

MONITORING REPORT

CHANCELLOR LIMITATIONS

FINANCIAL CONDITION AND ACTIVITIES; FINANCIAL PLANNING AND BUDGETING

Governing Board Agenda

Meeting Date: 10/22/24

<u>Item Number</u>	<u>Item Title</u>	<u>Responsible Agents</u>
	Budget Analysis Report General Fund For the Three Months Ending 9/30/2024	Kimberly Brainard Granio, Vice Chancellor, Business Services

Revenue Summary: \$155.0M year to date; projected revenue at year end: \$758.8M

- 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.
- 20.4% of projected revenue have been recognized year to date.

Expenditure Summary: \$169.7M year to date; projected expenditure at year end: \$781.4M

- 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.
- 21.7% of projected expenditures have been recognized year to date.
- Contingencies of \$13.2M 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 \$22.6M (from \$228.1M to \$205.5M) in FY2025.
- MCCCCD is required to maintain a financial stability balance equal to 10% of the annual projected revenue. This currently equates to \$75.4M. An additional \$45.2M 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 \$26.1M remains.
- While the projected undesignated fund balance is expected to be just over \$26M, 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 9/30/24 is \$900,000.

Items of Particular Interest: Abnormal Deviations from Budget or Expectations

- Beginning in August, the Maricopa County Treasurer will be withholding property tax revenues for refunds processed in accordance with the Qasimyar judgement. In accordance with accounting standards, the District will continue to report current year gross property tax revenue collected in the *Property Tax* revenue line of the Budget Analysis Report. An expense will be recorded each month for the amount withheld, which will affect the *Institutional Support* (expense by function) and *Student Aid and Miscellaneous* (expense by account) lines of the report. Expenses recorded as of 9/30/2024 are \$21,629,579.

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



Three months ending September 30, 2024

	Full Year Budget	Recognized	Percent Recognized 24-25	Percent Recognized 23-24	Percent Recognized 22-23	Percent Recognized 21-22	Projected Revenue	Projected Variance Over/(Under) Budget	Comments
REVENUE ANALYSIS									
Property taxes	553,091,260	55,518,891	10.04%	10.54%	11.44%	9.82%	553,091,260	-	Projected, see (a)
State aid	-	-						-	Per State Budget
In lieu taxes	8,060,389	4,000	0.05%	0.00%	0.00%	0.00%	8,060,389	-	Based on budget
General tuition	170,614,609	85,969,170	50.39%	50.13%	48.11%	44.74%	170,614,609	-	Based on budget
Out of state tuition	15,748,172	7,324,934	46.51%	52.44%	61.07%	63.50%	15,748,172	-	Based on budget
Out of county tuition	243,224	67,458	27.73%	17.60%	9.71%	8.65%	243,224	-	Based on budget
Other fees and charges	3,892,144	1,903,803	48.91%	50.81%	47.07%	40.08%	3,892,144	-	Based on budget
Investment income	300,000	3,932,984	1310.99%	687.69%	-242.58%	5.56%	300,000	-	Based on budget
Miscellaneous and other	1,640,811	292,517	17.83%	17.79%	1.24%	17.67%	1,640,811	-	Based on budget
Transfers from other funds	5,219,511	-	0.00%	9.58%	0.00%	0.00%	5,219,511	-	Based on budget
Subtotal Revenues	758,810,120	155,013,759	20.43%	20.70%	19.57%	18.65%	758,810,120	-	
Fund balance carryforward	221,230,488	-	0.00%	0.00%	0.00%	0.00%	221,230,488	-	Based on budget
Total Sources	980,040,608	155,013,759	15.82%	16.10%	14.76%	14.35%	980,040,608	-	

	Full Year Budget	Year-To-Date Expended	Percent Expended 24-25	Percent Expended 23-24	Percent Expended 22-23	Percent Expended 21-22	Amount Encumbered	Unencumbered Balance Available	Percent of Budget Available
EXPENDITURE ANALYSIS									
By Function									
Instruction	277,276,411	42,750,152	15.42%	15.90%	15.93%	15.17%	148,362,032	86,164,227	31.08%
Public service	2,729,835	505,389	18.51%	18.18%	18.88%	18.57%	1,717,643	506,803	18.57%
Academic support	91,936,434	19,499,148	21.21%	21.15%	20.56%	20.33%	61,511,423	10,925,863	11.88%
Student services	91,308,487	16,976,041	18.59%	17.72%	18.41%	17.74%	58,614,808	15,717,638	17.21%
Institutional support	234,840,132	66,310,851	28.24%	18.96%	19.12%	15.25%	118,466,340	50,062,940	21.32%
Operation and maintenance of plant	74,545,087	16,871,834	22.63%	21.42%	20.26%	20.39%	54,069,420	3,603,833	4.83%
Student financial assistance	19,664,675	6,738,802	34.27%	31.95%	30.67%	29.98%	62,721	12,863,152	65.41%
Unused carryforward and contingency	13,246,677	-	0.00%	0.00%	0.00%	0.00%	-	13,246,677	100.00%
Total Operational by Function	805,547,738	169,652,217	21.06%	18.37%	18.36%	16.80%	442,804,388	193,091,133	23.97%

By Account									
Personal services	477,697,228	81,945,210	17.15%	17.00%	16.75%	17.00%	299,925,095	95,826,923	20.06%
Employee benefits	139,253,623	26,853,481	19.28%	19.38%	19.41%	19.85%	87,634,964	24,765,178	17.78%
Contractual services	74,690,326	20,092,691	26.90%	27.28%	27.57%	11.59%	34,847,111	19,750,524	26.44%
Supplies, materials, parts	10,351,500	2,022,481	19.54%	16.12%	18.16%	16.55%	1,681,155	6,647,864	64.22%
Current fixed charges	13,691,618	4,387,227	32.04%	31.02%	28.51%	32.35%	1,947,102	7,357,289	53.74%
Communications and utilities	17,971,607	4,198,113	23.36%	18.49%	19.30%	17.85%	15,103,869	(1,330,375)	-7.40%
Travel operating expenses	4,341,798	566,356	13.04%	12.78%	10.43%	3.63%	1,305,951	2,469,491	56.88%
Student aid and miscellaneous	40,423,418	29,586,659	73.19%	19.06%	17.85%	18.01%	359,141	10,477,619	25.92%
Intrafund transfers	11,015,010	-	0.00%	0.00%	0.00%	0.00%	-	11,015,010	100.00%
Transfers to other funds	2,864,934	-	0.00%	35.09%	30.43%	25.25%	-	2,864,934	100.00%
Unused carryforward and contingency	13,246,677	-	0.00%	0.00%	0.00%	0.00%	-	13,246,677	100.00%
Total Operational by Account	805,547,738	169,652,217	21.06%	18.37%	18.36%	16.80%	442,804,388	193,091,133	23.97%

FINANCIAL CONDITION ANALYSIS

Total projected revenues	758,810,120
Less total projected expenditures (b)	<u>(781,381,306)</u>
Projected increase / (decrease) in fund balance	(22,571,186)
Beginning fund balance (unaudited)	<u>228,053,418</u>
Projected ending fund balance 6/30/25	<u><u>205,482,232</u></u>
Less projected designations for future operations:	
3.5% college carry forward	22,660,788
Less minimum financial condition measure (c)	75,359,061
Less additional reserves (d)	45,215,437
Less designations for system-wide strategic efforts (e)	<u>36,105,198</u>
Total Designations	<u>179,340,484</u>
Projected undesignated balance	<u><u>26,141,748</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. Beginning in August, the Maricopa County Treasurer will be withholding funds for the Qasimyar judgement. The District will continue to show current year property tax revenue on this line, and will book an expense for the amounts withheld, which will affect the Institutional Support expense By Function and Student Aid and Miscellaneous expense By Account, as noted below.
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.
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, the Maricopa County Treasurer will be withholding funds for the Qasimyar judgement. The District will continue to show current year property tax revenue on the Property Tax line above, and will book an expense for the amounts withheld. The expenses will affect this line and the Student Aid and Miscellaneous line below.
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. This includes an increase in postage of approximately \$175,000 for mailing the required Publicity Pamphlet for Proposition 486.
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, the Maricopa County Treasurer will be withholding funds for the Qasimyar judgement. The District will continue to show current year property tax revenue on the Property Tax line above, and will book an expense for the amounts withheld. The expenses will affect this line and the Institutional Support line above.
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.