	56.04%	49.44%	50.03%	50.14%	8,836,631	-	Based on budget
General tuition	166,667,682	159,048,161	95.43%	89.89%	82.99%	73.11%	166,667,682	-	Based on budget
Out of state tuition	15,424,787	12,360,982	80.14%	105.71%	110.63%	57.60%	15,424,787	-	Based on budget
Out of county tuition	274,100	141,695	51.69%	32.38%	69.68%	77.54%	274,100	-	Based on budget
Other fees and charges	3,663,378	3,617,771	98.76%	93.05%	77.53%	72.35%	3,663,378	-	Based on budget
Investment income	300,000	9,705,188	3235.06%	1520.63%	-204.80%	8.55%	8,000,000	7,700,000	Based on budget
Miscellaneous and other	1,640,811	3,070,653	187.14%	4.08%	64.08%	82.74%	4,265,811	2,625,000	Based on budget
Transfers from other funds	5,219,511	5,219,331	100.00%	90.43%	90.42%	100.00%	5,219,511	-	Based on budget
<b>Subtotal Revenues</b>	<b>739,824,872</b>	<b>561,790,365</b>	<b>75.94%</b>	<b>73.69%</b>	<b>72.28%</b>	<b>69.21%</b>	<b>750,149,872</b>	<b>10,325,000</b>	
Fund balance carryforward	211,111,889	-	0.00%	0.00%	0.00%	0.00%	211,111,889	-	Based on budget
<b>Total Sources</b>	<b>950,936,761</b>	<b>561,790,365</b>	<b>59.08%</b>	<b>55.58%</b>	<b>55.61%</b>	<b>54.22%</b>	<b>961,261,761</b>	<b>10,325,000</b>	

	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
<b>EXPENDITURE ANALYSIS</b>									
<b>By Function</b>									
Instruction	263,267,125	200,120,950	76.01%	76.26%	70.82%	73.18%	31,345,703	31,800,473	12.08%
Public service	2,699,715	1,954,935	72.41%	63.14%	64.26%	64.62%	667,899	76,880	2.85%
Academic support	91,923,912	70,591,377	76.79%	72.44%	74.07%	70.23%	20,856,999	475,536	0.52%
Student services	87,848,243	56,857,564	64.72%	61.13%	59.43%	59.11%	20,487,994	10,502,685	11.96%
Institutional support	254,934,140	160,163,741	62.83%	59.25%	59.27%	57.56%	46,421,817	48,348,582	18.97%
Operation and maintenance of plant	75,068,735	53,868,812	71.76%	68.29%	65.47%	66.37%	23,073,724	(1,873,801)	-2.50%
Student financial assistance	19,640,655	15,506,202	78.95%	67.93%	67.11%	84.03%	25,268	4,109,185	20.92%
Unused carryforward and contingency	9,466,531	-	0.00%	0.00%	0.00%	0.00%	-	9,466,531	100.00%
<b>Total Operational by Function</b>	<b>804,849,056</b>	<b>559,063,581</b>	<b>69.46%</b>	<b>67.37%</b>	<b>65.41%</b>	<b>65.66%</b>	<b>142,879,404</b>	<b>102,906,071</b>	<b>12.79%</b>

<b>By Account</b>									
Personal services	461,920,944	323,251,652	69.98%	68.92%	68.33%	69.71%	81,295,369	57,373,922	12.42%
Employee benefits	136,467,919	95,680,961	70.11%	69.70%	70.05%	71.17%	26,754,900	14,032,058	10.28%
Contractual services	74,355,619	62,106,970	83.53%	79.68%	64.79%	63.43%	22,585,948	(10,337,299)	-13.90%
Supplies, materials, parts	10,735,298	6,363,360	59.28%	52.30%	44.90%	50.90%	1,807,251	2,564,687	23.89%
Current fixed charges	13,156,073	13,789,140	104.81%	94.17%	99.95%	82.24%	1,324,472	(1,957,539)	-14.88%
Communications and utilities	17,584,995	13,087,771	74.43%	65.06%	55.60%	57.63%	4,981,422	(484,198)	-2.75%
Travel operating expenses	5,968,852	3,271,495	54.81%	52.64%	30.16%	17.27%	2,301,049	396,308	6.64%
Student aid and miscellaneous	45,491,133	21,036,006	46.24%	43.06%	48.71%	56.30%	1,828,993	22,626,134	49.74%
Intrafund transfers	7,341,431	-	0.00%	0.01%	0.00%	0.00%	-	7,341,431	100.00%
Transfers to other funds	22,360,261	20,476,226	91.57%	54.35%	74.44%	56.37%	-	1,884,035	8.43%
Unused carryforward and contingency	9,466,531	-	0.00%	0.00%	0.00%	0.00%	-	9,466,531	100.00%
<b>Total Operational by Account</b>	<b>804,849,056</b>	<b>559,063,581</b>	<b>69.46%</b>	<b>67.37%</b>	<b>65.41%</b>	<b>65.66%</b>	<b>142,879,404</b>	<b>102,906,071</b>	<b>12.79%</b>

**FINANCIAL CONDITION ANALYSIS**

Total projected revenues	750,149,872
Less total projected expenditures (b)	<u>(764,606,603)</u>
Projected increase / (decrease) in fund balance	(14,456,731)
Beginning fund balance (audited)	<u>235,687,218</u>
Projected ending fund balance 6/30/24	<u><u>221,230,487</u></u>
<b>Less projected designations for future operations:</b>	
3.5% college carry forward	22,660,788
Less minimum financial condition measure (c)	74,493,036
Less additional reserves (d)	44,695,822
Less designations for system-wide strategic efforts (e)	<u>38,237,644</u>
Total Designations	<u>180,087,290</u>
Projected undesignated balance	<u><u>41,143,197</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. The projected revenue has been increased by that amount.
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. Year to date expenditures appear higher than normal due to the wrong function being used for dual enrollment expenditures. Adjustments will be made to the correct function.
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 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.
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.
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.