

Chapter 6

Financial Resources



INTRODUCTION

The purpose of this chapter is to review the financial resources of Chandler-Gilbert Community College. Sources of revenue, basis of accounting, management of funds, budget development, operational and capital budget allocations, and budget control are described and evaluated. Relationships between centralized district office business services and college administrative services are explained. The allocation of resources in support of the college mission and goals is explored. Thus, this chapter addresses Criterion Two.

The Maricopa County Community College District (MCCCD) is a strong, stable community college system. Since its beginning, it has demonstrated the capability to accommodate growth and change; it has maintained a competitive position in terms of faculty and staff salaries; and it has fulfilled its obligation to serve communities within Maricopa County.

Today, MCCCD consists of nine independently accredited colleges, one center which is pursuing independent accreditation, and a skill center. The Arizona Joint Legislative Budget Committee (JLBC) predicts as much as a 50% increase in student population for MCCCD over the next ten years, particularly at the colleges serving growth areas such as CGCC. The groundwork has been laid for meeting the future educational needs of MCCCD's growing population. In November 1994, the citizens of Maricopa County signaled their support of MCCCD's mission and direction by approving a \$386 million dollar capital bond referendum.

As a part of MCCCD, CGCC enjoys the benefit of a stable financial history and an emphasis on growth and development. However, as this chapter will show, despite the basic financial health of the district, both MCCCD as a whole and CGCC are being challenged by their growth and by the prospects of diminishing revenues. The MCCCD Governing Board faces the challenge of flat or decreasing state funds. The Governing Board has promised its citizens that they will not issue the capital bonds if state and local resources are not adequate to operate the new facilities.

Criterion Two:

"The institution has effectively organized the human, financial and physical resources necessary to accomplish its purpose."

CGCC, being one of the colleges experiencing student growth, and being not fully developed, is challenged to gain an equitable share of district allocations.

The Self-Study Committee on Financial Resources reviewed a variety of financial information and conducted a financial resources survey with employees. Financial data and comparisons will be presented throughout this chapter. Selected survey results will be included after sections related to the survey questions. Complete survey results are available in Appendix 6-O. Surveys results, including all employee comments, are available in the NCA Resource Room.

The Memorandum of Understanding between the Maricopa County Community College District and the North Central Association regarding GIR's 19 and 21, as well as Criterion 2 is available in Appendix 6-M. This appendix includes the separate schedule of revenues, expenditures, and changes in fund balance, for CGCC and other MCCCCD colleges, for current unrestricted funds. Additional supporting documentation on this agreement is available in the NCA Resource Room.

OVERVIEW

MCCCCD functions as an independent political subdivision of the State of Arizona, receiving financial support from Maricopa County taxpayers and the State of Arizona. District revenues come primarily from property taxes, state aid appropriations, and tuition and fees. In turn, CGCC receives its funding through district allocations.

The Maricopa Colleges are subject to statutory authority of the State Board of Directors for Community Colleges of Arizona (the State Board). The Maricopa Colleges are operated and maintained by the Maricopa County Community College District Governing Board (the Board). The State Board has approval authority over tuition and fee acquisitions and construction of real property, and issuance of debt. In addition, an Annual Budget and an Annual Report are required to be submitted to the State Board. The MCCCCD Board has financial responsibility to lease or sell property; contract, subject to regulations and limitations prescribed by the State Board; adopt annual budgets; and direct respective Boards of Supervisors to levy required property taxes.

MCCCCD publishes the adopted budget annually in a document that provides a comprehensive overview of the present budget, a financial history of MCCCCD and each college, and tax valuations and assessments. In addition, a breakdown of budget allocation by college is provided. Because the Self-Study Committee did its work during the 1995-96 year, current adopted budgets are referenced in all financial tables and appendices. It is anticipated that the 1996-97 budget will be approved by the Governing Board in June 1996. The MCCCCD budget, *Adopted Budget Fiscal Year 1995-96*, is available in the NCA Resource Room, as are previous year's budgets. Also, the new 1996-97 budget will be available by the time of the evaluation visit.

An automated financial records system captures all financial transactions and provides data for the preparation of the Maricopa College's Comprehensive Annual Financial Report (CAFR) including audited financial statements. Copies of the CAFR are available in the NCA Resource Room. These statements present information on the financial condition of Maricopa Colleges and whether resources were adequate to cover the costs of providing services during the reporting period.

GIR #21: *Its financial practices, records, and reports demonstrate fiscal viability.*

GIR #24: *It makes available upon request information that accurately describes its financial condition.*

The Maricopa College's award-winning CAFR is distributed to the Board and the executive management, the state legislature, federal and state agencies, bond rating agencies and financial institutions as well as others throughout the general public. Internal management reports, customized and provided to meet the information and decision-making needs at all levels of the organization, aid in the management of allocated resources.

The Vice-Chancellor for Business Services is the chief financial officer for MCCCCD. Centralized functions under his direction include financial management and planning, budget development and control, purchasing, auxiliary services, and internal and external auditing.

At CGCC, the Dean of Administrative Services functions as the chief operations officer for the campus. Responsibilities include strategic planning and budget development, administration of the approved budget, and communication of budget status. In addition, the Dean is the chief liaison for the college with district business services, including auxiliary services. The Dean represents the college on the Administrative Services Group and attends the Chancellor's Financial Advisory Council, both district coordinating groups.

Reporting to the Dean of Administrative Services is the fiscal agent whose responsibilities include budget monitoring and expenditure control, encumbrance and monitoring of purchases, receiving, cash and inventory control, collections and payroll. The fiscal agent represents the college on the MCCCCD Fiscal Agents Council which meets regularly with the MCCCCD controller.

SOURCES OF REVENUE

Revenue for MCCCCD is obtained primarily from three sources: district property taxes, appropriations based on full-time student equivalents (FTSE) from the State of Arizona, and student tuition and fees. The percentage of revenue by source is shown in Table 6.1. MCCCCD also receives restricted funds through state and federal government grants and contracts, and capital construction and equipment funds through the issuance of bonds approved by Maricopa County voters. In addition, capital state aid is received for the primary purpose of construction and/or equipment purchase.

Table 6.1-Percentage of Revenue by Source

MCCCCD General Fund, Fiscal Year 1995-96
(Dollars in Thousands)

<u>Revenue and other Sources</u>	<u>Budgeted</u>	<u>Percent of Total</u>
Property Taxes	\$123,347	61.47%
State appropriations	\$34,116	17.00%
Tuition and fees	\$37,575	18.72%
Investment income	\$800	0.40%
Other	\$300	0.15%
Transfers-in	\$782	0.39%
Cash balance carry forward (6/1/94)	<u>\$3,750</u>	<u>1.87%</u>
TOTAL	\$200,670	100.00%

Appendix 6-A shows the projected revenues for the 1995-96 fiscal year for all funds. Historical information can be found in annual budget reports which are available in the NCA Resource Room, and current 1996-97 figures should be approved in June 1996 and available at the time of the evaluation visit.

District Resources and Assessment

A district levy for operational funds for the community colleges is imposed on all real property in Maricopa County. The 1995-96 levy is approximately \$1 per \$100 of assessed valuation. Although there is a ceiling on property taxes within Maricopa County, historically the tax base has continued to increase as shown in Table 6.2. Property taxes levied on behalf of the MCCCCD include primary taxes, and if appropriate, any secondary tax used to finance general obligation bonds after approval by voters.

**Table 6.2-Maricopa County Community College District,
Historic Tax Rates**

	<u>Primary Tax Rate</u>	<u>Secondary Tax Rate</u>	<u>Combined Rate</u>
1991-92	0.7459	0.0943	0.8402
1992-93	0.7938	0.0572	0.8510
1993-94	0.8532	0.0000	0.8532
1994-95	0.8934	0.0000	0.8934
1995-96	0.9455	0.1675	1.1130
1996-97 (estimated)	0.9769	0.0706	1.0475

State Support

The state provides operational funds based on full-time student equivalents (FTSE) to all community college districts. As of 1992-93, the formula was changed and all community college districts receive the same dollar amount. Although state statutes recommended state funding for community colleges reach 33% by fiscal year 1992-93, the percentage of state appropriations to the State Board of Directors for Community Colleges in Arizona declined to a low of 20% in 1989-90, but has slowly risen to 23% as indicated in Table 6.3.

Table 6.3-State Aid to Community College Districts, 1987-95

<u>Fiscal Years</u>	<u>Allocation</u>	<u>% General Fund Income</u>
1987-88	\$67,588,586	25%
1988-89	\$74,549,986	24%
1989-90	\$72,220,537	20%
1990-91	\$81,361,922	21%
1991-92	\$83,425,500	21%
1992-93	\$85,503,600	22%
1993-94	\$85,935,300	22%
1994-95	\$97,516,300	23%

Source: State Board of Directors for the Community Colleges of Arizona.
Annual Reports to the Governor, 1988-1995.

MCCCD experienced a decline in distribution of revenues among the state community colleges, from 1987-1991, but has increased 37.72% from the period of 1990 through 1995, as shown in Table 6.4.

Table 6.4-State Aid Distribution to Community Colleges per FTSE

Arizona County	1989-90 State Aid Per FTSE	1994-95 State Aid Per FTSE	Percent Change
Graham	\$1,478	\$4,178	182.68%
Cochise	\$1,384	\$1,947	40.68%
Pinal	\$1,385	\$1,593	15.01%
Navajo	\$1,465	\$1,509	3.00%
Yavapai	\$1,375	\$1,427	3.78%
Mohave	\$1,432	\$1,368	-4.47%
Yuma/Lapaz	\$1,373	\$1,332	-3.00%
Coconino	\$0	\$1,142	
Pima	\$927	\$1,007	8.63%
Maricopa	\$578	\$796	37.72%

Source: State Board of Directors for Community Colleges in Arizona, 1994-95

Tuition and Fees

Funds collected from tuition and fees are public funds within the jurisdiction of the MCCCD Governing Board. All tuition and fee charges must be approved by the MCCCD Governing Board and by the State Board of Directors for Community Colleges in Arizona.

In addition to tuition and regular fees, a series of special course fees may be charged for certain classes. A schedule of tuition, fees, and special fees is listed in the catalog and in the class schedules, and is summarized in Appendix 6-B.

As might be expected, over the past ten years, tuition and fees have increased both nationally and locally. The annual cost per full-time student for MCCCD has been increasing at the approximately the same rate as the annual costs for full-time students at community colleges nationally. However, MCCCD tuition and fees are considerably lower than the national average, as shown in Table 6.5. MCCCD tuition and fees also compare favorably to Arizona State University (ASU), the other major provider of post-secondary education in Maricopa County. For fiscal year 1995-96, the comparable tuition and fees at ASU would be \$1,884.

**Table 6.5-Tuition and Fees Values Analysis:
National Average for Two Year Public Institutions
Compared to MCCCD**

	MCCCD Average	National Average
1991-92	\$780	\$937
1992-93	\$870	\$1,026
1993-94	\$960	\$1,114
1994-95	\$960	\$1,213
1995-96	\$1,020	\$1,321

GIR #22: Its catalog or other official documents includes its mission statement along with accurate descriptions of its educational programs and degree requirements, . . . its academic and non-academic policies and procedures directly affecting students, its charges and refund policies; . . .

As a source of revenue, Maricopa tuition and fees have not kept pace with the costs of higher education, and an increase in tuition fees might provide needed additional revenues. Maricopa tuition seems very reasonable compared to ASU and the national two year college average tuition, but it does have higher tuition and fees than other community colleges within the state of Arizona, so it is unlikely that increases will be pursued as a major source of new revenue.

State and Federal Grants

MCCCD supplements its revenue by applying for and receiving state and federal grants for program development and financial assistance to students. In 1995-96, CGCC received \$35,628 in Federal College Work-Study funds, \$447,964 in Pell Grants, \$48,138 in State Student Incentive Grants, \$52,500 in Presidents' Scholarships, and \$8,258 in BIA Tribal Scholarships.

Grants awarded to CGCC faculty in the 1995-96 academic year include a National Science Foundation (NSF) grant of more than a half million dollars, and two small grants, one from the national Campus Compact office and one from the Arizona Department of Library, Archives and Public Records. Appendix 6-C provides additional details about grants that have been awarded to CGCC faculty in the past year.

Maricopa Foundation

As is true of many community colleges, MCCCD has established its own foundation. The Maricopa Foundation is fiscally and organizationally separate from MCCCD and maintains and manages its own separate accounts. The foundation's purpose is to receive private gifts, bequests, and donations on behalf of MCCCD. Funds from the foundation are distributed by the Maricopa Foundation Board of Directors to benefit the MCCCD colleges and to provide student scholarships. The Board of Directors is composed of selected Maricopa County leaders who have expressed a desire to apply their talents for the advantage of MCCCD.

Through the foundation, CGCC has received donations including \$50,000 from the McDonnell-Douglas Corporation for aviation students, money from Allied Signal Corporation for Achievement in Math, Engineering, and Science (AIMES) students, and additional funds for unrestricted use.

Private Gifts

Private gifts also come directly to CGCC through donations to various student scholarship funds. CGCC has received scholarship funds from community service clubs, private corporations, military organizations, chambers of commerce, and local businesses. In 1995-96, CGCC received \$53,044 in scholarship donations.

CGCC started an employee campaign for student scholarships in 1994-95 and raised \$20,000 for student scholarships. This program will be expanding each year.

ACCOUNTING AND FUND MANAGEMENT

The financial statements for MCCCD are presented on an accrual basis of accounting. The statement of current funds, revenues, expenditures and other changes describes activity in funds during a designated reporting period. The

The Neely Foundation in Chandler has awarded \$21,000, fourteen \$1500 scholarships, to CGCC students for 1996-97.

GIR #21: Its financial practices, records, and reports demonstrate fiscal viability.

financial statements do not purport to present the results of operations, or the net income or loss for the period, as would a statement of income, or a statement of revenues and expenses.

Fund Accounting

The accounts of CGCC are maintained in accordance with the principles of fund accounting to ensure observance of limitation and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for the resources. Accounts are separately maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, financial transactions are reported by fund groups as a one fund accounting entity. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds. These funds are referred to by number and the major ones are described below.

Fund 1: Current Unrestricted General Fund. Expenditures from this fund are primarily for the educational/instructional (credit) program, but also include academic support, institutional support (administration and general institutional), student services, maintenance and operation, and public service functions. Revenues received are from tuition (regular, out-of-state, and out-of-county) plus miscellaneous fees and fines assessed against the students; state appropriation; primary property tax levy; interest income; and other miscellaneous income and transfers.

Fund 2: Current Auxiliary Funds. Types of activities supported in this fund are college and student activities; athletics; food service; non-credit program activities; course materials replacement; and other miscellaneous auxiliary programs, such as facilities rental, certain scholarship programs, etc. Revenues consist of student activities fees, gate receipts, revenue from food service and vending operations, non-credit program charges, course materials replacement fees, bookstore commissions, interest income, facilities rental, and other miscellaneous income.

Fund 3: The **Current Restricted Fund** is primarily used for the purpose of accounting for grants and scholarships from external agencies for specific purposes, such as federal, state, and local government grants; private grants and contracts; and miscellaneous other gifts and awards. The Maricopa Skill Center is also included in the Current Restricted Fund.

Fund 7: Plant Funds are used to account for transactions relating to the district's investment in property, buildings, and equipment. They include the Unexpended Plant Fund, Retirement of Debt, and Investment in Plant.

The **Unexpended Plant Fund** is used to account for resources available to finance the acquisition, construction, or improvement of plant assets for the district. Revenues include primary tax levy, state appropriations, the sale of General Obligation (G.O.) and Revenue Bonds, revenue from the sale of property, interest income, and unexpended funds from the prior year.

The **Retirement of Debt Fund** accounts for the accumulation of resources for the payment of principal, interest, and other debt service charges relating to the debt incurred in the financing of the district plant assets,

primarily consisting of General Obligation and Revenue Bonds. Sources of funds to pay these charges consist of secondary tax levy, interest from G.O. Bonds, and a transfer from the current auxiliary fund of student fee revenue and other income.

The **Investment in Plant Fund** accounts for the costs of plant assets of the district and associated liabilities. Assets recorded in this fund may be acquired from resources in the Unexpended Plant, Current Auxiliary Fund, and Current Restricted Fund.

Management of Funds

The management of district funds is a centralized function. MCCCCD staffs a comprehensive general accounting office that supports the ten MCCCCD institutions. This centralization allows for cost effective fund management in pooled investments, competitive bidding, and purchasing discounts.

For the purpose of overall investment of available cash, Maricopa Colleges is governed by the Arizona Revised Statutes (ARS) relating to investment of public funds. The fiduciary responsibility for such investments is entrusted to the MCCCCD Governing Board and facilitated through the district Audit and Finance Committee.

Daily, weekly, monthly, and annual cash flows of revenues and expenditures are projected and monitored to ensure that resources are available to meet operational needs for current and future years. The flexible nature of Maricopa's funds allows cash from all funds to be consolidated in bank accounts from which obligations of all funds are paid. Earnings potential is maximized through daily investment analysis of bank balances. Maricopa Colleges' investment policy requires statutory compliance, safety of principal, and liquidity as priority criteria over yield for all investment decisions.

During fiscal year 1994-95, a Request For Proposals was issued inviting banking institutions to submit bids for consolidating all banking services under a single provider. Currently, Maricopa Colleges is working with the successful bidder to implement a contract that will facilitate improved monitoring and control of sources and uses of funds.

General Fund monies are on deposit with the County Treasurer and are invested on a pooled basis with interest prorated back to the Maricopa Colleges. Amounts available for Current Auxiliary, Current Restricted, Loan, Endowment, and Unexpended Plant Funds (including general obligation bond proceeds) are invested by Maricopa Colleges in a prudent, conservative, and secure manner for the highest yield as prescribed by the Maricopa College's investment policy and Arizona Revised Statutes.

BUDGET DEVELOPMENT

The budget development process is linked to the strategic planning process of the MCCCCD Budget Office and to the strategic plans of member colleges. This program planning focuses the decision-making process for fund allocation upon the institutional mission and goals of the respective colleges that, in turn, support the short-term and long-range strategic plans of the college and the district.

Annually, the MCCCCD Budget Office provides a *Budget Development Handbook* that sets forth a calendar of events, explains the process, and provides examples of budget materials. This handbook is revised annually with input from the Chancellor's Financial Advisory Council (CFAC) (formerly known as the Budget Development Executive Council - BDEC), which includes representatives from the various colleges. In addition to the handbook, the Budget Office provides budget forms on diskette and on the file server. College budget development materials are usually due to the district office in December of each year for the upcoming fiscal year which starts in July.

The yearly budget development process at CGCC begins when managers, supervisors and division chairs submit end-of year reports in May to their respective dean identifying accomplishments, goals and objectives for the next budget year, and budget implications for future years' operational budget. During the budget development process in the fall semester, the deans and president engage in a reallocation of the base budget to meet changing college needs and to incorporate any FTSE rebate monies or other supplements that the college may have been awarded. If additional revenue is anticipated to be available to MCCCCD, the opportunity may exist for submission of additional budget requests through proposals called either budget decision packages or supplement budget requests. New goals, objectives and funding requirements are then developed into these supplemental budget requests, which are reviewed and ranked by area and forwarded to the Strategic Planning and Budgeting committee (SPBUD) for review. The process is designed to maximize faculty and staff input into the budget development process.

The Faculty Staffing Committee, which includes faculty members and the Dean of Instruction, works with instructional division chairpersons to identify priorities for new faculty positions. The staffing committee ranks the requested positions and presents their recommendations to the President. The President responds to the committee and shares her decision with PEC at which time the proposed and ranked faculty positions are integrated into the budget development process.

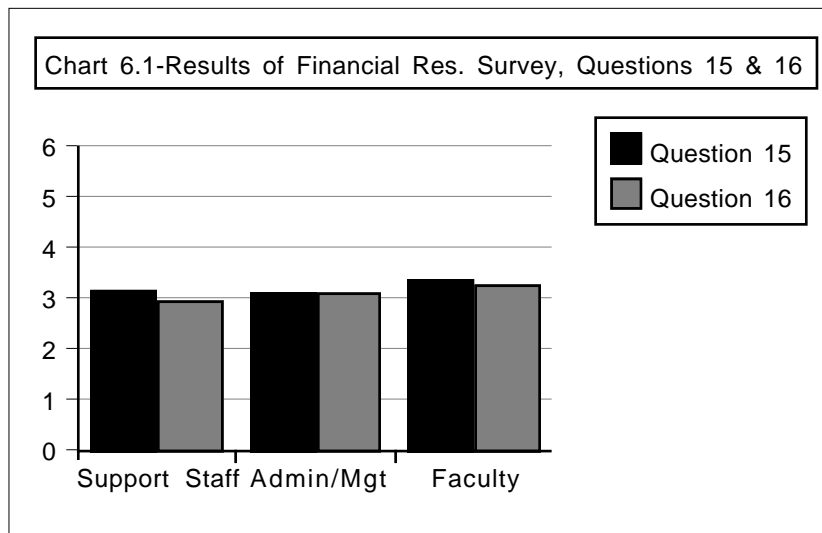
The SPBUD committee consists of faculty, management, and professional staff representatives, the administration, and a student representative. It is chaired by the Dean of Administrative Services. Once the proposals have been ranked by area, the council determines the institutional priorities in relation to the CGCC goals for the forthcoming year. They then recommend a list of program priorities to PEC led by the President, who makes the final decision on the order and composition of the final budget package. The base budget plus the prioritized budget decision packages then become the budget proposal for the next fiscal year.

The Fund 2, or auxiliary fund budget, is developed in a similar manner by the Fund 2 Budget Committee that includes all managers and faculty responsible for college activities and other Fund 2 activities. The committee meets once a year to review budget requests and finalize allocations. The final Fund 2 Budget recommendation is submitted to the Dean of Student Services and to PEC and the President for approval.

The President submits the CGCC budget proposal to the MCCCCD Chancellor's Financial Advisory Council (CFAC). CFAC consists of the Chancellor, the Vice-Chancellors, a Governing Board representative, and a representative from the Presidents' Council, the budget manager, and employee group representatives.

CFAC holds budget hearings during which each college president presents the college budget philosophy and budget development process used at the campus, points out any important reallocations or changes to the base budget and justifies any supplemental budget requests. CFAC then forwards a recommendation for any increase above the base budget that each college should receive to the Chancellor. The Chancellor reviews and makes recommendations on the entire district budget to the MCCC Governing Board. The Governing Board undertakes a final review and adopts the budget at a public hearing. Appendix 6-D displays the budget development process in a flowchart format. Copies of the last few years' CGCC budget proposals are available in the NCA Resource Room.

The Self-Study Committee on Financial Resources conducted a survey of employees, asking questions about the budget development process, allocation of resources, budget controls, etc. Two questions on the survey dealt with the process for allocating resources at CGCC.

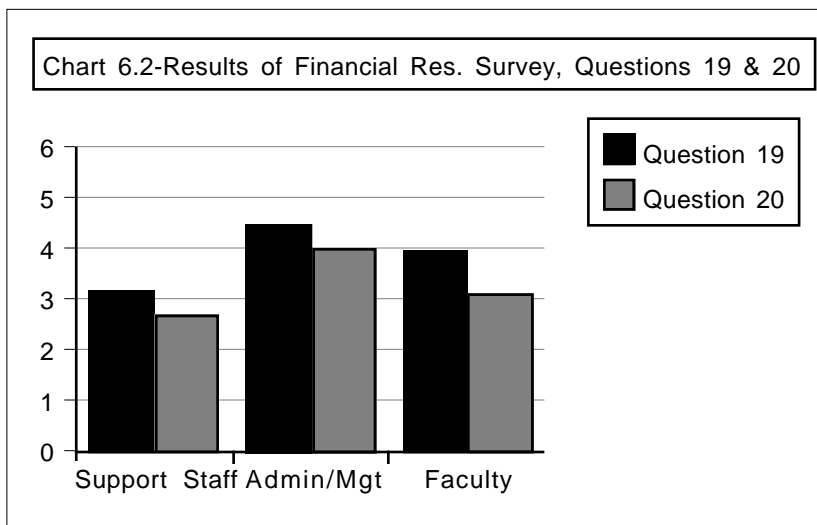


(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 15. At CGCC, a planned, systematic set of procedures is used to allocate resources.

Question 16. CGCC's planning process for distribution of available financial resources seems adequate.

Although a process for resource allocation has been delineated, the perception by employees is that the process needs improvement. This perception may be attributed to the differing levels of participation in the various college departments and divisions, or it may be that the process needs modifications. Also, there is some concern as to whether the Strategic Planning and Budgeting committee has adequate and appropriate representation from employees as shown in Chart 6.2. The survey results indicated that information and communication received from SPBUD representatives needs to be improved.



(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 19. Representation on CGCC’s Strategic Planning and Budgeting Committee (SPBUD) is adequate and appropriate.

Question 20. Information and communication received from your representative on SPBUD is adequate.

BUDGET ALLOCATIONS

The annual MCCCDC operational budget is linked to the annual number of full-time student equivalents (FTSE) enrolled (45th day of the semester, short-term, OE/OE, and summer). Other factors that influence the annual allocations are funding for new and developing programs, for expanding outreach, for maintaining adherence to employee policy manuals, and other extenuating circumstances. Budget units such as the district offices do not have allocations based upon FTSE, nor are the individual college allocations based solely on FTSE, as the cost per FTSE varies at each institution.

Appendix 6-E shows the percentage increase in FTSE for CGCC compared to other MCCCDC colleges. Although most of the MCCCDC colleges and centers are growing, CGCC is growing at the third highest rate. This growth rate has strained existing resources.

Supplemental funds have been allocated for deferred maintenance, early retirement employees, faculty and non-faculty professional growth, and internal grants for new program development. For the past several years, supplements were also made to those colleges who exceeded their projected FTSE. CGCC has benefited from this supplement, called FTSE rebate, due to enrollment growth. Any FTSE rebate monies that the college receives are “permanent monies” which increase the college base budget and can be reallocated by the college during the budget development process. CFAC has also allotted CGCC additional budget supplements to address growth including money to hire more faculty.

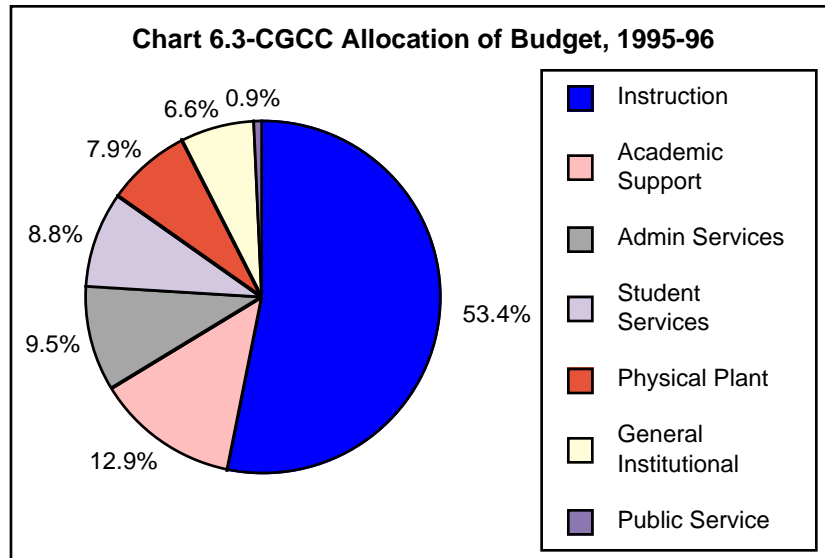
CGCC Operational Allocations

Chandler-Gilbert Community College’s operational budget for fiscal year 1995-96 was \$7,369,362. Appendix 6-F compares the CGCC operational budget with

GIR #20: Its financial documents demonstrate the appropriate allocation and use of resources to support its educational programs.

that of other MCCCCD institutions. Appendix 6-G shows MCCCCD’s operational budget for the last 5 years compared to budgeted FTSE as well as actual, annual FTSE.

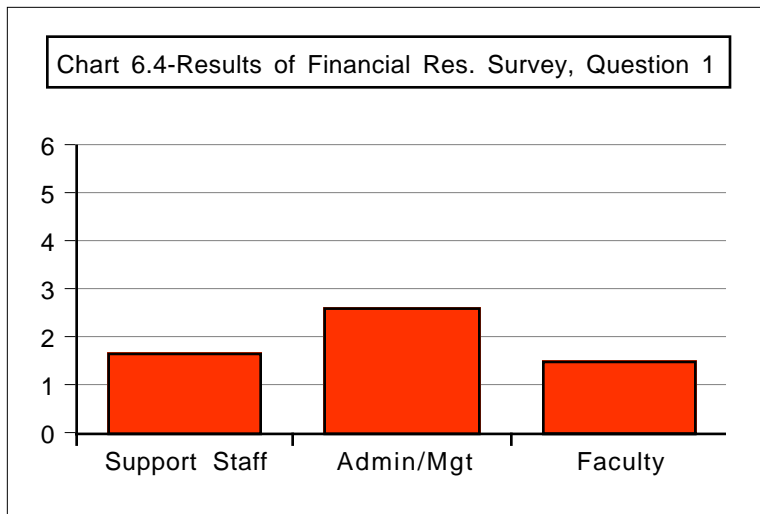
Appendix 6-H compares the amount and percentage of the CGCC allocation by function for 1991-92 through 1995-96. CGCC consistently allocates a greater percent of its budget to instruction than the district average. In 1994-95, CGCC allocated 52.8% of its budget to instruction, while the MCCCCD average was 49.2%. In 1995-96, CGCC allocated 53.4% of its budget to instruction, while the MCCCCD average was 49.4%.



<u>Function</u>	<u>Allocation</u>	<u>Percentage</u>
Instruction	\$3,935,821	53.4%
Academic Support	\$952,952	12.9%
Admin Services	\$698,749	9.5%
Student Services	\$646,982	8.8%
Physical Plant	\$585,389	7.9%
General Institutional	\$486,741	6.6%
Public Service	\$62,728	0.9%
Total	\$7,369,362	100.0%

Source: MCCCCD, Adopted Budget, Fiscal Year 1995-96.

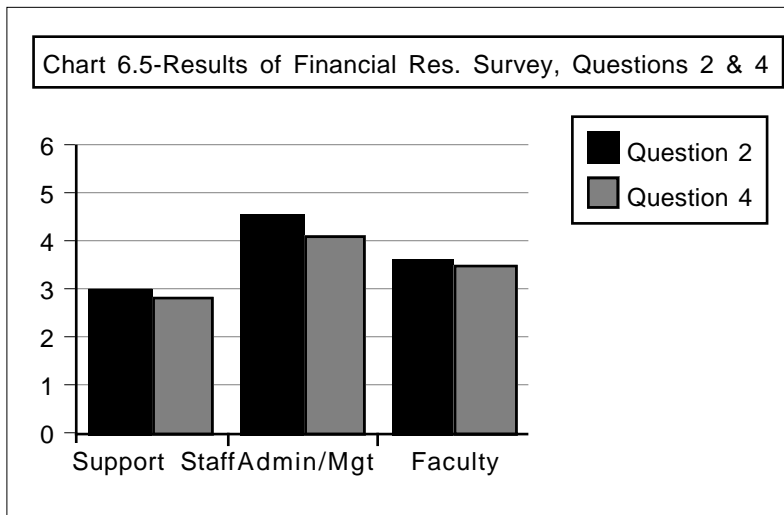
CGCC uses the majority of the operating budget to support instructional programs. However, there is widespread concern among employees that the college is not receiving an adequate share of operating funds from the district.



(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 1. CGCC receives an equitable share of MCCCCD operational funds.

Survey questions 2 and 4 were related to CGCC’s distribution of the operating funds it does receive from the district. Scores indicate a moderate level of concern for the internal distribution of the Fund 1 budget; however, after reading the employee comments included with the surveys, the committee concluded that most scores were tainted by the overall impression and strong emotions surrounding the question of whether CGCC is receiving an equitable share of the district funds.



(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 2. CGCC’s allocation for operations (Fund 1) is adequately used to support instructional programs.

Question 4. CGCC’s internal distribution of the operating budget (Fund 1) seems appropriate and fair.

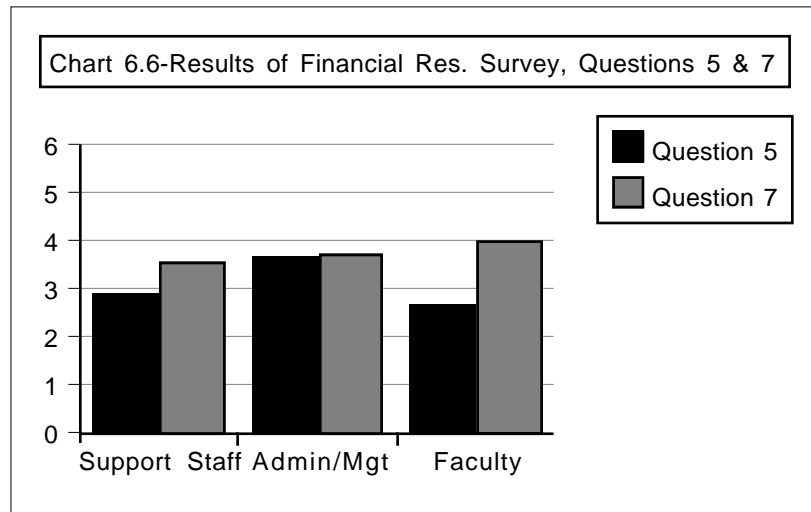
GIR #20: Its financial documents demonstrate the appropriate allocation and use of resources to support its educational programs.

Fund 2 Allocations

Fund 2 allocations are made to colleges and centers according to a base allocation plus a percentage allocation based on FTSE. As shown in Appendix 6-I, the base allocation for 1995-96 was \$200,000. With the percentage allocation of \$193,278, the total allocation for CGCC was \$393,278.

CGCC divides its allocation between the Associated Students and College Activities. A copy of the 1995-96 budget can be found in Appendix 6-J. Copies of the Fund 2 budget are available to students, employees, and community members in the college library and the Dean of Student Services office.

The Self-Study Committee examined survey results regarding Fund 2 and found that employees did not feel CGCC was receiving an equitable share of the Fund 2 dollars. Historically, staff positions funded within Fund 2 are not provided with salary increases for years of service as are staff positions funded within Fund 1, thus increases for staff result in decreases in amounts available for college activities. However, beginning in fiscal year 1996-97, CFAC is recommending salary increases for staff in Fund 2. A change in district policy regarding Fund 2 allocations related to FTSE production resulted in a loss of Fund 2 allocation to CGCC during the 1994-95 academic year. The onset of district-wide initiatives can result in reducing of portions of the Fund 2 budget that would otherwise flow through to the colleges. For example, the district Honors and the At-Risk initiatives resulted in large allocations of Fund 2 dollars being reserved at the district-level for program implementation.



(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 5. CGCC receives an equitable share of MCCCDC student-related (Fund 2) budgets.

Question 7. CGCC's internal distribution of the student support and services budget (Fund 2) seems appropriate and fair.

Complete survey results can be found in Appendix 6-O.

Fund 7 Capital Allocations

In addition to the allocations for Fund 1 (operational budget) and Fund 2 (student activities), each college receives four additional, separate Fund 7 capital allocations. These allocations are for new and replacement furniture and equipment, for buildings and grounds projects, for occupational program equipment, for purchase of computer and other information technology equipment, and for supplementing the purchase of materials for the library. Since 1984, the capital allocations have been part of a ten-year capital development plan which included funds for construction, furniture and equipment for new facilities, remodeling, and major maintenance. The new ten-year program is being funded by a capital campaign held in 1994.

Appendix 6-K displays CGCC total capital allocations compared to other MCCCC institutions for 1991-96.

1984 and 1994 Capital Development Programs. On September 25, 1984, by an almost 3-to-1 ratio, the voters of Maricopa County approved a \$90 million bond issue for MCCCC. At that time, it was purported to be the largest bond issue approval for community colleges in the nation. The bonds and other sources of capital provided the funds for the capital development plan, including the construction of facilities for CGCC, as well as two other institutions, Paradise Valley Community College (PVCC) and Estrella Mountain Community College Center (EMCCC). A total of approximately \$31.8 million was allocated for the construction of the centers. Roughly \$14.2 million dollars was allocated to PVCC, \$5.4 million to CGCC and approximately \$13.5 million to EMCCC.

The original allocation of \$5.4 million to CGCC was based on 1980 census data and population growth statistics compiled by the Maricopa Association of Governments (MAG). This data projected much higher population growth rates in the PVCC and EMCCC service areas than in the CGCC service area. However, projections proved off-target for the Chandler and Gilbert areas, since from 1980 to 1990 Chandler's population increased 188% and Gilbert's population increased 337% according to the U.S. Census Bureau. Chandler is currently the third fastest growing city of more than 100,000 people in the United States. Approximately 1,000 new residents move into Gilbert each month.

Not only did the population increase as a whole for the service area, but the areas of Chandler and Gilbert showed a larger percentage of growth in the age groups 5-14 years. This population was beginning to enroll in college; thus the CGCC enrollment was exceeding projections and taxing the financial and physical resources.

In 1992, voters from Maricopa County were asked to approve a \$340 million general obligation bond to finance a proposed capital development plan for the district, from which CGCC was slated to receive \$30,352,050. Although residents in the CGCC service area voted to approve the bond, residents in other service areas of Maricopa County voted against the bond, which was defeated by a narrow margin. That bond proposal included funding for CGCC construction and renovation of five new buildings for the period of 1992-2002, including a library and learning resources center, a general purpose classroom and science lab building, a student center, a physical education/fitness facility, an aviation center, and other spaces for student activities. The defeat of the 1992 bond was a disappointing blow for the entire CGCC staff and the community, who had been

waiting to expand since the main campus opened in 1987 with only buildings A and B on a \$5.4 million construction budget.

After failure of the June 1992 special bond election, MCCCCD revised its capital development program; changes included cutting back on building projects and phasing new projects in over a longer time frame.

In 1994, Maricopa County voters passed a \$386 million bond election for MCCCCD by a 55% margin county-wide. CGCC was allotted \$31 million dollars for land purchase and building construction. College building projects allow for steady, incremental growth of CGCC as a comprehensive community college. Appendix 7-J in the Chapter on Physical Resources outlines the projects, size, and costs of building program.

Three building projects for the main campus are planned: the classroom/lab building at 70,200 gross square feet, the Learning Resource Center/Library at 40,000 gross square feet, and a 3,500 gross square feet physical plant. It is expected that the new buildings will open in the fall of 1998; thus operational funding and capital would be needed in Fiscal Year 1997-98 or earlier if possible.

Funding in the 1994 bond program also included money for additional land adjacent to the main campus which has been purchased for just over \$1 million. Additionally, bond monies have been allocated for remodeling, lighting, paving of parking lots, and other infrastructure needs. Future CGCC building projects in the 1994 bond program include the first phase of a fine arts/student center.

CGCC also received start up money for the Sun Lakes Education Center to meet the needs of the senior adult population in the Sun Lakes retirement community and residents in the surrounding areas including Ocotillo and southwest Chandler. The educational building specifications outline a 5,000 gross square foot project which will provide three classrooms, a computer lab, meeting space, and offices.

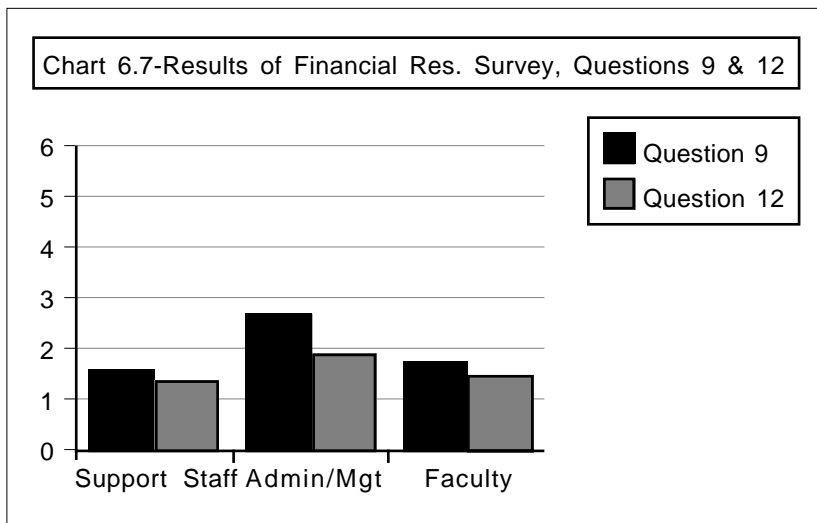
Distribution of Capital Equipment Funds. Capital allocations for new and replacement furniture and equipment, for occupational program equipment, for library materials and for information technologies are distributed annually within MCCCCD on the basis of basic allocations, plus formula allocations based on FTSE. Appendix 6-K details the total capital allocation for each Maricopa college from 1991-96. Chandler-Gilbert's 1995-96 Fund 7 allocation was \$560,473. Appendix 6-L compares the capital allocations by type of allocation for MCCCCD, 1995-96. Although CGCC receives a proportionate share of the capital resources based on student enrollment, in this case, formula funding does not account for start-up costs for new programs in a developing institution.

Campus distribution of the different allocations at CGCC has been reviewed by several committees. Requests for new and replacement capital expenditures were made by college employees and were reviewed by SPBUD. SPBUD has the responsibility to determine college priorities for the capital equipment expenditures. In 1995-96, SPBUD instituted a twice a year capital allocation cycle to meet the needs of the semester time frame. Capital items are defined as durable goods having a unit value of \$500 or more, and library books and materials. It is anticipated that capital items in the 1996-97 fiscal year will have a unit value of \$1000 or more. The majority of CGCC capital items are not over \$5,000 cost per unit. The most common capital expenditures at CGCC have been computer education equipment, maintenance needs, office set-ups, etc. The occupational

capital allocation, restricted to occupational program equipment, was reviewed by the Dean of Instruction, occupational faculty and the Division Chairs. The library allocation was distributed by the Dean of Instruction with recommendations from the librarians.

As of fiscal year, 1991-92, capital equipment requests were integrated into the budget decision package process and thus were more closely associated with program decisions. The same level of input was required, but the decision-making process was simplified.

Self-Study results of the financial resources survey indicated that employees from all groups felt that CGCC was not receiving an equitable share of capital funds or bond proceeds. The overwhelming concern seemed to be that the population boom in the Southeast Valley was not being adequately addressed by district allocations.



(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 9. CGCC receives an equitable share of MCCCCD capital funds.

Question 12. CGCC receives an equitable share of MCCCCD construction monies (bond proceeds).

BUDGET CONTROL

The MCCCCD Governing Board adoption of the annual operational budget is in accordance with Arizona Revised Statutes (ARS) 15-1444 which authorizes the Board to incur the expenditures and collect the estimated revenue.

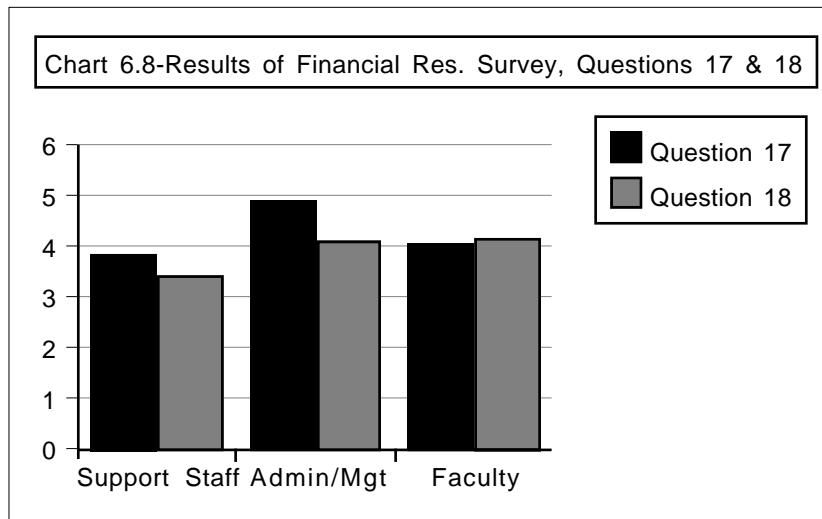
Each college has the responsibility to monitor their budget in accordance with the rules and regulations established by the MCCCCD Budget Office. All funds are allocated and expended on a program budget basis, and all expenditures are effected and documented through the use of requisitions, purchase orders, and receiving reports.

Each instructional division chair or manager is responsible for the execution of the budget supporting his or her respective program area. It is the responsibility of each

GIR #21: Its financial practices, records, and reports demonstrate fiscal viability.

supervisor to meet the needs within the existing budget. The proposed expenditure is then checked against the availability of funds and the appropriate expenditure document is forwarded to the appropriate Dean and the fiscal agent for review and for approval and signature. The fiscal agent, as part of a final review, again verifies the availability of funds. Upon the fiscal agent's approval, the document is then forwarded to the MCCC Business Services Division for further review and processing. The process of campus checks and balances provides for a careful monitoring of expenditures.

CGCC's financial practices were reviewed carefully by the Self-Study Committee on Financial Resources, which included accounting faculty. The conclusion was that expenditures are carefully approved and monitored. Survey results substantiated that conclusion.



(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 17. CGCC maintains an efficient system of budget accountability.

Question 18. CGCC has procedures in place to safeguard fair use of financial resources.

On-line computer access to current budget data was also available to each budget manager through the Financial Records System (FRS) through the spring of 1996. The district's Apollo Project has updated the computer technology used for financial records. As of July, 1996, CGCC will begin using the new system called Oracle Government Financials (OGF). CGCC posts daily to the system, affording budget managers the opportunity to keep track of their expenditures in relation to their budget. CGCC encourages and trains employees in OGF use, because of its value as a management tool.

CGCC has managed its resources effectively. With the goal of avoiding deficit spending, CGCC has had positive year-end balances for most years since 1985. In recent years, the district office policy has allowed for a "carry forward" of a percentage of unspent college budget at fiscal year end. The college would be allowed to "carry forward" some unspent money and it would remain at the college level for expenditure in the new fiscal year instead of reverting to a general district account. The carry forward percentages have ranged from 1%, 2% or 3% of the

approved college base budget. The flexibility of the carry forward dollars has become an important budget tool as special needs can be met with this “one-time” extra money available to the college.

Expenditures

The CGCC actual expenditures compared to adjusted budget allocations (after meet and confer salary adjustments, internal grants, Chancellor’s Hiring Incentive Funds, FTSE rebate, CFAC allocations, etc., have been added to the original budget) show that CGCC has maintained lower costs per FTSE than projected. This is due primarily to the difference between projected FTSE versus actual, annual FTSE. Although a developing institution, CGCC is not too much in excess of the district average cost per FTSE.

GIR #21: Its financial practices, records, and reports demonstrate fiscal viability.

Purchasing

CGCC follows the purchasing policies of MCCCCD as established by the MCCCCD Purchasing Office in accordance with the State of Arizona guidelines outlined in *Purchasing Policies and Procedures*.

Purchases of \$1,000 or more are made through the MCCCCD purchasing agent via general requisition on the OGF system which has recently replaced the old FRS system. Originators must obtain the appropriate supervisor’s approval and that of the college fiscal agent before the requisition moves forward to the MCCCCD purchasing agent. Once the purchase is made, it is sent to the originator. The receiving agent ensures that it is properly delivered. Originators are asked to verify receipt of goods or services.

Capital items valued at \$500 or more are tagged with a district property tag by the receiving agent before delivery. The MCCCCD Purchasing Office maintains records of all capital equipment on each campus. The college receiving clerk helps the fiscal agent to maintain a campus inventory of capital items by conducting a physical inventory each spring. It is anticipated that starting in the 1996-97 fiscal year, capital items will be those valued at \$1000 or more.

This process allows for efficient use and monitoring of taxpayer dollars by allowing for cost containment practices such as bulk buying or bidding on larger accounts. College-based limited purchase orders, cash advances, and petty cash make the record keeping manageable.

Audits

MCCCCD has an internal auditing function that reports to a standing MCCCCD Governing Board Audit and Finance Committee. This committee performs periodic, routine, and internal audits on the financial activities of all member institutions.

The MCCCCD long-range audit plan has the following objectives: to increase the number of information systems, performance, and management effectiveness audits performed; and to increase the focus on campus operations when scheduling and performing audits.

The above plan will be implemented based upon a special “risk assessment” that has been performed on all potential audit areas. The district auditors will conduct special audits if requested by a particular college.

GIR #19: *It has an external financial audit by a certified public accountant or a public audit agency at least every two years.*

In addition to the internal auditing, MCCCCD is audited externally on an annual basis by the state auditor general. MCCCCD is required to comply with all recommendations of the auditor general.

The auditor general is responsible for auditing the MCCCCD financial statements, published annually and forwarded to an array of parties, including the MCCCCD Governing Board, the State Joint Legislative Budget Committee, key administration officials and to the public upon request. The purpose of the external audit is to verify independently the accuracy of the financial statements and to vouch for the soundness of the MCCCCD internal control system. The current Independent Auditor's Report is available in the NCA Resource Room.

The Memorandum of Understanding between the Maricopa County Community College District and the North Central Association regarding the new federal compliance requirements and financial audits is available in Appendix 6-M. Additional supporting documentation on this agreement is available in the NCA Resource Room.

Auxiliary Services

Through a competitive bidding process, MCCCCD contracts for auxiliary bookstore services for each college and for food service if the college so chooses. This district bid process allows a company to contract to provide services for several colleges. In general, the contracts call for the college to provide equipment, space, and utilities. MCCCCD receives a percentage of the service revenues, as outlined by the contractual formula, with the revenue accepted into the Fund 2 budget and then redistributed to the college, based upon the Fund 2 allocations.

CGCC contracts a number of services to take advantage of the identification with the larger contract offered at the district level. Auxiliary services at CGCC include the bookstore, food service and copy service for staff. The managers of the contracted services are under the management of the Dean of Administrative Services who meets regularly with them and their respective supervisors. Copies of current contracts for the auxiliary services are available in the NCA Resource Room.

Financial Information

In addition to holding annual public hearings prior to approval of the MCCCCD budgets, the district also publishes an adopted budget book and a wallet size budget summary. As a public institution, the financial records are public documents.

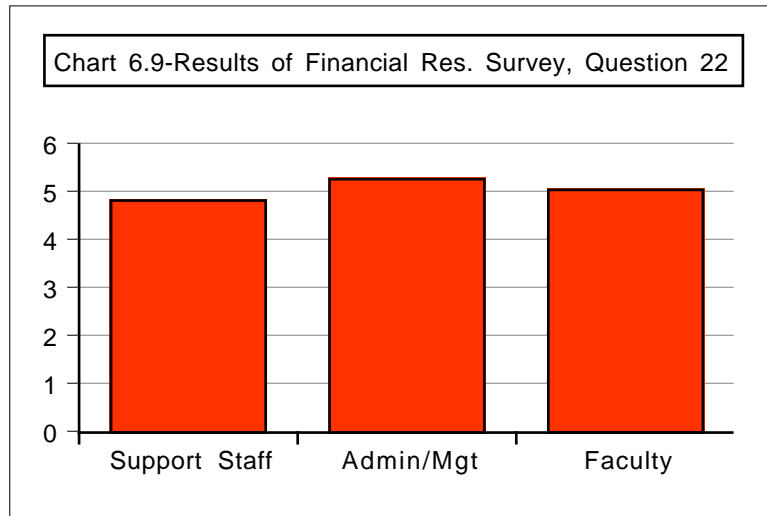
CGCC shares its budget details with the public, students and employees in a variety of ways. The minutes of the Strategic Planning and Budgeting Committee and the President's Executive Committee report on the financial status of the college and are available on the electronic mail or hard copy. A student serves on the SPBUD Committee to communicate this financial data back to the student body. A summary of operational budgets is presented annually to the President's Advisory Council (PAC) which is composed of representatives from the local community—civic, business, and educational sectors. Each year at the All-Employee meetings, a summary of the approved budgets—Funds 1, 2, and 7—are presented to all college employees.

GIR #24: *It makes available upon request information that accurately describes its financial condition.*

SUMMARY

MCCCD is a financially sound educational system and CGCC has provided evidence of its ability to manage its financial resources to maximize the college's capacity to meet its purpose.

There was a high level of agreement regarding whether employees maximized those resources which were allocated to them. All employee groups agreed that money received is well used.



(6) Strongly Agree (5) Agree (4) Mildly Agree (3) Mildly Disagree (2) Disagree (1) Strongly Disagree

Question 22. CGCC employees try to maximize the use of financial resources.

College employees seem to feel pride in being a part of a large, well-respected, financially stable district. However, there is a pervasive feeling that the growth in the Southeast Valley and the college's ability to deal well with that growth is not being adequately planned for at the district level, in terms of capital and operational funding.

Since 1985, CGCC has submitted annual budget requests that exceeded allocations for operations. This is not unusual for MCCCD colleges and centers. The MCCCD budget development process had not included limits on the amount of allocations per unit, so within a competitive process for available new funds, the CGCC administration has elected to submit budget proposals based on needs. Because of the participative management style at CGCC, faculty and staff have been aware of the discrepancy between the budget requests and subsequent allocations. This awareness contributes to the feeling that CGCC needs to achieve a larger share of MCCCD resources.

There is also the widespread opinion among employees that CGCC has been underfunded since its inception in 1985. With the mission to develop into a comprehensive community college, the college has had to incur the costs of initiating and developing instructional programs, instructional support and student

service programs, and administration and plant management services. At some level, institutions, regardless of size, have to pay for basic services and hours of operation. Beyond providing basic services throughout the day and evening, differentiation occurs according to the size of the institution.

If the CGCC initial allocation was less than what was needed for start-up costs of the institution, and with subsequent increases to the base budget primarily dependent upon enrollment increases over projected FTSE, then CGCC has had a compounded problem with both providing basic services and accommodating enrollment growth.

The fact that CGCC has often exceeded its projected FTSE and earned FTSE rebate funds is a sign that the institution needs more funds. Not only does CGCC meet its enrollment of prior years, it exceeds it.

The population growth in the Southeast Valley has added to the problem. People feel the “squeeze” or the discrepancy between the increased demands from enrollment growth and the resources, both human or fiscal, to meet them. Employees want to meet community needs, and they often hear from community members that more people would attend if more class sections were offered, if additional services were available, if additional programs were added to the curriculum, etc. Comments on the employee surveys and comments made directly to members of the Self-Study Committee on Financial Resources indicate that employees are frustrated at not being able to meet the needs of the community at a level at which they feel comfortable.

Strengths

- MCCCDCD has proven to be a strong, dynamic community college system. It enjoys both community support and a leadership role among community colleges nationwide. It has managed to serve the county’s higher education needs within the community college mission in diverse and cost-effective ways.
- CGCC has a comprehensive strategic planning process with the intent of assessing college priorities and aligning resources to most effectively respond to those priorities.
- The CGCC participative management style includes all employee groups in the strategic planning and budgeting process.
- CGCC budget allocations reflect the CGCC philosophy of student-centered educational programs and services.
- Good budget management practices exist, with employees indicating that money received is well spent.
- The passage of 1994 bond, with very strong support in the Southeast Valley community, indicates continued community confidence in MCCCDCD and CGCC.
- Despite MCCCDCD revenue restrictions, CGCC has experienced growth in all budgets.

Challenges

- CGCC employees believe that there is a need for CGCC to obtain a larger share of MCCCCD operational and capital funds.
- Sources of revenue are a problem for MCCCCD. State funding for community colleges continues to decrease as a percentage of the state budget. There are limitations on local MCCCCD tax rates; MCCCCD levies to the maximum allowed by statute. Continuing to raise tuition and fees could limit educational opportunities for some students.
- MCCCCD is challenged by the need to maintain and increase revenues. Revenues are not keeping up with increased costs; the challenge will be in managing the growth.
- CGCC needs to investigate methods of raising additional funds such as expanding grants development efforts while continuing to manage its existing resources effectively.
