

MONITORING REPORT
POLICY TYPE: EXECUTIVE BOUNDARIES
POLICY TITLE: FINANCIAL CONDITION

Governing Board Agenda
 ITEM NUMBER

ITEM TITLE

Meeting Date: 1/27/09
 RESPONSIBLE AGENTS

Budget Analysis Report
 Fund 1: General Unrestricted Fund
 For the Six Months Ending 12/31/2008

Ms. Debra Thompson
 Ms. Kim Granio

Expenditure Summary: \$260.2M (year to date)

- Projected expenditure at year end: \$559.1M
- 43.3-8% of expenditures have been recognized year to date (versus 41.8% in 07/08 and 42.0% in 06/07).
- 28.3% of the budget remains unexpended or unencumbered (versus 27.5% last year).

Revenue Summary: \$359.6M (year to date)

- Projected revenue at year end: \$559.3M
- 59.9% of the budget has been recognized year to date (versus 60.6% in 07/08 and 59.4% in 06/07).

Fund Balance and Financial Stability Requirements

- Projections are for the Fund 1 balance to increase by ~\$0.1M (from \$101.9M to \$102.0M) in FY 08-09.
- MCCCDC is required to maintain a financial stability balance equal to 8% of the annual projected revenue. This currently equates to \$44.8M. The remaining fund balance of \$57.3M is comprised of college carryforward, designations for future operations, minimum financial condition measure for future years, medical insurance reserve, and a projected undesignated balance of \$0.3M.

Items of Particular Interest: Substantial Deviations from Budget or Expectations

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.

| Funding | Approvals/Certifications |
|--|---|
| <p><u>Source:</u></p> <p><u>Account Identification:</u></p> | <p>Chancellor _____</p> <p>Academic & Student Affairs _____</p> <p>Business Services _____</p> <p>Human Resources _____</p> <p>Res Dev & Com Relations _____ ITS _____</p> <p>College President _____</p> |

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
 BUDGET ANALYSIS REPORT
 FUND 1 - CURRENT UNRESTRICTED FUND
 December 2008

| EXPENDITURE ANALYSIS | | | Percent | Percent | Percent | | Unencumbered | Percent of |
|-------------------------------|--------------------|--------------------|-------------|-------------|-------------|--------------------|--------------------|-------------|
| | Budget (a) | Amount | Expended | Expended | Expended | Amount | Balance | Budget |
| <u>By Function:</u> | | Expended | 08-09 | 07-08 | 06-07 | Encumbered | Available | Available |
| INSTRUCTION | 258,772,500 | 120,885,667 | 46.7 | 44.8 | 45.0 | 76,872,821 | 61,014,012 | 23.6 |
| PUBLIC SERVICE | 708,905 | 393,189 | 55.5 | 68.4 | 74.3 | 178,409 | 137,307 | 19.4 |
| ACADEMIC SUPPORT | 64,142,514 | 27,705,684 | 43.2 | 41.1 | 40.8 | 21,907,109 | 14,529,721 | 22.7 |
| STUDENT SERVICES | 47,361,091 | 22,391,152 | 47.3 | 46.1 | 47.1 | 14,905,207 | 10,064,733 | 21.3 |
| GENERAL INSTITUTIONAL | 84,302,106 | 28,373,125 | 33.7 | 33.9 | 38.7 | 13,211,537 | 42,717,445 | 50.7 |
| ADMINISTRATION | 85,110,414 | 40,612,420 | 47.7 | 45.6 | 45.6 | 27,098,693 | 17,399,301 | 20.4 |
| PHYSICAL PLANT | 37,642,249 | 19,870,314 | 52.8 | 50.7 | 47.7 | 16,272,034 | 1,499,900 | 4.0 |
| CONTINGENCIES: | 22,350,517 | 0 | | | | 0 | 22,350,517 | |
| TOTAL OPERATIONAL | 600,390,296 | 260,231,551 | 43.3 | 41.8 | 42.0 | 170,445,810 | 169,712,936 | 28.3 |
| <u>By Object:</u> | | | | | | | | |
| PERSONAL SERVICES | 330,790,202 | 160,096,263 | 48.4 | 45.1 | 46.2 | 122,733,126 | 47,960,814 | 14.5 |
| EMPLOYEE BENEFITS | 90,270,800 | 41,213,317 | 45.7 | 42.9 | 43.4 | 21,590,585 | 27,466,899 | 30.4 |
| CONTRACTUAL SERVICES | 41,620,073 | 20,778,278 | 49.9 | 47.9 | 50.8 | 12,404,647 | 8,437,147 | 20.3 |
| SUPPLIES, MATERIALS, PARTS | 9,757,485 | 3,838,476 | 39.3 | 35.0 | 38.9 | 2,890,338 | 3,028,671 | 31.0 |
| CURRENT FIXED CHARGES | 7,798,250 | 4,661,172 | 59.8 | 75.3 | 55.9 | 1,937,156 | 1,199,922 | 15.4 |
| COMMUNICATIONS AND UTILITIES | 15,685,356 | 7,660,506 | 48.8 | 49.2 | 47.2 | 7,936,269 | 88,581 | 0.6 |
| TRAVEL | 2,577,874 | 1,135,889 | 44.1 | 40.9 | 49.1 | 83,420 | 1,358,565 | 52.7 |
| STUDENT AID AND MISCELLANEOUS | 8,205,496 | 3,216,002 | 39.2 | 22.3 | 32.0 | 74,322 | 4,915,172 | 59.9 |
| TRANSFERS-INTRAFUND | 49,316,849 | 0 | 0.0 | 0.0 | 0.0 | 795,947 | 48,520,902 | 98.4 |
| TRANSFERS TO OTHER FUNDS | 22,017,394 | 17,631,648 | 80.1 | 73.2 | 75.5 | 0 | 4,385,746 | 19.9 |
| CONTINGENCIES: | 22,350,517 | 0 | | | | 0 | 22,350,517 | |
| TOTAL OPERATIONAL | 600,390,296 | 260,231,551 | 43.3 | 41.8 | 42.0 | 170,445,810 | 169,712,936 | 28.3 |

(a) Represents budget as amended by approved transfers.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
BUDGET ANALYSIS REPORT
FUND 1 - CURRENT UNRESTRICTED FUND
December 2008

| REVENUE ANALYSIS (a) | Budget (b) | Recognized | Percent Recognized 08-09 | Percent Recognized 07-08 | Percent Recognized 06-07 | Projected Revenue | Projected Variance Over/(Under) Budget | Comments |
|---------------------------------|--------------------|--------------------|--------------------------|--------------------------|--------------------------|--------------------|--|--------------------|
| PROPERTY TAX | 347,905,170 | 185,954,933 | 53.4 | 53.9 | 53.6 | 341,266,870 | -6,638,300 | Projected, see (a) |
| STATE AID | 57,528,300 | 27,708,050 | 48.2 | 50.0 | 50.0 | 55,416,100 | -2,112,200 | Per State Budget |
| IN LIEU TAX, SALT RIVER PROJECT | 4,418,036 | 2,149,030 | 48.6 | 49.2 | 49.3 | 4,298,059 | -119,977 | Based on budget |
| GENERAL TUITION | 132,720,915 | 95,559,698 | 72.0 | 71.5 | 68.2 | 132,720,915 | 0 | Based on budget |
| OUT-OF-STATE TUITION | 12,184,050 | 12,862,074 | 105.6 | 109.0 | 76.2 | 12,862,074 | 678,024 | Based on budget |
| OUT-OF-COUNTY TUITION | 426,707 | 116,435 | 27.3 | 14.9 | 14.7 | 426,707 | 0 | Based on budget |
| OTHER FEES AND CHARGES | 5,974,060 | 3,837,541 | 64.2 | 61.1 | 62.9 | 5,974,060 | 0 | Based on budget |
| INVESTMENT INCOME | 3,850,000 | 1,370,351 | 35.6 | 78.3 | 68.8 | 2,600,000 | -1,250,000 | Based on budget |
| MISCELLANEOUS AND OTHER | 925,750 | 335,148 | 36.2 | 33.0 | 23.0 | 925,750 | 0 | Based on budget |
| TRANSFERS IN | 4,778,300 | 0 | 0.0 | 0.0 | 0.6 | 2,778,300 | -2,000,000 | Based on budget |
| COLLEGE CARRYFORWARD | 29,679,008 | 29,679,008 | 100.0 | 100.0 | 100.0 | 29,679,008 | 0 | Based on budget |
| TOTAL | 600,390,296 | 359,572,268 | 59.9 | 60.6 | 59.4 | 588,947,843 | -11,442,453 | |

FINANCIAL CONDITION ANALYSIS

| | | | | | | | |
|---|--|--------------|--|--|--|--|-----|
| Less college carryforward | | -29,679,008 | | | | | |
| Total projected revenues | | 559,268,835 | | | | | |
| Less total projected expenditures (c) | | -559,143,483 | | | | | |
| Projected increase / (decrease) in fund balance | | 125,352 | | | | | |
| Beginning fund balance (audited) | | 101,925,510 | | | | | |
| Projected ending fund balance 6/30/09 | | 102,050,862 | | | | | 18% |
| Less projected designations for future operations | | | | | | | |
| 3% college carryforward | | 12,507,520 | | | | | |
| Enrollment Growth Funding | | 5,171,488 | | | | | |
| Additional carryforward allocations | | 12,000,000 | | | | | |
| Total budgeted designations: | | 29,679,008 | | | | | |
| Operating costs (impact of capital development) | | 12,664,662 | | | | | |
| Total other designations: | | 42,343,670 | | | | | |
| Less minimum financial condition measure (d) | | 44,741,507 | | | | | 8% |
| Less minimum financial condition measure for future years | | 8,400,000 | | | | | |
| Less reserve for retirement incentive | | 3,800,000 | | | | | |
| Less additional funding for medical insurance reserve | | 2,500,000 | | | | | |
| Projected undesignated balance | | 265,685 | | | | | |

(a) See specific revenue analysis by type on page 3

(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.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
BUDGET ANALYSIS REPORT
FUND 1 - CURRENT UNRESTRICTED FUND
December 2008

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. Increase due to one additional payroll through December in FY 09 as compared to FY 08. |
| Public Service | Includes expenditures for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the District. The budgeted amount increased \$403,645 from FY 08 to FY 09 resulting in a smaller percentage expended year to date. |
| Academic Support | Includes activities to support the District's primary mission. Increase due to additional payroll through December in FY 09 as compared to FY 08. |
| 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. Increase due to additional payroll through December in FY 09 as compared to FY 08. |
| General Institutional | Includes activities that provide safety, security, printing, travel, marketing, and insurance. Percent recognized is consistent with previous year, dollar increase due to additional payroll through December in FY 09 as compared to FY 08. |
| Administration | Includes activities relating to management, business and human resources operations, and planning. Percent recognized is consistent with previous year. Dollar amount increase is due to additional payroll through December in FY 09 as compared to FY 08. |
| Physical Plant | Percent recognized is consistent with previous year. Dollar increase over prior year due to an overall increase in utility costs. |
| 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. No amount has been recognized in FY 08 or FY 09. |

By Object

| | |
|-------------------------------|--|
| Personal 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. Increase due to one additional payroll through December in FY 09 as compared to FY 08. Increase also due to the annual increase in salary & benefits from meet & confer. |
| Employee Benefits | Includes all employer paid costs of employee health insurance, retirement contributions, social security and Medicare, life insurance, workers compensation, unemployment, etc. Increase due to one additional payroll through December in FY 09 as compared to FY 08. Increase also due to the annual increase in salary & benefits from meet & confer. |
| Contractual Services | Includes expenditures such as funding for professional services, advertising, marketing, etc. Percent recognized is consistent with previous year but dollar increase over prior year due to an overall increase in licenses, advertising, and professional service fees. |
| Supplies, Materials, Parts | Includes the cost of classroom and office supplies and materials, software, audiovisual aids, etc. Percentage recognized is consistent with previous year but dollar increase over prior year due to an overall increase in supply costs. |
| Current Fixed Charges | Includes expenditures for facilities rentals, liability and property insurance, subscriptions, etc. Decrease due to timing of invoices paid for facilities/rentals. Some rental fees were paid in FY 08 but have not yet been paid in FY09 pending renewals. Also, there was a one-time \$250,000 lawsuit settlement claim payment made in FY08 which will not recur in FY09. |
| Communications and Utilities | Includes all costs relating to telephone, postage, electricity, water, sewer, etc. Percent recognized is consistent with previous year but dollar increase over prior year due to an overall increase in utility costs. |
| Travel | Includes mileage, in and out of state travel, international travel, registration, hotel, airfare, etc. Increase due to an increase in international travel. |
| Student Aid and Miscellaneous | Includes statutory waivers, employee and dependent waivers, non-capital equipment, bad debt expense relating to student accounts, etc. Increase due to a timing difference of the bad debt write-off, which is normally done in March. In previous years the write off was only through December, however, with the new SIS system, the bad debt write off for FY 08 also included most of the Spring 2008 semester. This coupled with a decrease in the budgeted amount of over \$2M results in a larger percentage recognized compared to the previous year. |
| Transfers-Intrafund | Includes allocations for enrollment growth funding (reserved to help fund additional courses for increase student enrollment), funds for incremental costs from capital development facilities, etc. Transfers will be made near the end of FY 09. |
| 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. The FY 09 transfer for Meet and Confer is greater than the FY 08 transfer, along with a decrease in the overall budgeted amount, resulting in a larger percent recognized year to date. |
| 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. No amount has been recognized in FY 08 or FY 09. |

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
BUDGET ANALYSIS REPORT
FUND 1 - CURRENT UNRESTRICTED FUND
December 2008

REVENUE COMMENTS

| | |
|---------------------------------|---|
| Property Tax | Primary property taxes levied and collected for use in current operations without restrictions. The projected variance under budget of \$6,638,300 is made up of the usual uncollected tax levy of \$4,701,113 and the Qwest judgment of \$1,937,187. The Qwest judgment increased the budgeted property tax revenue by the \$1,937,187. Likewise, the budgeted expenses were increased by the same amount, creating a net effect of \$0. |
| 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. The decrease of \$2M is due to the state aid operating cut made in June 2008 for FY08-09. |
| 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 previous year. |
| General Tuition | Tuition and fees received from students whether directly or from a third party. Percent recognized is consistent with previous 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. Amount recognized is consistent with prior year, however, the budgeted amount increased by \$1.1M which results in a lower percentage recognized year to date. |
| Out-of-County Tuition | Counties that do not have a community college district provide monies for operations to the districts where their students attend. An increase in the amount recognized combined with a decrease in the FY 09 budget results in a higher percentage recognized for FY 09 than in FY 08. |
| 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 due to an increase in Registration Fees, Music Lesson Fees, and Transcript Fees. |
| Investment Income | District cash balances are invested per Governing Board policy and the income is available for operating purposes. Unprecedented market conditions resulted in less than expected investment income. |
| Miscellaneous and Other | Includes funds recovered from previously written off student debts as well as other small types of revenues. Increase due to an increase in Government Lease Tax received. |
| Transfers In | Includes funds set aside for FTSE growth in the Auxiliary Fund. No transfers have been made yet. |
| College Carryforward | Includes funds to allow colleges and district office units to carryforward up to 3% of its operating budget from one fiscal year to the next per Governing Board policy and enrollment growth funding for the colleges. 100% of the budgeted amount has been recognized as in previous years. |