

Budget Narrative
Fiscal Year 2018/19

To the Board of Trustees and Taxpayers of Mohave County:

This Budget Narrative has been created to provide a complete budget planning picture of Mohave Community College District, in order to offer transparent information to the public and other interested parties.

The College has produced this Budget Narrative to provide further understanding of the budget worksheets. It is important that the Governing Board, the internal constituents of the College, and concerned taxpayers are assured that public funds are properly managed.

Mohave Community College continues the dynamic vision for the future by prioritizing a debt-free budget and continuation of focusing on the strategic plan that is centered on student success.

The College will continue to carry out its mission in the most efficient and effective way possible to help continue the goal of improving the lives of Mohave County citizens through higher education.

Sincerely,



Michael J. Kearns
President

Mohave County
Community College
District Office
1971 Jagerson Ave.
Kingman, AZ 86409

Bullhead City Campus
3400 Highway 95
Bullhead City, AZ 86442

Lake Havasu City Campus
1977 Acoma Blvd. West
Lake Havasu City, AZ 86403

Neal Campus - Kingman
1971 Jagerson Ave.
Kingman, AZ 86409

North Mohave Campus
480 S. Central
Colorado City, AZ 86021
1.800.678.3992

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Performance and Planning

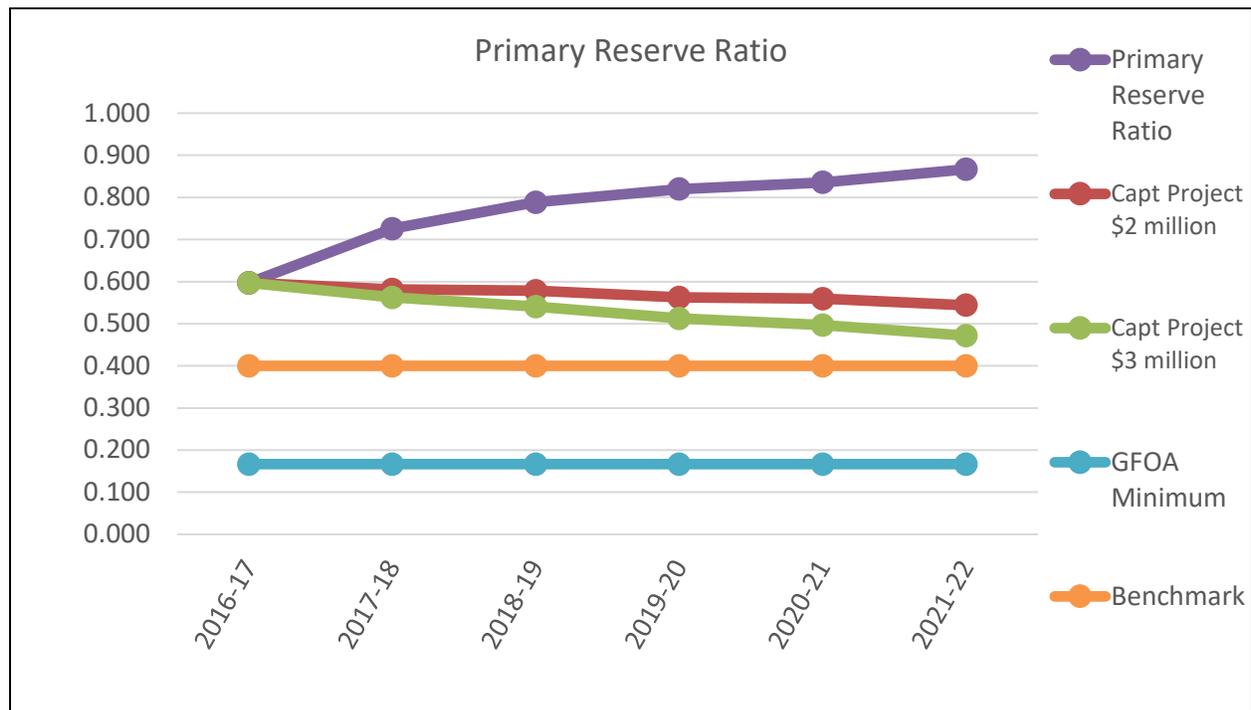
The College has implemented a dynamic budget management philosophy. The College maintains a five year budget model based on projected revenues, expenses, and capital projects. The responsive budgeting model has resulted in the 2017/18 fiscal year projected to be about 15% under budget to end the year.

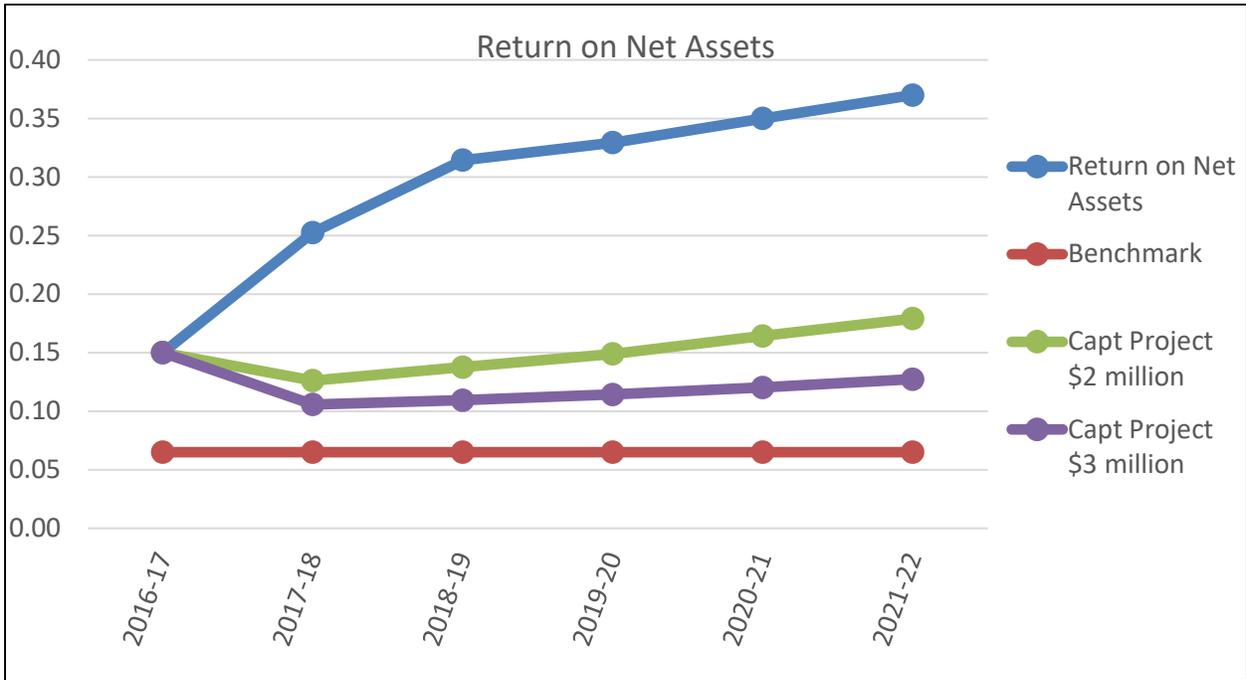
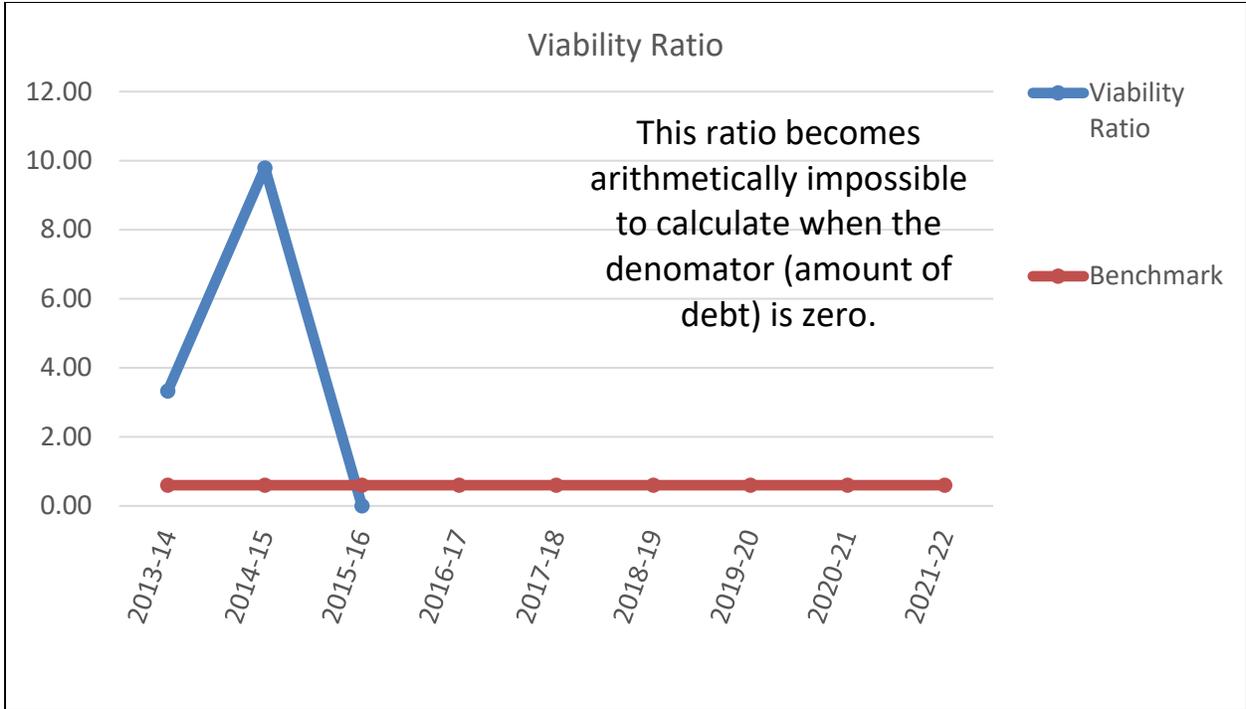
This budget savings will be essential to the handling of extensive one-time repairs and renovations needed for facilities on all campuses such as roof replacement and pavement repair. This savings allows the college to avoid the high-cost financing options of issuing debt to cover such large expenses.

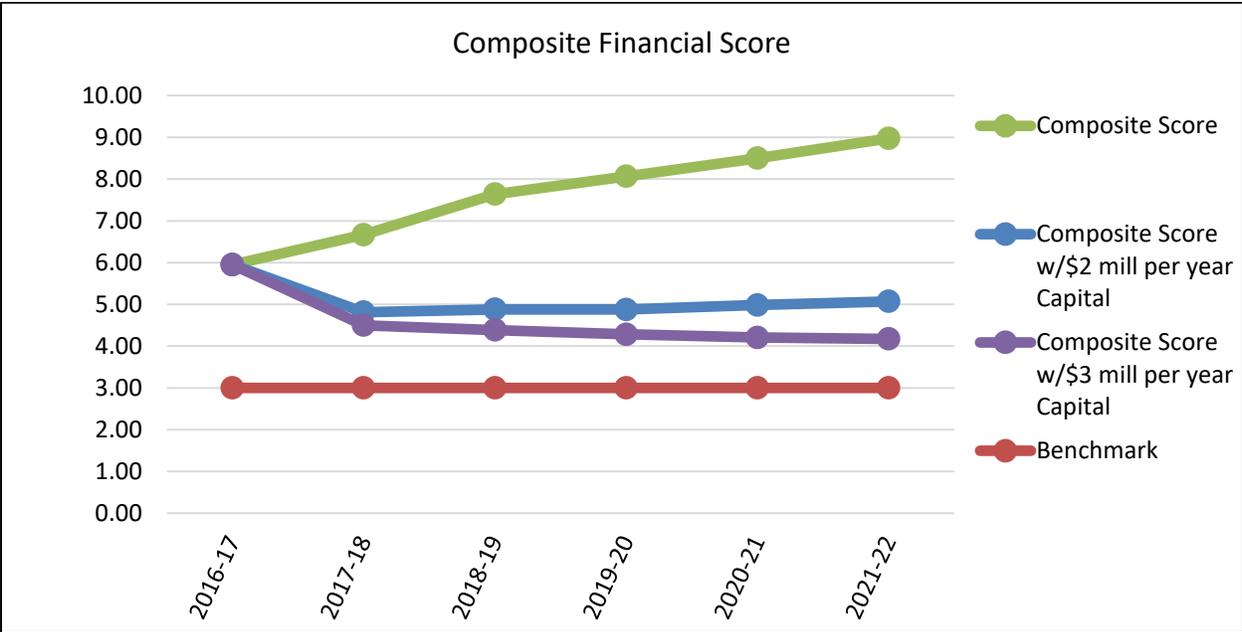
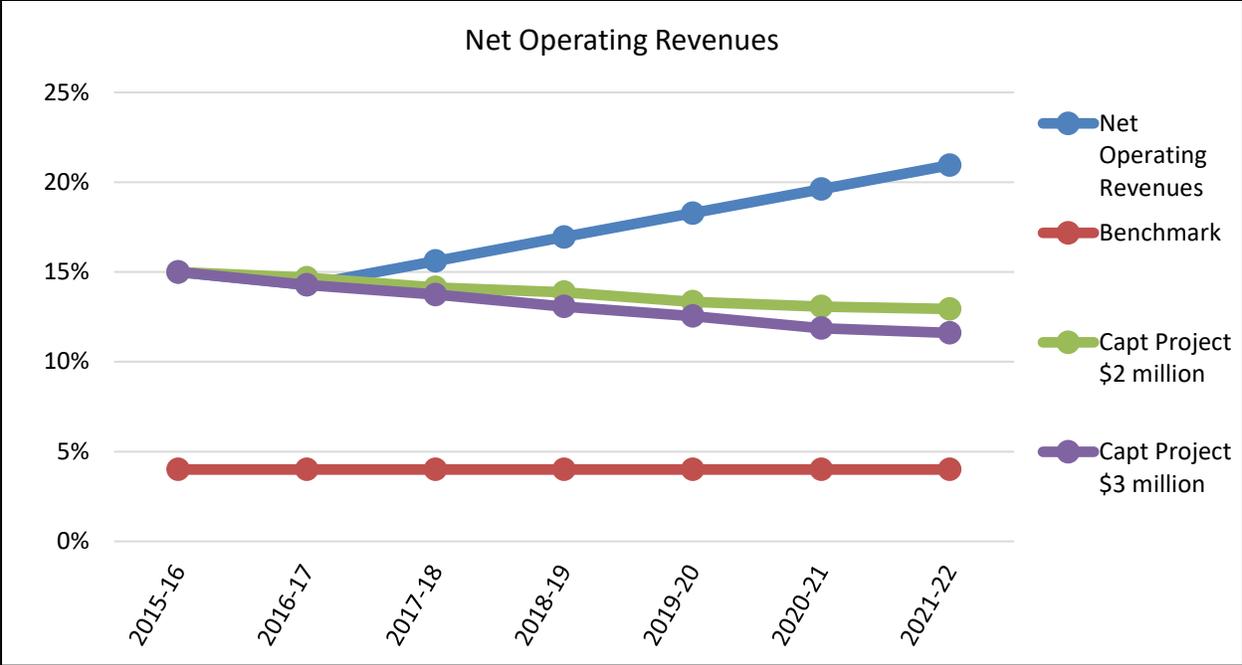
Management utilizes financial performance ratios on a monthly basis that align with HLC accreditation standards for daily operations of the College, and the Board uses them as a tool in assessing major initiatives and capital investments of long term strategic decisions for timely program reinvestment or expansion of new programs that are responsive to employer needs within Mohave County.

Strategically budgeting expenses based on the operational areas of the College has enabled the College to better distribute funds to mission-sensitive areas. The College operates in a disciplined manner to present major financial decisions in a way that is not temporarily reactive, but instead illustrates the effect across several years and not solely one given fiscal year.

The following Financial Ratios demonstrate both a historical and projected financial picture of the college finances. As demonstrated below, the ratios are used to project planning scenarios for facility and program expansion or improvement.

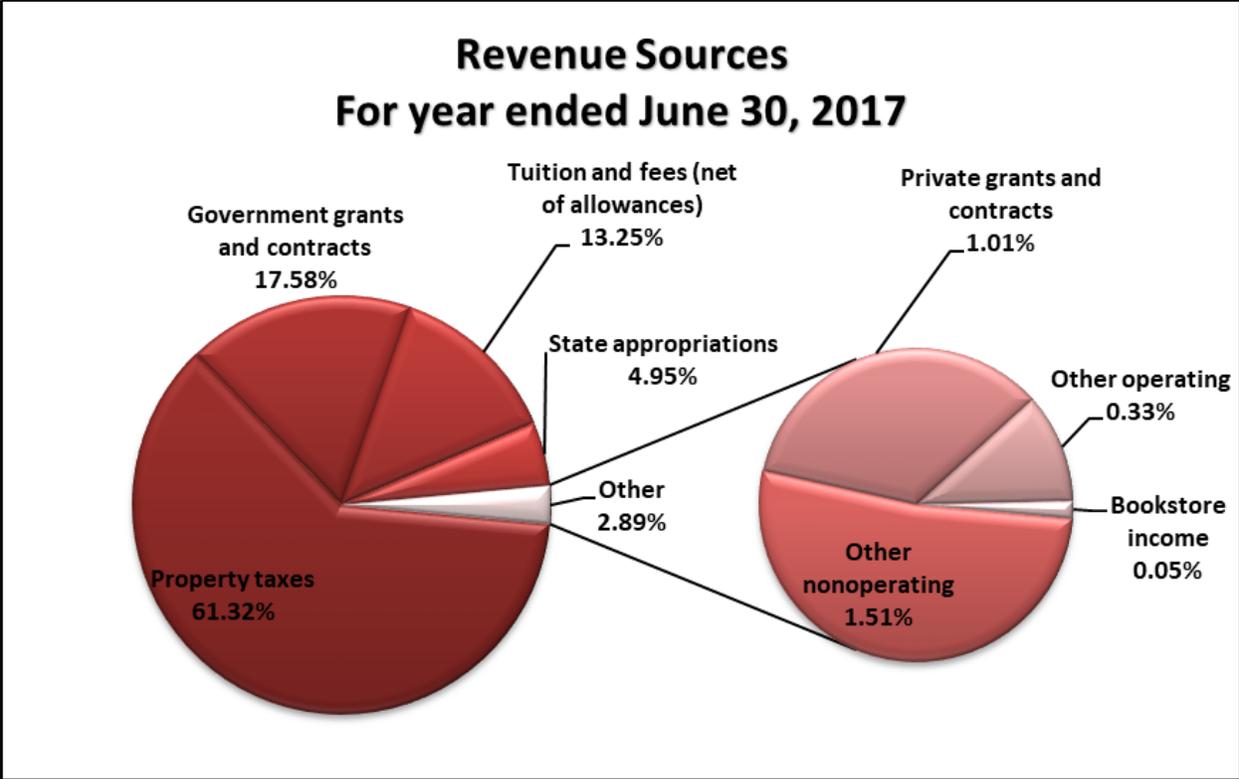






Revenues

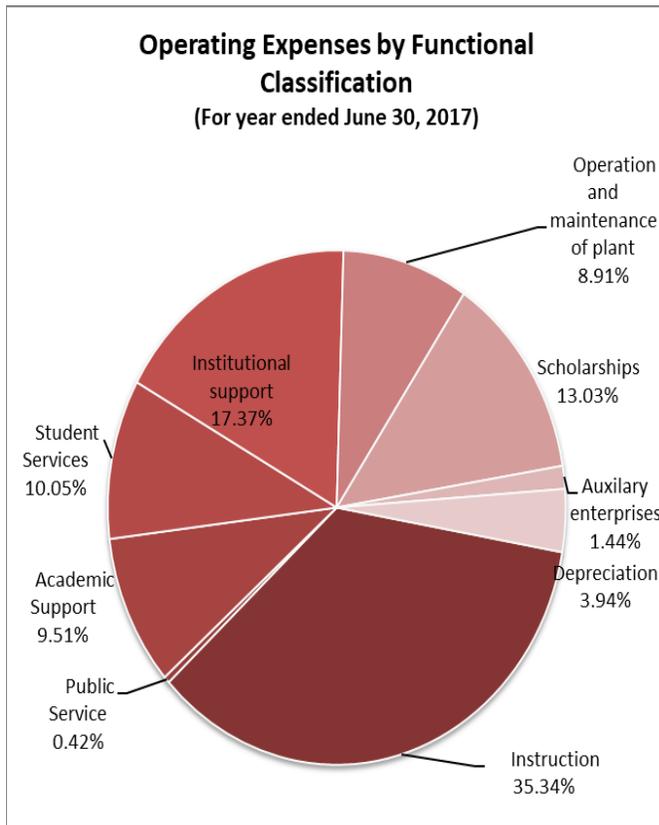
Revenue figures for the College from the most recent audited financial statement is displayed in the graph below. The College budgeting model forecasts a modest increase in county property tax due to new construction and rising property values, while projecting a slight decrease in state funding.



Year to year funding sources vary slightly. To ensure the educational mission of the College is unaffected, and recognizing a slight increase in enrollment, the Board of Governors voted to leave the tuition rate unchanged for the 2018/19 academic year. Additionally, to further invest in raising the educational attainment of Mohave County, and to relieve the barrier of educational expenses on students, the Board will increase the amount budgeted of college-funded aid in the form of scholarships.

Expenses

The graph below represents the allocation of the budget to functional areas of the College from audited 2016/17 numbers. The combination of Instruction and Scholarships (48.15%) demonstrates the College's continued commitment to allocate maximum resources to direct student success initiatives.



- Instruction**
 - Development of HVAC program on more campuses
 - Development of CBE programs
 - Refresh of classroom technology equip
 - New equip for Nursing, Welding, Auto
- Public Service**
 - SBDC outreach
- Academic Support**
 - Curriculum and accreditation support
 - Conversion of electronic records
- Student Services**
 - Remodel of student computer areas
 - Student Success Center
 - Tutor services expansion
 - Financial Education
- Institutional Support**
 - IT infrastructure investment
 - College-wide software system
- Operation and Maintenance of Plant**
 - Capital repair projects
 - Maintenance equipment
 - Refresh of facilities

Human capital is one of the largest assets contributing to the success of an organization. The College has developed a compensation model that is both strategic and sustainable that provisions about \$500,000 each year to cover health benefit premium increases and salary adjustments to ensure market competitiveness and employee retention.

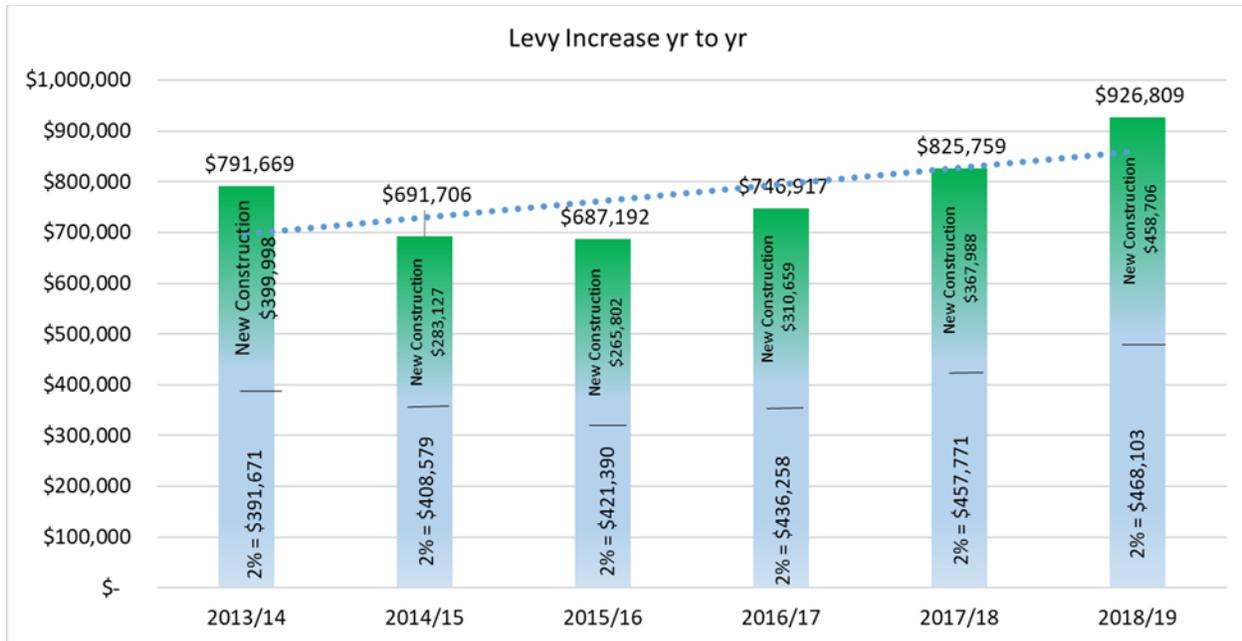
The staff and faculty of the College were surveyed in the past to determine what is most important to them in employment longevity within an organization. Overwhelmingly, they reported that stable benefits were most important to them.

For 2018/19, in addition to the increase in health care costs the College is able to provide a 2.4% increase to all salaries plus 30 cents an hour increase to hourly employees in order to keep up with Arizona's Proposition 206 minimum wage and mandated paid time off laws.

Over the past five years, increases in county property tax revenues have averaged approximately \$748,649 which is characterized by a sensitive balance between residential and commercial property tax valuations and the additional new tax dollars generated by new construction. Property tax appeal lawsuits from large utility companies have become frequent and continue to present significant challenges budget stability. Consequences of the tax appeals often results in to a shift of the tax burden upon the individual taxpayer from the larger corporations. (The College is currently facing a tax appeal of \$2,334,664 from Southpoint Energy that, if successful, will result in actual reserves depletion and future revenue burden shifting to individual taxpayers.)

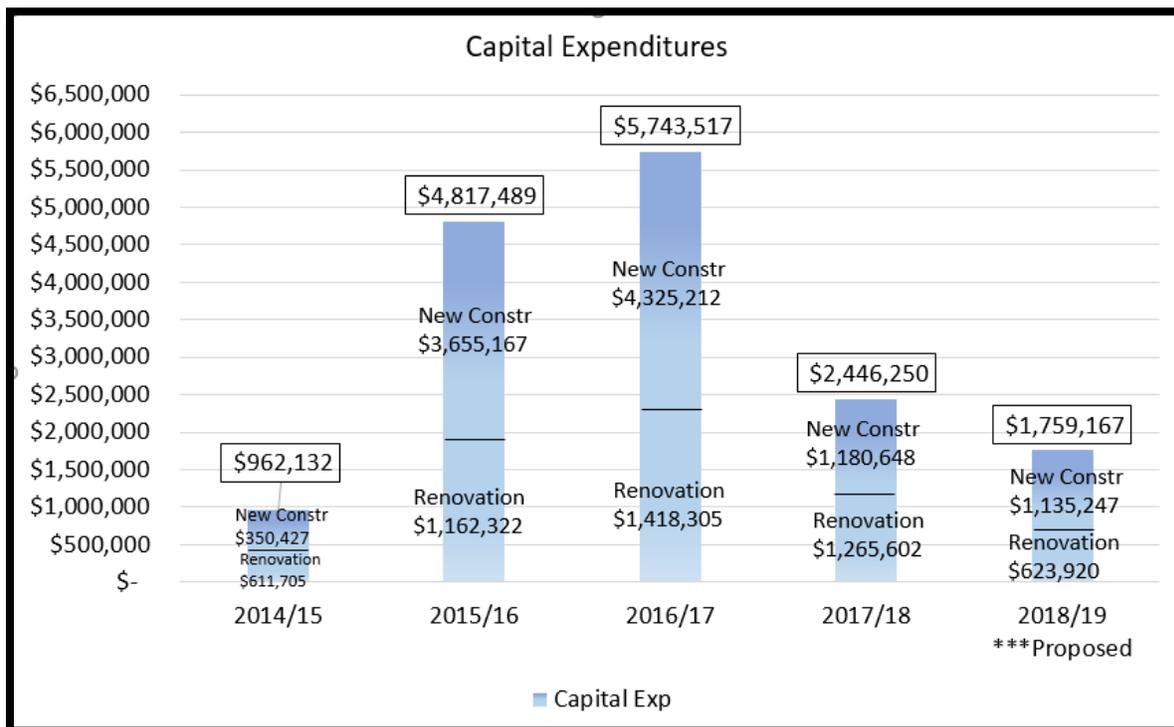
Economic recovery in Mohave County has resulted in a drop of the real levy rate of 1.3430 in 2017/18 to 1.3412 for 2018/19.

Tax Year	MCC Primary Levy	MCC Secondary Levy	MCC Total
2006	\$0.8982		\$0.8982
2007	\$0.8221		\$0.8221
2008	\$0.7152		\$0.7152
2009	\$0.6791		\$0.6791
2010	\$0.7866		\$0.7866
2011	\$0.9779		\$0.9779
2012	\$1.0951		\$1.0951
2013	\$1.2215		\$1.2215
2014	\$1.2215		\$1.2215
2015	\$1.2927		\$1.2927
2016	\$1.3288		\$1.3288
2017	\$1.3430		\$1.3430
2018	\$1.3412		\$1.3412



Growth and Initiatives

The College has developed and implemented a five year Facilities Update and Renovation Master Plan. It demonstrates the need for immediate roof repair and maintenance on many campus buildings as well as pavement replacement and major bathroom renovation to be compliant with federal law. The College has been strategically using budget savings to fund these needs without issuing new debt. The largest capital expenditure for 2018/19 will be the replacement of the 600 building on the Kingman campus.



Consistent with the debt-free budgeting model for operations of the College, reserves are allocated for budget priorities to programs and services that best serve our surrounding community. Some of largest program and service commitments are highlighted below:

- Establishing new facilities for classrooms and emerging manufacturing technology instruction on the Kingman campus.
- Renovation of the welding facilities and equipment on the Lake Havasu and Bullhead City campuses.
- Skills center for the CBE programs in the Career and Technical Education disciplines.
- Continued conversion of Career and Technical Education programs to a Competency Based Education model of instruction.
- Investment in major changes to curriculum of nursing, competency based education, meta-majors and transitional math.
- Continued increase in cost of compliance with State and Federal regulations.

As the strategic plan presents, the College continues to see itself as a primary driver of higher educational attainment and economic development in the county. Development of career-ready programs and university transfer are continued priorities to the College.

Summary

The 2018/19 fiscal year budget shows a small decrease in expenses while still holding our strategic initiatives of student success and a sustainable future as a priority. As the College reinvests in continuing programs and develops new programming that best serves our community, the budgeting model will allow for a process that ensures fiscal accountability and transparency to taxpayers.