Governing Board Agenda

Meeting Date: 12/8/15

ITEM NUMBER ITEM TITLE RESPONSIBLE AGENTS

Budget Analysis Report Ms. Debra Thompson
Fund 1: General Unrestricted Fund Ms. Kim Granio
For the Twelve Months Ending 6/30/2015

FINAL – Unaudited

Expenditure Summary: $655.4M (year to date)
- Typically evenly spread across each month, as the majority is payroll and benefits which are recorded every two weeks.
- 84.7% of expenditures were recognized this year (versus 89.5% in 13/14, 91.6% in 12/13, and 90.2% in 11/12).
- 15.3% of the budget remained unexpended or unencumbered at year end (versus 10.5% in 13/14, 8.4% in 12/13, and 9.8% in 11/12).
- Overall percent of budget recognized or encumbered is lower than in prior years due to increases in budget allocated to activities or programs which are newer to MCCCD that are taking additional time for hiring and other activities to take place.

Revenue Summary: $658.5M (year to date)
- 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.
- 95.4% of the budgeted revenue was recognized this year (versus 96.2% in 13/14, 97.5% in 12/13, and 98.4% in 11/12).

Fund Balance and Financial Stability Requirements
- The General Fund balance increased by ~$3.1M (from $164.1M to $167.2M) in FY 14-15.
- MCCCD is required to maintain a financial stability balance equal to 8% of the annual projected revenue. This currently equates to $52.7M. The remaining fund balance of $114.5M 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 an undesignated balance of $3.0M.
- 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.

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.
### EXPENDITURE ANALYSIS

#### By Function:

<table>
<thead>
<tr>
<th>Fund/Program</th>
<th>Amount Expended</th>
<th>Percent Expended 14-15</th>
<th>Percent Expended 13-14</th>
<th>Percent Expended 12-13</th>
<th>Percent Expended 11-12</th>
<th>Amount Encumbered</th>
<th>Unencumbered Balance Available</th>
<th>Percent of Budget Available</th>
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<tr>
<td>INSTRUCTION</td>
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<td>0</td>
<td>66,025,282</td>
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**TOTAL OPERATIONAL** | **774,136,932**  | **655,407,008**        | **84.7**               | **89.5**               | **91.6**              | **90.2**          | **0**                          | **118,729,924**             | **15.3**                      |

#### By Object:

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<td>9.1</td>
<td>0</td>
<td>56,025,282</td>
<td></td>
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</tbody>
</table>

**TOTAL OPERATIONAL** | **774,136,932**  | **655,407,008**        | **84.7**               | **89.5**               | **91.6**              | **90.2**          | **0**                          | **118,729,924**             | **15.3**                      |

(a) Represents budget as amended by approved transfers.
## MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
### BUDGET ANALYSIS REPORT
#### FUND 1 - CURRENT UNRESTRICTED FUND
June 2015 FINAL

### REVENUE ANALYSIS (a)
<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Budget (b)</th>
<th>Recognized 14-15</th>
<th>Percent Recognized 14-15</th>
<th>Recognized 13-14</th>
<th>Percent Recognized 13-14</th>
<th>Recognized 12-13</th>
<th>Percent Recognized 12-13</th>
<th>Revenue</th>
<th>Variance Over/(Under)</th>
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<tr>
<td>PROPERTY TAX</td>
<td>429,857,856</td>
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<td>7,409,500</td>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>7,409,500</td>
<td>0</td>
<td>Per State Budget</td>
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<td>IN LIEU TAX, SALT RIVER PROJECT</td>
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<td>8,653,750</td>
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<td>99.9</td>
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<td>8,653,750</td>
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<td>193,352,384</td>
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<td>14,901,491</td>
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<td>93.8</td>
<td>89.2</td>
<td>141.1</td>
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<td>OUT-OF-COUNTY TUITION</td>
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<td>310,933</td>
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<td>104.0</td>
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<td>95.7</td>
<td>310,933</td>
<td>19,405</td>
<td>Based on budget</td>
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<tr>
<td>OTHER FEES AND CHARGES</td>
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<td>98.3</td>
<td>98.7</td>
<td>101.2</td>
<td>5,320,197</td>
<td>305,427</td>
<td>Based on budget</td>
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<td>INVESTMENT INCOME</td>
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<td>817,529</td>
<td>161.9</td>
<td>165.5</td>
<td>140.1</td>
<td>217.2</td>
<td>817,529</td>
<td>312,529</td>
<td>Based on budget</td>
</tr>
<tr>
<td>MISCELLANEOUS AND OTHER</td>
<td>2,895,577</td>
<td>2,276,905</td>
<td>78.6</td>
<td>82.5</td>
<td>103.2</td>
<td>106.9</td>
<td>2,276,905</td>
<td>-618,672</td>
<td>Based on budget</td>
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<tr>
<td><strong>SUBTOTAL REVENUES</strong></td>
<td>690,515,717</td>
<td>658,517,407</td>
<td>95.4</td>
<td>96.2</td>
<td>97.5</td>
<td>98.4</td>
<td>658,517,407</td>
<td>-31,998,310</td>
<td></td>
</tr>
</tbody>
</table>

**BUDGETED USE OF FUND BALANCE**

| Total Sources                           | 774,136,932| 658,517,407 | 85.1 | 96.4 | 97.6 | 98.5 | 742,138,622 | -31,998,310 | Based on budget       |

### FINANCIAL CONDITION ANALYSIS

- **Total revenues**: 658,517,407
- **Less total expenditures (c)**: -655,407,008
- **Increase in fund balance**: 3,110,399
- **Beginning fund balance (audited)**: 164,071,347
- **Ending fund balance 6/30/15 (unaudited)**: 167,181,746
- **Less designations for future operations**
  - 3.5% college carry forward: 14,610,790
  - Additional allocations: 26,045,012
- **Total budgeted designations**: 40,655,802
- **Less minimum financial condition measure (d)**: 52,681,393
- **Less minimum financial condition measure for future years**: 8,798,500
- **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
- **Undesignated balance**: 3,038,569

- **% of Projected Revenues**: 25%

(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.
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. Percent recognized is consistent with prior year.

- **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.

- **General Institutional**: Includes activities that provide safety, security, printing, travel, marketing, and insurance. Percent recognized is consistent with prior year.

- **Administration**: Includes activities relating to management, business and human resources operations, and planning. Percent recognized is consistent with prior year.

- **Physical 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.

- **Scholarships**: Maricopa funded scholarships such as the President's scholarship, honors awards and employee waivers. 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.

**By Object**

- **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. Percent recognized is consistent with prior year.

- **Supplies, Materials, Parts**: Includes the cost of classroom and office supplies and materials, software, audiovisual aids, etc. Percent recognized is consistent with prior year.

- **Current Fixed Charges**: Includes expenditures for facilities rentals, liability and property insurance, subscriptions, etc. Percent recognized is consistent with prior year.

- **Communications and Utilities**: Includes all costs relating to telephone, postage, electricity, water, sewer, etc. Percent recognized is consistent with prior year.

- **Travel**: Includes mileage, in and out of state travel, international travel, registration, hotel, airfare, etc. Percent recognized is consistent with prior year.
Student Aid and Miscellaneous

Includes statutory waivers, employee and dependent waivers, non-capital equipment, bad debt expense relating to student accounts, etc. Decrease in percent recognized is due to lower than budgeted expenses for judgements/third-party claims and student bad debt.

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. Percent recognized is consistent with prior year.

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. Increase in percent recognized is due to actual transfers to the plant funds and auxiliary fund for college specific and system-wide future priority needs (i.e., student success initiatives, IT initiatives, etc.).

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.

REVENUE COMMENTS

Property Tax

Primary property taxes levied and collected for use in current operations without restrictions. The variance is due to anticipated actual collections. Percent recognized is consistent with prior year.

State Aid

The State of Arizona provides financial support to community college districts based on formulas that are set in statute and this support is largely based on enrollment levels. State aid is provided for enrollment growth that occurred two years before the fiscal year being developed. Percent recognized is consistent with prior year.

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. The budget for General Tuition is essentially based on anticipated FTSE for the fiscal year and tuition & fee rates. Estimated actual FTSE is tracked throughout the year and General Fund Tuition revenue is adjusted in the Spring to reflect estimated actual FTSE for the year. For FY15 as of January 2015, this amounts to a reduction of projected revenues of $23,000,000. Note, however, the difference in revenues between the budgeted FTSE level and estimated actual is budgeted as a reserve expenditure allocation line that is only allocated if the tuition revenue materializes. Therefore, since the anticipated growth did not occur and the tuition was not realized, there is no expected negative financial impact. 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. Percent recognized is consistent with prior year.

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 the primary revenue type (registration) being more closely aligned with the amount budgeted in the current year over the 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.

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.