

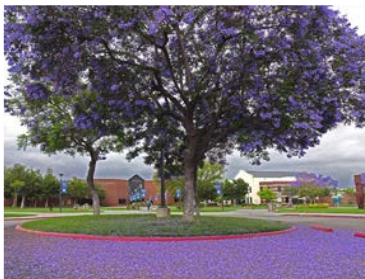


ADOPTED BUDGET

FY 2017-2018

September 11, 2017

Presented By:
Dr. Debra L. Fitzsimons
Interim Chancellor, District Services



THE DISTRICT



Overview: The South Orange County Community College District is a multi-campus district encompassing Saddleback College in Mission Viejo, Irvine Valley College in Irvine, and the Advanced Technology & Education Park (ATEP) in Tustin. Founded in 1967, the 382-square mile district covers almost 50 percent of Orange County and is governed by a seven-member elected Board of Trustees and a Chancellor.

Over the past four years, SOCCCD student enrollments have remained stable. Total student headcount for spring 2017 is over 41,000 and resident full time equivalent students (FTES) for FY 2016-2017 number over 27,000. Demand for online courses and certificate programs continues to increase. SOCCCD has approximately 4,300 employees consisting of faculty, administrators, managers, classified staff, and police.

Budget Outlook: The district is projecting tight budgets over the next several years as a result of costs increasing at a higher rate than projected revenue. Although we have decentralized budget planning, joint meetings with the colleges and district services are taking place to discuss district-wide budget impacts and strategies. These strategies include using a multi-year approach to planning, distinguishing between ongoing and one-time revenues to align with expenses, implementing efficiencies to improve services and lower costs, thoroughly evaluate/assess all positions as they become vacant, review of organizational structures, improved scheduling and enrollment management efforts, and expanding resource development to supplement revenue. The district also offered an early retirement incentive program which will provide net costs savings.

Planning Efforts: During the last several years, great strides have been made to district-wide planning and budgeting processes. The district-wide planning processes were developed and are integral to all aspects of college and district-wide decision-making and resource allocations in a transparent, inclusive and open process. This was in response to accreditation recommendations. The District-wide Planning Council (DWPC) continues to implement the recommendations and oversee the strategic planning processes with other major district-wide committees making recommendations on resources, such as District Resource Allocation Council (DRAC), Capital Improvement Committee (CIC), District-wide Technology Committee (DTC), and Basic Aid Allocation Recommendation Committee (BAARC).

Major Capital Projects: Major projects at Saddleback College include: a) Technology and Applied Sciences (ATAS) Building; b) TAS Swing Space-complete secondary swing space for fall semester; c) Athletic Stadium - design development is complete and moving into construction documents; d) Learning Resource Center Communication Arts Renovation – preconstruction phase; e) Physical Education HVAC Upgrade – predesign phase; f) Physical Education 100, 200, 300 & 400 Interiors - predesign investigation phase; g) Accessible ramp from parking lot 9-design phase; h) Data Center- investigation; i) Audio/Visual-predesign

phase; j) Electronic Locks/Access Control – predesign phase; and k) Alterations to Physical Education 200 Bleachers – bid phase.

Irvine Valley College projects include: a) Laser Way (Barranca Road) – construction completion and project close out; b) New IVC Building at ATEP – construction phase; c) ATEP Site Utilities/Infrastructure – construction phase; d) Parking Lot, Phase I with solar - predesign and investigation phase; e) Health Center/Concessions - schematic design phase; f) Performing Arts Center Construction Defects – predesign and investigation phase; g) Monument Sign Replacement – bid phase; h) New Dance floor – preconstruction; i) Performing Arts Waterproofing – bid phase; j) Generator and Enclosure – construction completion and close out phase; and k) Life Sciences Lab Casework and Access controls – bid phase.

On a district-wide basis, projects include: a) Sustainability Plan; b) Technology Consultant for capital projects; c) ADA Access Transition plan, Phase II; and d) Infrastructure Mapping.

Major Technology Initiatives: This year’s basic aid technology projects recommended by the District-wide Technology Committee (DTC) fall into three major categories. The first category is enterprise resource planning (ERP) software, such as Workday’s cloud-based software for human capital management/finance and SOCCCD’s internally-created Student information System (SIS). This category includes funds reserved to implement unfunded statewide mandates.

The second category consists of major district-wide technology projects such as a service desk upgrade, improvements to the My Academic Plan (MAP) academic planning software and increased security protections.

The final category consists of college-requested items such as upgrades to faculty/staff computers and classroom technology.

State Budget and the Community College System: The Governor approved the final state budget on June 27, 2017. The budget provides \$8.6 billion to California community colleges, an increase of \$270 million over the prior year. The passage of Proposition 30 in fall of 2012 created the Educational Protection Account (EPA) which provided temporary funding for education to be used for one-time purposes. The sales tax increase in Proposition 30 expired on December 31, 2016. The income tax provision was extended through December 31, 2030 with the passage of Proposition 55 last fall. The spending plan for EPA funds received by SOCCCD is included in the adopted budget.

Some of the budget highlights that relate to community colleges are:

- Enrollment fees remain at \$46 per unit
- 1.56% COLA, including categorical programs
- \$57.8 million for 1% enrollment growth
- \$183.6 million to increase the base allocation for operational costs
- \$25 million increase for full-time student success grants

- \$38.9 million for Prop 39 energy efficiency projects
- \$76.9 million for deferred maintenance and instructional equipment with no local match requirement for deferred maintenance (one-time funds)
- \$150 million for guided pathways (one-time funds)

The budget includes ongoing funds to increase the base allocation, which are intended for new operational costs. This will increase the basic allocation to each college as well as the rate per FTES and amounts to an approximately 2.78% overall increase.

SOCCCD Budget: The SOCCCD budget for all funds totals over \$800 million. Because the District is self-sufficient and is a community supported district, it is essential that the budget is conservative and the district continues to maintain stable funding for the colleges by closely monitoring income and expenses. For this coming year, property tax revenues remain a constant, reliable funding stream. The adopted budget includes conservative estimates for property tax revenues, enrollment fees, non-resident tuition, EPA funds, Lottery, interest, and other miscellaneous revenue. Due to the short-term nature of the EPA funds, they continue to be budgeted for part-time faculty salary and benefits at both colleges.

The major changes between the tentative budget and the adopted budget include an increase in the beginning balance (\$8.7M) and an increase in the base allocation (\$1.1M).

District-wide operating costs continue to increase for step and column increases, negotiated salary increases, health and welfare benefit increases, increases in the number of positions, and pension rate increases. Personnel costs as a percentage of total budget is 87.2%, down from 88.8% last year. This indicator still demonstrates the need for future budget vigilance and being mindful of spending to ensure the future financial health of the District.

STRS and PERS rates are anticipated to increase significantly over the next 4 years and beyond. STRS rate increases have already been set by the legislature through 2021. PERS rates are set each year by the PERS Board. For FY 2017-2018, the increase costs over the prior year is estimated at \$2.5 million. This will grow an additional \$7 million by FY 2020-2021. The Board has approved participation in a Pension Stabilization Fund to offset these increased costs. An initial deposit of \$14.5M was made in FY 2015-2016 with an additional deposit of \$12.6M in FY 2016-2017. The FY 2017-2018 budget includes another \$12.6M from basic aid funds. This offsets what would have been a negative impact to the general fund operating budgets.

After following the SB361 funding formula for the colleges through the District Resource Allocation Council (DRAC) model, excess property tax revenues available for basic aid distribution this fiscal year total over \$64 million. These funds are used for capital expenditures and other one-time projects in lieu of bonds that other community colleges use. These funds are allocated in the budget based on the initial recommendations from BAARC and an additional allocation for the ATEP programming for IVC's first building and funds needed for the ATEP site development.

The general fund budget provides for each college's operations, district-wide general expenses, District Services, and a general reserve of 7.5%. The strong reserve is necessary

for a self-sufficient district and allows the District to manage cash-flow throughout the year as well as prepare for unforeseen expenditures and emergencies.

Saddleback College

Saddleback College recognized the need to intensify its fiscal stewardship efforts when enrollments began to weaken in 2012. Since that time the college has taken steps to carefully control the addition of ongoing expenditures. The college resource request process ensures ongoing expenditure requests are identified as such, and these types of requests are given extra scrutiny. Additionally, with the full support of college constituent groups, the college has strategically generated large ending balances to allow time for the college to bring ongoing income in line with ongoing expenditures. Saddleback ended the 2016-2017 fiscal year with an ending balance of \$13,013,543, the largest in its budget history. The budget challenges faced by Saddleback are twofold: a reduction in income due to not meeting potential funded enrollment growth targets, and personnel costs that have increased at a higher rate than income. Due to current fiscal stability the college has time to address this issue; however, efforts have recently been strengthened to ensure correction of anticipated future fiscal imbalance.

The recent retirement incentive has provided a fiscal opportunity that the college fully intends to embrace. As a college we are reviewing structure and position replacements with an eye to efficiency and meeting college goals for the future. We are working collegially with the Academic Senate in the strategic review of vacant faculty positions taking into consideration student needs, program demands and enrollment. Other measures include overall college efficiencies, establishing internal efficiency standards, and the creation and execution of a comprehensive enrollment management plan. This plan includes components for student success; outreach; retention; online offerings; scheduling effectiveness; K-12 partnerships; adult education and career pathways.

The college's strategic planning process substantially drives budget and our goal is to maintain instructional, student service and operational integrity while ensuring effective and efficient allocation of funds. To enhance this process the college has significantly increased its data capabilities, and is using data on a more consistent basis to inform decision making.

Irvine Valley College

Irvine Valley College (IVC) submitted a balanced FY 2017-2018 budget based on several important measures including savings through the early retirement incentive program, additional funding through the SB 361 model, and improved efficiency throughout all the areas of the institution. A number of organizational improvements have been developed and are at various stages of implementation. The college had to rely on its beginning balances from the previous year to balance its ongoing operations as a temporary measure while the long-term structural imbalance is being addressed. The Budget Development and Resource Planning Committee (BDRPC) continued to meet throughout the summer to discuss many solution ideas submitted by campus community members. The BDRPC will continue to meet regularly throughout the year to develop additional solution ideas aimed at achieving a long-term balanced budget.

By working together and being committed to a mindful process, the budget challenges can be readily overcome while still providing high quality instruction and serving students. Interim Chancellor Fitzsimons has reviewed the budget and confirms that it is balanced as is required by law.

Dr. James Buysse

*Acting Vice Chancellor, Business Services
South Orange County Community College District*

BUDGET DEVELOPMENT GUIDELINES

Board Philosophy:

The Board of Trustees shall support and follow fiscal policies that:

1. Ensure wise and prudent use of public resources.
2. Promote financial strength and stability.
3. Maximize educational opportunities for students.

Participatory Governance:

An opportunity for review and input will be provided to the appropriate participatory governance groups prior to adoption of the final budget.

Guiding Principles:

The following guiding principles are provided to District Resources Allocation Council (DRAC) and the college budget committees for use when recommendations are made about the budget.

1. Reserve for Economic Uncertainties

The general fund reserve for economic uncertainties shall be no less than 7.5% of the projected unrestricted revenue. A monthly update will be provided to the Board of Trustees that reviews current revenue, expenditure, and ending balance projections. Any action proposed by a staff member, a Board member, or the Board of Trustees as a governing body, which could potentially reduce the reserve, will be reported to the Board in the monthly update. A reported reduction in the reserve below 7.5% shall be accompanied by a plan that indicates how the reserve shall be restored.

2. Future Long Term Debt Issues

No additional COP, or other long-term debt, will be issued until:

- a. An ongoing revenue stream has been identified that covers the full payment for the existing issues.
- b. A dedicated revenue stream has been identified for the payments for the new issue.

The Board has identified this principle as having a very high priority.

3. Retirement Incentives

No retirement incentives will be provided unless one-time funds have been identified that will cover the full cost or the plan savings are sufficient to pay the cost of the incentive.

4. Area/College Allocations

The expenditure budgets for each area/college shall not exceed the projected resource allocations. Any college or district balances existing at the end of each fiscal year, either positive or negative, will result in an equivalent adjustment in the allocation in the subsequent year. In addition, the Vice Chancellor of Business Services and college business officers shall monitor the college budgets to ensure there are no negative balances.

5. Deficit Financing

Deficit financing is defined as a budget in which projected expenditures exceed projected revenue for the year. Deficit financing should not occur for ongoing expenses such as salary increases. The amount of deficit financing should always be clearly presented in the budget document. Deficit financing shall not result in a reserve balance that is less than 7.5%.

6. Retiree Medical, Dental, Vision, and Medicare Coordination of Benefits (COB) Plans

To be compliant with GASB 43 and 45, an irrevocable trust was formed in FY 2007-2008 to fund medical, dental, vision, and Medicare plans for SOCCCD retirees. This trust was established and the Keenan Futuris Public Entity Investment Trust Program was selected to organize the structure and operations of the trust. Benefit Trust Company was selected to manage the funds in the trust. An actuarial study is conducted at a minimum of every two years to update the District's OPEB (other post-employment benefits) liability. It is the Board's intent to fully fund the liability once it is identified.

7. Basic Aid

While the District is a basic aid district:

- a. The expenditure budgets for ongoing purposes shall be the resources that would have been available from state apportionment.
- b. Excess revenue above apportionment shall be allocated at the college or district level for one-time purposes, such as to cover some of the unfunded obligation for the retiree benefit plans.
- c. Excess revenue above apportionment shall not be used for regular ongoing expenditures, such as salaries.
- d. Excess revenue above apportionment shall not be used for any other purposes that will jeopardize the District's future financial stability.
- e. BP and AR 3110 will be followed when allocating basic aid funds.

8. One-time Cost Savings

One-time cost savings shall be allocated to purposes such as the unfunded obligation for the retiree benefit plans, or to one-time expenditures.

9. Full Time Equivalent Student Targets

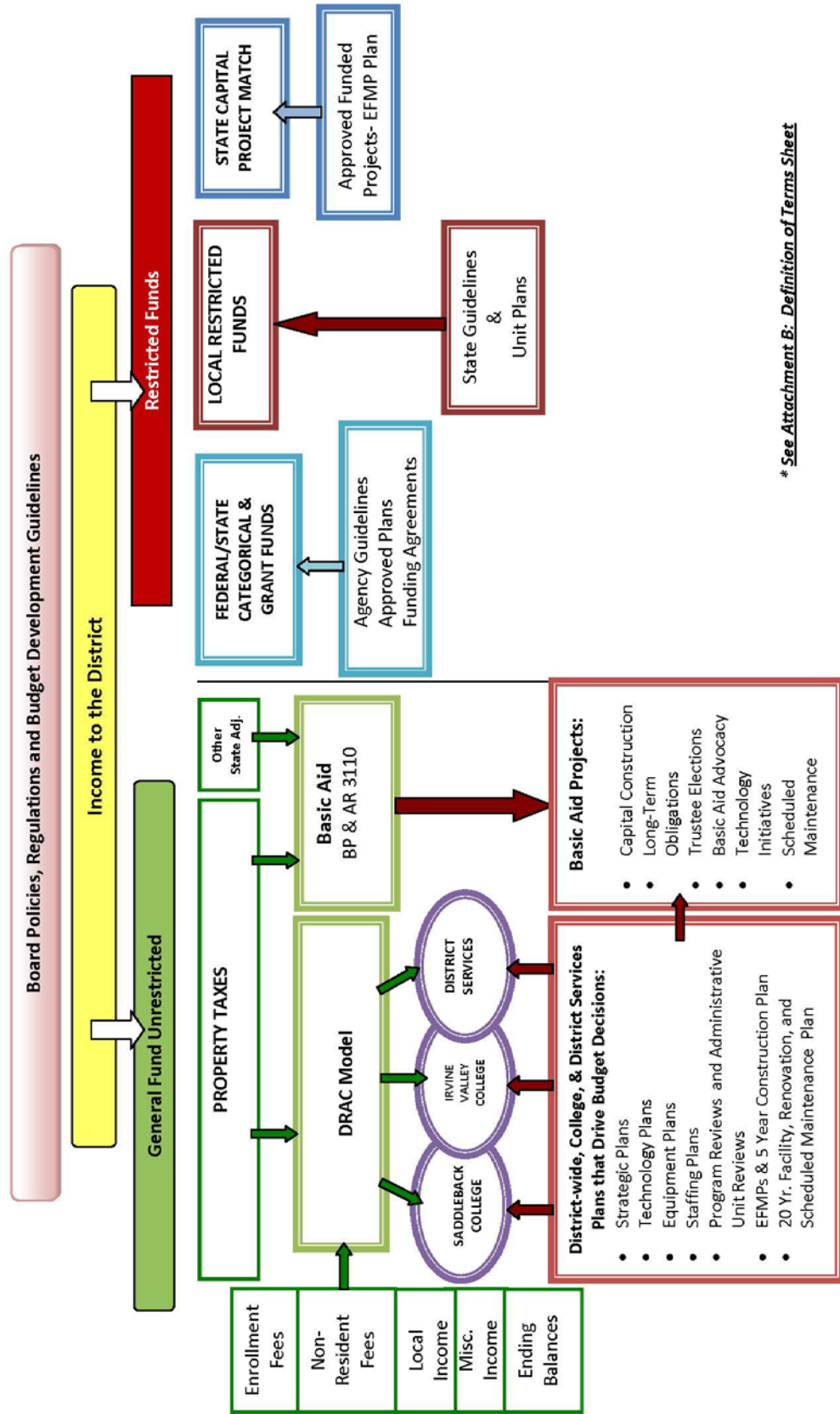
When developing the target FTES, consideration will be given to the following:

- a. The needs of students and the community.
- b. The percentage of growth allocation in the state apportionment formula.
- c. The FTES generated in the most recent academic year.
- d. The number of FTES the college administration realistically believes can be generated.

10. Funding for Growth

The District resource allocation model shall limit funding for growth FTES to a maximum of the SOCCCD individual adjusted growth rate published by California Community College System Office, adjusted by subsequent System Office revisions. District growth funding shall also be constrained by FTES growth achieved by the District up to the maximum amount funded through the SB 361 allocation formula.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT RESOURCE ALLOCATION PROCESS



* See Attachment B: *Definition of Terms Sheet*

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SUMMARY OF GENERAL FUND BUDGET ALLOCATIONS

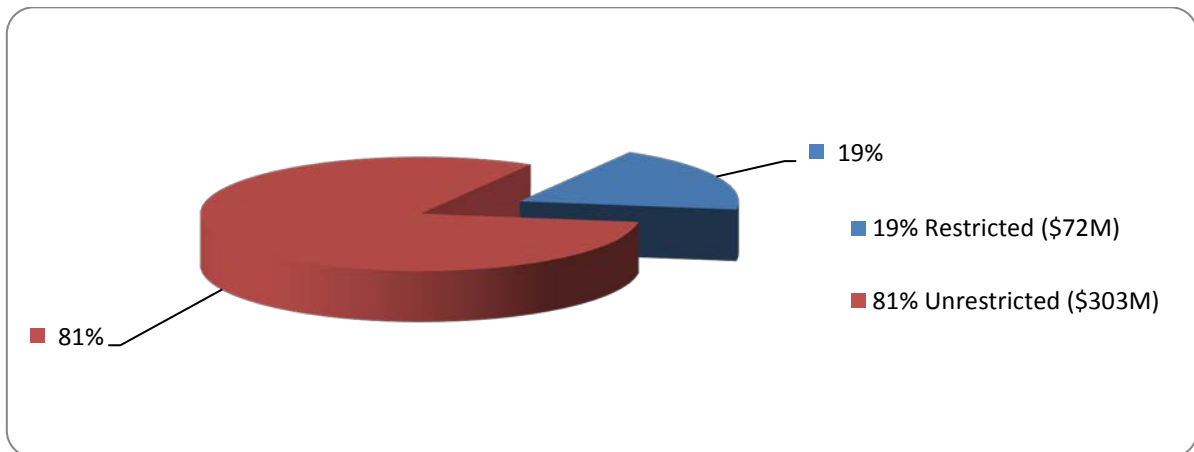
Allocated Area	* Unrestricted	*Restricted	Total
Saddleback College	\$ 113,766,637	\$45,971,617	\$159,738,254
Irvine Valley College	\$ 64,368,350	\$21,314,448	\$ 85,682,798
ATEP Operating	\$ 750,000		\$ 750,000
District Services	\$ 19,752,825	\$ 4,453,043	\$ 24,205,868
District-wide General Expense	\$ 4,517,130		\$ 4,517,130
Part-Time Faculty Parity Funds	\$ 565,895		\$ 565,895
Basic Aid Allocation/Transfer**	\$ 68,641,963		\$ 68,641,963
Basic Aid Contingency	\$ 17,446,051		\$ 17,446,051
Reserves for Economic Uncertainties	\$ 13,260,177		\$ 13,260,177
TOTALS***	\$ 303,069,028	\$ 71,739,108	\$374,808,136

* See pages 22 through 27 (Total of revenue, expenses and ending balance for each budget location)

**Prior Year Beginning balance of Basic Aid funds (\$1M) is in the Capital Outlay fund.

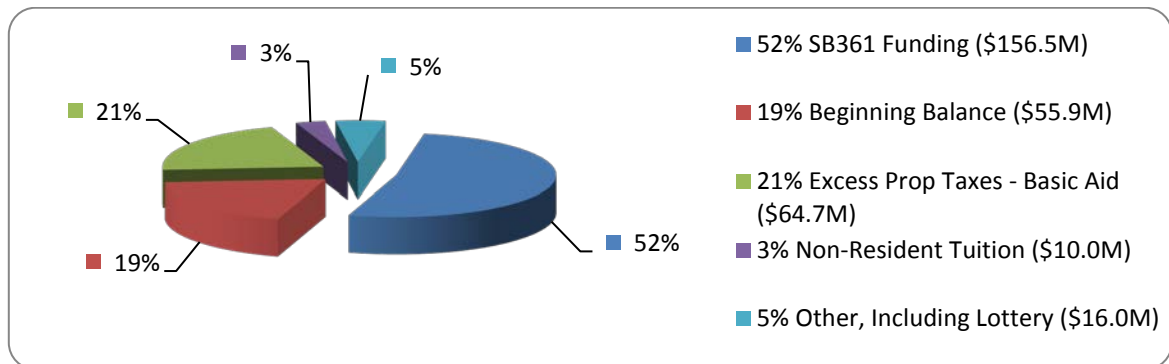
GENERAL FUND REVENUE

The general fund, which totals \$375 million, consists of accounts that are not required to be recorded in a separate fund. There are two segments of the general fund: “Unrestricted” and “Restricted.”

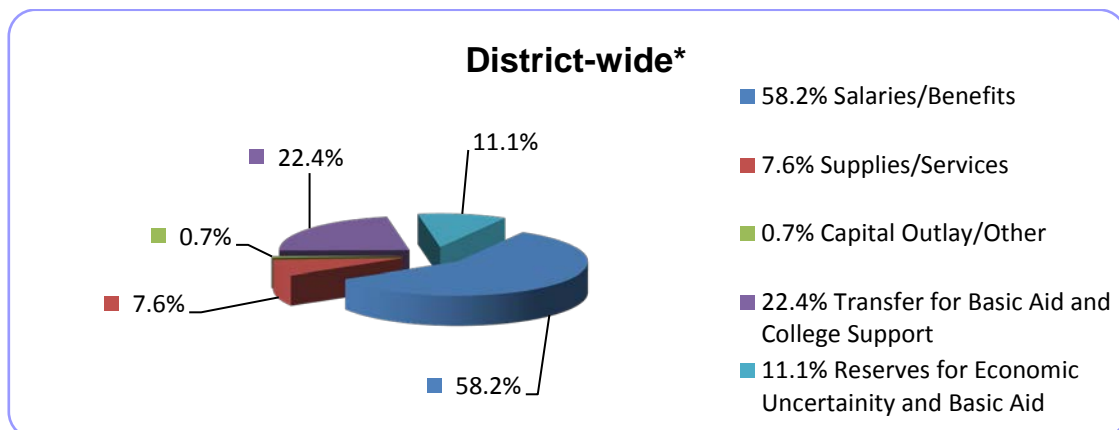


UNRESTRICTED GENERAL FUND REVENUE

The largest segment of the general fund is the *unrestricted portion*, which accounts for resources for the general purpose programs of the District, approximately \$303 million (81% of the activity). This is an increase of \$17 million over last year due primarily to an increase in the beginning balance and increases for COLA, base funding augmentation, and excess property taxes. Of the resources, 52% is equivalent to the amount that would be calculated in the state-developed funding formula established by SB361. The total amount that is equivalent to what would be potentially received from state apportionment funding (SB361) is determined by the State Budget Act and is distributed to the 72 community college districts by formulas developed by the California Community College Chancellor's Office. The computational revenue recognizes changes in the COLA, student enrollment growth, and base allocation increases. The District will not receive state apportionment funding because local property taxes and student enrollment fees exceed the calculation entitlement. The remaining part of the unrestricted resources comes from FY 2017-2018 Basic Aid (21%), Non-Resident Tuition (3%), and other sources, including EPA funds and Lottery (5%). The beginning balance, carried forward from the prior year, is 19% of available unrestricted funds.

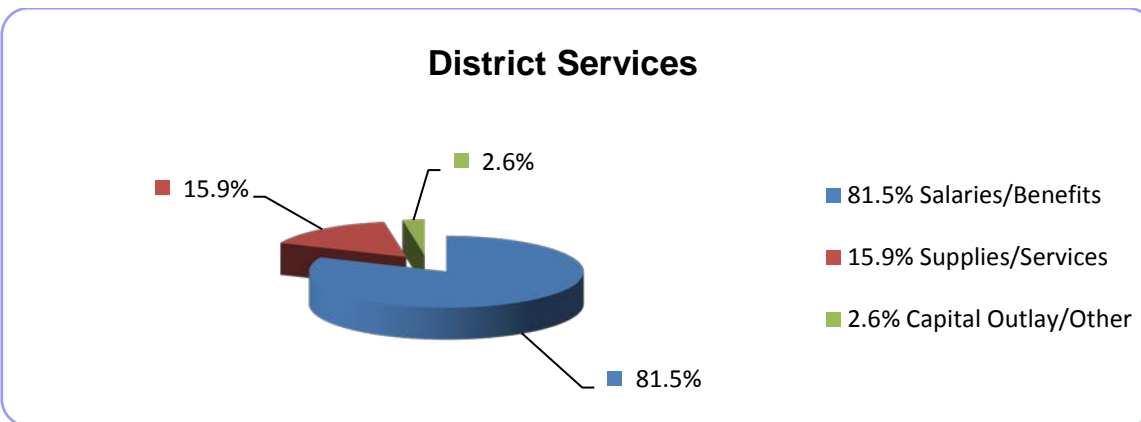
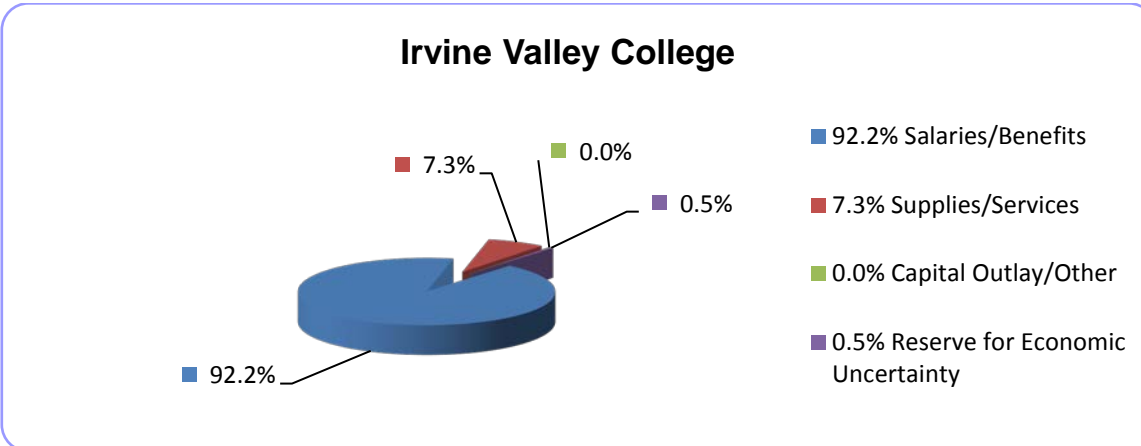
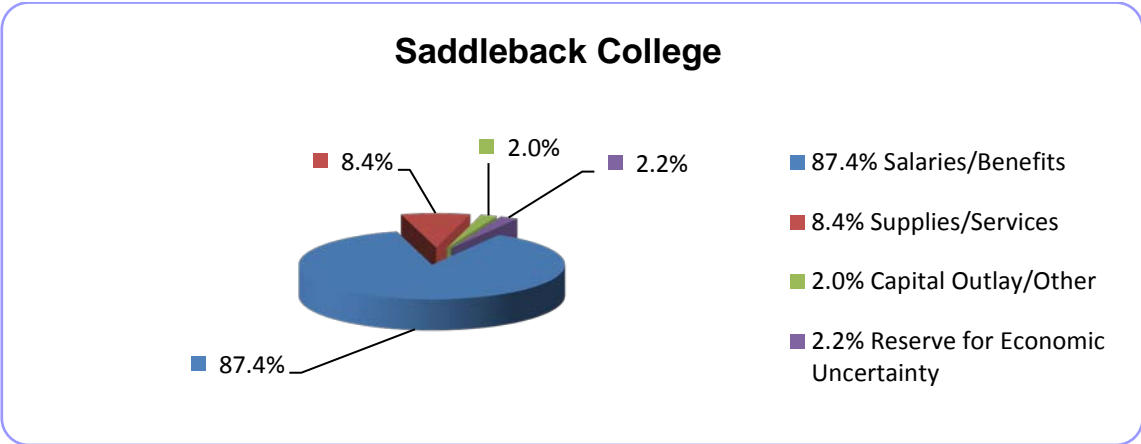


UNRESTRICTED GENERAL FUND OPERATING EXPENDITURES



**Note: These percentages are based on the entire District budget that includes all reserves and Basic Aid funds. Without reserves and Basic Aid funds, the percentage for salaries and benefits would be 87.2%, which has decreased from 88.8% last year.*

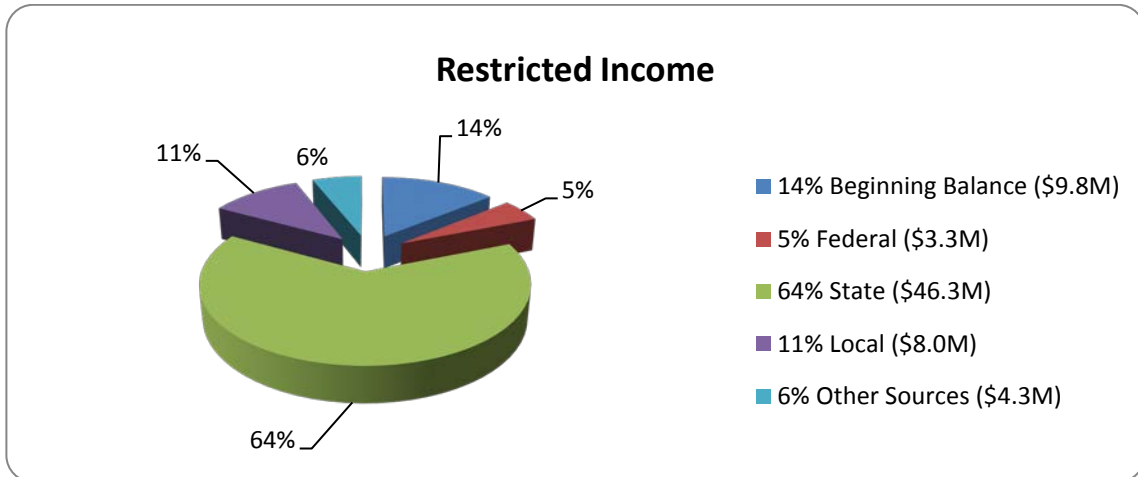
Most of the expenditures in the general fund operating budgets are for employee salaries/benefits as seen below. Saddleback College salaries and benefits equal 87.4% of its operating budget (down from 90.0%) and Irvine Valley College salaries and benefits equal 92.2% of its operating budget (down from 93.2%). District Services salaries and benefits decreased from 90.4% to 81.5% of its operating budget. These increases reflect the negotiated salary increases and benefit cost increases.



For fiscal prudence and to provide sufficient resources for other operational costs, the prior District-wide recommended budget target for overall staff costs was to not exceed 86-88% of the total budget. The Chancellor is recommending a target of 85%-90% to be obtained over a multi-year period. It is advisable to be on the low end of the range.

RESTRICTED GENERAL FUND

The other segment of the general fund is the *restricted portion (categorical aid and grants)*, approximately \$72 million (19% of the general fund activity). This accounts for federal, state, and local money that must be spent for a specific purpose by law or agreement. Examples of these programs, which are mostly services targeted for specific population groups, are: Perkins Title I-C, Student Success and Support Programs (SSSP), Student Equity, Strong Workforce, Adult Education, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), and Cooperative Agencies Resources for Education (CARE). The restricted general fund increased by \$19 million from the prior year primarily from state funds for categorical programs. All federal, state, and local grants and categorical funding are recognized in the restricted general funds of the district as fiscal agent and are used primarily by the colleges for support to educational programs and specialized activities.



NOTEWORTHY GENERAL FUND ASSUMPTIONS

- Unrestricted General Fund beginning balance is \$56 million. This is made up of the prior year reserve for contingency and general expenses (\$16.4 million), location beginning balances (\$17.3 million), and basic aid funds (\$22.2 million) which are included in the basic aid project budget.
- FTES targets remain unchanged from last year's targets and no growth funds were provided to the colleges in the DRAC funding model.

Annual FTES (Summer, Fall, Spring)						
	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	Difference from
	Actual	Actual	Annual	Annual	Target	FY 2013-2014
IVC	9,055	9,331	9,560	10,497	9,760	705
SC	16,885	16,652	16,626	16,869	18,516	1,631
TOTAL	25,940	25,983	26,186	27,366	28,276	2,336

- Education Protection Act (EPA) funds are budgeted at \$2.7 million, which is consistent with FY 2016-2017. These revenues are from temporary taxes and are budgeted for part-time faculty salaries and benefits.
- Enrollment fee revenue remains flat. Continuing increases in both the number and percentage of students who qualify for Board of Governor (BOG) waivers offsets any increases in enrollment fees. Since FY 2007-2008, there has been an almost 210% increase in the number of students qualifying for BOG waivers.
- Lottery revenue is budgeted at \$4.1 million based on an estimated \$140 per FTES funding, an increase of \$200,000 from the prior year. Lottery funds are paid on all FTES, including non-resident FTES.
- Employee movement on the salary schedule (step and column increases) and negotiated salary increase are included in the adopted budget for all employee groups. This includes a 3% increase for faculty, classified, police officers, and administrators and managers.
- The budget includes a 5.3% cost increase for employee benefits including PPO medical insurance, HMO medical insurance, dental insurance, vision insurance and life insurance.
- Workers' Compensation insurance is budgeted at 1.7% of salaries, a 0.1% increase from FY 2016-2017.
- The unemployment insurance rate for FY 2017-2018 remains stable at 0.05% of salaries.
- The Public Employees Retirement System (PERS) employer contribution rate is budgeted at 15.531% of salaries, an increase of 1.643% from FY 2016-2017. The rate was approved by the PERS board in April. Additional increases are anticipated for the next several years.

Fiscal Year	2016-2017 Actual	2017-2018 Estimated	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	Annual Increase over 2015-2016
PERS Annual Rate	13.888%	15.531%	18.100%	20.800%	23.800%	
PERS Contribution	6,963,468	8,020,889	9,347,633	10,742,032	12,291,363	6,867,094

- The State Teachers Retirement System (STRS) employer contribution rate for FY 2017-2018 is budgeted at 14.43% of salaries, an increase of 1.85% from FY 2016-2017. This increase was previously approved by the legislature. We will continue to see similar increases in the coming years.

Fiscal Year	2016-2017 Actual	2017-2018 Estimated	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	Annual Increase over 2015-2016
STRS Annual Rate	12.580%	14.430%	16.280%	18.130%	19.100%	
STRS Contribution	9,203,545	10,873,718	12,267,784	13,661,850	14,392,793	7,211,546

- The property and liability insurance coverage is budgeted at \$1,250,000, which remains flat from the prior year.
- A budget was established for an Internal Audit department for \$215,000.
- A recruitment budget of \$445,000 was provided to cover the costs to replace employees who retired under the supplemental retirement plan that was offered to all employees. This cost is offset by anticipated savings in the early retirement program.

The General Expenses have the following budgeted amounts:

<u>EXPENSE</u>	<u>AMOUNT</u>	<u>CHANGE</u>
District Services Facilities and Maintenance	\$ 300,000	
Discrimination/Harassment Investigation Services	\$ 400,000	
District-wide IT Maintenance Agreements	\$ 719,130	(\$ 2,484)
District-wide Strategic Planning	\$ 110,000	
Faculty Job Fair	\$ 30,000	
Financial Audit	\$ 145,000	
Internal Audit	\$ 215,000	\$ 215,000
Labor Contract Negotiations	\$ 100,000	
Legal Advertising	\$ 30,000	
Legal Fees	\$ 500,000	
Offsite Technology Security	\$ 115,000	
Personnel Advertising	\$ 130,000	
Phone System Maintenance Agreement	\$ 200,000	
Property & Liability Insurance	\$ 1,250,000	
Recruitment for Retirement Incentive	\$ 445,000	\$ 445,000
Faculty Sabbatical Bond Payments	\$ 18,000	
Employee Safety Compliance Cost	\$ 60,000	\$ 10,000
Taxpayer Relief Act Compliance	\$ 50,000	\$ 8,000
TOTAL GENERAL EXPENSE ACCOUNTS	\$4,817,130	\$ 675,516
District Services Facilities and Maintenance*	\$ <300,000>	
ADJUSTED GENERAL EXPENSE ACCOUNTS	\$4,517,130	\$ 675,516

*Paid to Saddleback College for expenses related to District Services space in the Health Sciences Building

The FY 2017-2018 Adopted Budget includes inter-fund transfers as follows:

To:	From:					
	General Fund SC	General Fund IVC	General Fund DS	Basic Aid	Pension Stability	Total
General Fund IVC (a)					\$1,400,000	\$1,400,000
General Fund SC (b)					\$1,333,842	\$1,333,842
General Fund DS (c)					\$410,000	\$410,000
Capital Outlay (d)	\$250,000	\$250,000		\$50,021,257		\$50,521,257
Child Development (d)	\$375,000					\$375,000
Self-Insurance Fund (e)			\$350,000			\$350,000
Retiree Benefits Fund (f)				\$4,610,000		\$ 4,610,000
Pension Stability Fund (f)				\$12,600,000		\$12,600,000
Total Transfers	\$625,000	\$250,000	\$350,000	\$67,231,257	\$3,143,842	\$71,600,099

- (a) *Transfer from Pension Stability Trust to IVC*
- (b) *Transfer from Pension Stability Trust to SC*
- (c) *Transfer from Pension Stability Trust to DS*
- (d) *Transfer from SC to support the child development center and from SC and IVC to support capital outlay projects*
- (e) *Transfer from District Services to support risk management*
- (f) *Basic Aid funds allocated for retiree health benefits liability and pension liability based on BAARC recommendations for FY 2017-2018*

FISCAL STABILITY AND RESERVE FOR ECONOMIC UNCERTAINTIES

Reserve funds are an important financial solvency safeguard. Examples of needs for the reserve for economic uncertainties are revenue shortfalls, unexpected repairs, and enrollment declines.

Based on BP 3100, the FY 2017-2018 Adopted Budget includes a reserve for contingency of 7.5% of unrestricted operating funds, with a total amount of \$13,260,177. The State Chancellor's Office recommends a minimum district reserve of 5%.

BASIC AID STATUS

A “community supported” district is one that receives more revenue from local sources (property taxes and student enrollment fees) than it would receive in total for state apportionment. The District, therefore, is self-sufficient and does not rely on state apportionment for general operations. The portion of property taxes received above the state calculated allocation is referred to as Basic Aid Receipts. The District returned to its status as a basic aid district in the FY 1999-2000 and has received basic aid receipts as follows:

<u>Fiscal Year</u>	<u>Basic Aid Receipts</u>
1999 - 2005	\$114,365,248
2005 - 2006	\$ 46,899,203
2006 - 2007	\$ 52,896,017
2007 - 2008	\$ 50,692,873
2008 - 2009	\$ 51,179,365
2009 - 2010	\$ 39,022,021
2010 - 2011	\$ 38,737,963
2011 - 2012	\$ 39,301,044
2012 - 2013	\$ 46,888,399
2013 - 2014	\$ 43,788,270
2014 - 2015	\$ 51,659,425
2015 - 2016	\$ 52,672,948
2016 - 2017	\$ 66,017,281

The District estimates that property tax receipts above state calculated allocation amount for FY 2017-2018 and future years to be as follows:

<u>Fiscal Year</u>	<u>Basic Aid Receipts</u>
2017 - 2018	\$ 64,152,119
2018 - 2019	\$ 65,932,229
2019 - 2020	\$ 66,672,794
2020 - 2021	\$ 67,428,170

The FY 2016-2017 basic aid receipts were increased after final property taxes were posted. Although still conservative, the FY 2017-2018 receipts are also higher due to larger projected property tax revenues.

The assumptions used to estimate basic aid funds for FY 2017-2018 are: SB361 funding COLA is 1.56, growth is 0.0%, a base allocation increase of \$3.9 million, and enrollment fees at \$46 per unit. For the following years, SB361 COLA is estimated at 2%, growth is estimated at 0.0%, and enrollment fee revenue is flat for all years.

The Orange County Auditor Controller’s office is consulted regularly in order to conservatively project the District’s property tax revenue. The FY 2017-2018 estimates are based on that information and historical trends. For FY 2017-2018, property taxes are budgeted with a 4% increase over FY 2016-2017. For the following three years, secured taxes are estimated to increase 2% per year. Unsecured, homeowners, and supplemental taxes are estimated to remain constant, with no increase.

During FY 2011-2012, BP 3110 Basic Aid Funds Allocation Process and AR 3110 were developed to guide the Basic Aid allocation process. The Basic Aid Allocation Recommendation Committee (BAARC) followed this process for its recommendation for allocating the FY 2017-2018 basic aid funds. Additional allocations for the ATEP programming operations are also now included. As this annual process was begun early in the budget cycle and was based on estimates, some final adjustments to funds available have been made in the adopted budget.

The schedule below shows basic aid funds and projects that are included in the FY 2017-2018 Adopted Budget.

ESTIMATED BASIC AID RESOURCES & PLANNED EXPENDITURES

<u>FY 2017-2018 Resources</u>	<u>Amount</u>
Balance at July 1, 2017	\$ 22,390,716
Receipts FY 2017-2018	<u>\$ 64,152,119</u>
Estimated Property Taxes for Basic Aid	\$ 86,542,835
Contingency for Unrealized Tax Collections (20%)	(\$12,830,424)
Unallocated Funds	(\$ 4,615,627)
Total Allocated FY 2017-2018	<u>\$ 69,096,784</u>
<u>Budgeted Expenditures</u>	
FY 2017-2018 Long-Term Obligations and Fixed Expenses	\$ 17,360,000
Funding for Capital Projects	\$ 51,736,784
Total Approved and Budgeted Projects	<u>\$ 69,096,784</u>

The following projects were approved by the Board of Trustees:

<u>Basic Aid Projects</u>	<u>Project Amount</u>
Closed Projects	\$221,722,480
Prior Approved Open Project Balances	\$450,169,740
<u>New FY 2017-2018 Project Funding</u>	<u>Project Total</u>
<u>Long Term Obligations & Fixed Expenses</u>	
SOCCCD - Legislative Advocacy Services*	\$150,000
Retiree Benefits Expenses*	\$4,610,000
Pension Stability Trust*	\$12,600,000
<u>Capital Projects/Defects/Scheduled Maintenance/Renovation</u>	
DW – ADA Transition Plan Projects	\$3,000,000
IVC - ATEP Building*	\$1,100,000
IVC - Fine Arts Building*	\$12,932,581
IVC - Health Center/Concessions*	\$402,000

IVC - New Parking Lot*	\$733,000
SC - Fine Arts HVAC Interior Improvements*	\$350,000
SC - Gateway Building*	\$16,832,003
SC – Walkway Lot 9 to Quad	\$500,000
<u>ATEP Development & Operations</u>	
ATEP First Building Support - IVC	\$750,000
<u>Capital Programs Planning, Technical, Specialty, Legal Consulting</u>	
ATEP Site Development*	\$2,125,000
District-wide ADA Physical Access Transition Plan*	\$400,000
District-wide Mapping*	\$500,000
District-wide Technology Consultant for Capital Construction*	\$100,000
DSA Inspector, Engineer, and PM Services*	\$565,000
Educational Facilities Master Plan*	\$900,000
Legal Counsel for Facilities*	\$55,000
Pre-Planning and Investigations*	\$355,000
Sustainability/Energy Planning*	\$200,000
<u>IT Projects</u>	
Campus Desktop Refresh*	\$1,876,000
Classroom Technology and Audio Visual Refresh*	\$1,764,000
District-wide Network Security*	\$542,500
HR/Business Services Integrated Software*	\$1,955,300
MAP Enhancements	\$280,000
Server Configuration & Security	\$180,000
Service Desk Software	\$465,000
Student Information System Enhancements*	\$1,814,400
Student Success Roadmap	\$875,000
Waitlist Modification*	\$185,000
Total FY 2017-2018 Funded Projects	<u>\$69,096,784</u>
Cumulative Total - Basic Aid Projects	<u>\$740,989,004</u>

**Reflects an augmentation to an existing project*

OTHER FUNDS

Community Education Fund (Fund #07 and Fund #09)

The Community Education funds are self-supporting with income derived from community education fees. Both colleges provide community education seminars, short courses, workshops, and programs to support community needs not met by the traditional college curriculum; the instruction is consistent with the primary mission of the District. The income and expenses from the activities of these programs at Irvine Valley College is accounted for in Fund #07, and at Saddleback College in Fund #09. Both colleges are currently self-supporting.

Child Development Fund (Fund #12)

The Child Development funds are intended to be self-sufficient. The District operates a child development program at Saddleback College for the benefit of children aged 18 months to 5 years. Services are provided to students and the community on a fee basis. Although the intent is for self-sufficiency, Saddleback College plans for \$375,000 of support from the unrestricted general fund (35% of funding). The child development program is also not charged for administration or operations, and it is currently not self-supporting. Irvine Valley College has chosen to discontinue operating its child development center due to low enrollment and projected increased deficits.

Capital Outlay Projects Fund (Fund #40)

The District maintains the capital outlay projects fund to account for the expenditures of capital outlay and scheduled maintenance projects. This fund is further divided by funding sources, i.e., state apportionment for new construction, state scheduled maintenance, local redevelopment funds, basic aid projects, and district funded projects.

Redevelopment Agency (RDA) funds continue to be received from eight cities within the district, although the state terminated the redevelopment agencies in 2011. Funds are received based on prior “pass-through” agreements as well as residual funds not needed to pay remaining agency obligations. These funds will be distributed following the DRAC model allocation with a 20% contingency.

CAPITAL OUTLAY PROJECTS – FUND 40

	FY 2017-2018
<u>Project Description</u>	Adopted Budget
Basic Aid Projects (including required college match)	\$222,910,781
<u>Other Project Funds</u>	
ATEP Property Development	\$1,016,806
State Prop 39 & Scheduled Maintenance Projects (including required college match)	\$272,429
SC - Future Parking Lot Projects	\$746,109
SC - Future Capital Outlay Projects	\$4,846,483
District - Future Capital Outlay Projects	\$31,932,049
Redevelopment Funds Reserved for Future Capital Projects (Lake Forest, Mission Viejo, Tustin, Orange County, Irvine, Santa Ana, San Clemente, San Juan Capistrano)	\$25,622,062
Total Fund 40	\$287,346,719

Facilities Corporation Capital Outlay Projects Fund (Fund #41)

The District established the Facilities Corporation Capital Outlay Projects Fund to account for the transactions related to the New Markets Tax Credit (NMTC) funding or other alternate sources of funding that is being explored to assist with the funding of the development of ATEP. There currently are no NMTC funding opportunities or other sources of funds, therefore, no budget is established for FY 2017-2018.

Self-Insurance Fund (Fund #68)

The self-insurance fund is used to account for the activities of the District's risk management department and the self-funded programs for property/liability and workers' compensation.

Retiree Benefit Fund (Fund #71)

The District pays premiums for health care coverage for retirees according to Board policies and contract agreements with employee groups. The Retiree Benefit Fund is used to pay retiree benefit premiums that are reimbursed from the OPEB Trust fund. The current year's annual accrual of retiree benefits for existing employees is also made in this fund.

An actuarial study is conducted at a minimum of every two years to update the status of the District's irrevocable trust and determine any unfunded liabilities. The study provides two estimates: 1) the annual accrual to cover the value of benefits "earned" in the current year for existing employees, and 2) the total projected benefits accrual for employees' past service. The current study estimates the cost for the annual accrual for current employees to be \$4,610,000. The District's actuarial accrued liability for past service is estimated at \$102,669,780 and is currently sufficiently funded. An irrevocable trust was established in FY 2007-2008 to fund the OPEB obligation in accordance with GASB 43 and 45.

Retiree Other Post-Employment Benefits (OPEB) Trust Fund (Fund #72)

The Retiree OPEB Trust Fund is used to account for the activities of the District's irrevocable trust. It was established for the purpose of investment and disbursement of funds irrevocably designated for the payment of obligations to eligible employees, former employees, and their eligible dependents for medical, dental, and vision upon retirement. The District's OPEB liability was updated in January 2017 with the completion of a required actuarial study.

Foundation Funds (Funds #73 through 76)

These are funds that account for the operations of Saddleback College, Irvine Valley College, District, and ATEP foundations which are overseen by each of their respective boards of directors. The foundations are auxiliary organizations and are considered component units of the District. The operational revenue should support the operational expenses and promote the college priorities. The foundation budgets are brought annually to the Board of Trustees for their approval at the September meeting.

Pension Stability Trust (PST) Fund (Fund #78)

The PST fund was established to pre-fund the anticipated costs associated with the increase in pension rates through FY 2020-2021. The funds will be transferred to the district each year based on actual increased expenditures for STRS and PERS. The chart below shows the estimated trust funding through FY 2020-2021.

Pension Stability Trust Fund						
Fiscal Year	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Estimated</u>
Beginning Balance	-	14,643,601	26,095,938	35,495,938	30,495,938	23,195,938
Deposits	14,500,000	12,600,000	12,600,000	-	-	-
Earnings	143,601	935,827	1,300,000	1,500,000	1,300,000	800,000
Net Available Funds	14,643,601	28,179,428	39,995,938	36,995,938	31,795,938	23,995,938
Distributions	-	(2,083,490)	(4,500,000)	(6,500,000)	(8,600,000)	(9,500,000)
Ending Balance	14,643,601	26,095,938	35,495,938	30,495,938	23,195,938	14,495,938

Associated Student Government (ASG) Funds (Funds #95 and #96)

The ASG organizations are auxiliaries of the District. The budgets are brought to the Board of Trustees independently from the SOCCCD Adopted Budget for board approval.

BUDGET TABLES

The Adopted Budget for FY 2017-2018 for all District funds is summarized on the following pages.

Dr. James Buysse, Acting Vice Chancellor, Business Services
Kim McCord, Executive Director, Fiscal Services/Comptroller

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2017-2018**

Revenues, Expenditures and Change in Fund Balance

	General Fund	Community Education	Child Development	Capital Outlay	Self-Insurance	Retiree Benefit	Retiree OPEB	Pension Stability Trust Fund	TOTAL ALL FUNDS
	(01)	(07) & (09)	(12)	(40)	(68)	(71)	(72)	(78)	
SOURCES OF FUNDS									
BEGINNING FUND BALANCE:	9712 \$	878,377 \$	1,804 \$	231,341,462 \$	2,077,908 \$	1,357,988 \$	111,165,467 \$	26,095,940 \$	438,574,847
REVENUES:									
SB361 Revenue	156,461,881 \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	156,461,881
Basic Aid	64,652,119	-	-	-	-	-	-	-	64,652,119
Federal Sources	8100-8199	3,321,902	-	-	-	-	-	-	3,321,902
Other State Sources	8600-8699	56,432,503	-	-	-	-	-	-	56,432,503
Other Local Sources	8800-8899	20,789,776	703,735	5,484,000	5,000	10,000	10,610,000	1,500,000	41,518,001
Total Revenue	301,658,181	2,415,490	703,735	5,484,000	5,000	10,000	10,610,000	1,500,000	322,386,406
FISCAL AGENT PASS-THRU	8970-8979	-	-	-	-	-	-	-	4,350,212
BASIC AID INCOMING TRANSFERS:	8980-8989	-	-	50,021,257	-	4,610,000	-	12,600,000	67,231,257
INCOMING TRANSFERS	8980-8989	3,143,842	375,000	500,000	350,000	-	-	-	4,368,842
TOTAL SOURCES OF FUNDS	\$ 374,808,136	\$ 3,293,867	\$ 1,080,539	\$ 287,346,719	\$ 2,432,908	\$ 5,977,988	\$ 121,775,467	\$ 40,195,940	\$ 836,911,564

USES OF FUNDS

	Academic Salaries	Other Staff Salaries	Employee Benefits	Supplies & Materials	Services & Other Operating	Capital Outlay	Payments to Students	Total Expenditures
EXPENDITURES:	1000-1999 \$	2000-2999 \$	3000-3999 \$	4000-4999 \$	5000-5999 \$	6000-6999 \$	7500-7699 \$	
Academic Salaries	90,295,240 \$	57,339,922	57,255,869	8,101,817	35,297,872	18,863,380	1,347,658	268,501,758
Other Staff Salaries	806,961	302,417	383,397	124,946	1,278,419	480,238	-	3,293,867
Employee Benefits	425,179	148,004	4,610,000	1,000	6,662,340	269,194,543	-	276,431,066
Supplies & Materials	513,169	196,612	9,000	20,000	479,906	20,000	-	1,218,687
Services & Other Operating	-	4,200,000	65,000	5,000	400,000	-	-	4,600,000
Capital Outlay	-	-	-	-	-	-	-	-
Payments to Students	-	-	-	-	-	-	-	-
Total Expenditures	90,515,146	59,836,353	67,096,299	8,258,763	44,388,537	288,568,161	1,347,658	560,000,917

OTHER FINANCING USES:

Transfers Out	7300-7399 \$	1,225,000 \$	- \$	- \$	- \$	- \$	- \$	3,143,842 \$	4,368,842
Basic Aid Transfers Out	7300-7399	67,231,257	-	-	-	-	-	-	67,231,257
Other Transfers	7400-7499	4,350,212	-	-	-	-	-	-	4,350,212
Debt Service	7100-7199	72,806,469	-	-	-	-	-	3,143,842	75,950,311
Total Other Uses									

TOTAL USES OF FUNDS

	341,308,227	3,293,867	1,080,539	276,431,066	1,218,687	4,675,000	4,600,000	3,343,842	635,951,228
ENDING FUND BALANCE	\$ 33,499,909	\$ -	\$ -	\$ 10,915,653	\$ 1,214,221	\$ 1,302,988	\$ 117,175,467	\$ 36,852,098	\$ 200,960,336

COMPONENTS OF ENDING BALANCE

Reserve, Economic Uncertainties/Fund Bal.	\$ 16,053,858	\$ -	\$ -	\$ 10,915,653	\$ 1,214,221	\$ 1,302,988	\$ 117,175,467	\$ 36,852,098	\$ 183,514,285
Reserve, Unrealized Tax Collections (Basic Aid)	17,446,051	-	-	-	-	-	-	-	17,446,051

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2017-2018**

Revenues, Expenditures and Change in Fund Balance

	Saddleback College			Irvine Valley College			District Services											
	General Fund		Total	General Fund		Total	General Fund		Total									
	Unrestricted	Restricted		Unrestricted	Restricted		Unrestricted	Restricted										
SOURCES OF FUNDS																		
BEGINNING FUND BALANCE:	9712 \$	13,013,543 \$	6,752,739 \$	19,766,282 \$	1,270,705 \$	3,013,185 \$	4,283,890 \$	2,982,674 \$	- \$	2,982,674								
REVENUES:																		
SB361 Revenue																		
Basic Aid																		
Various	\$	88,442,913	\$	-	\$	88,442,913	\$	50,318,670	\$	16,360,151	\$	-	\$	16,360,151				
Federal Sources																		
8100-8199																		
Other State Sources																		
8600-8699																		
Other Local Sources																		
8800-8899																		
Total Revenue																		
FISCAL AGENT PASS-THRU																		
RESTRICTED BASIC AID																		
INCOMING TRANSFERS																		
TOTAL SOURCES OF FUNDS																		
	\$	113,766,637	\$	45,971,617	\$	159,738,254	\$	64,368,350	\$	21,314,448	\$	85,682,798	\$	19,752,825	\$	4,453,043	\$	19,855,656
USES OF FUNDS																		
EXPENDITURES:																		
Academic Salaries																		
1000-1999																		
Other Staff Salaries																		
2000-2999																		
Employee Benefits																		
3000-3999																		
Supplies & Materials																		
4000-4999																		
Services & Other Operating																		
5000-5999																		
Capital Outlay																		
6000-6999																		
Payments to Students																		
7500-7699																		
Total Expenditures																		
OTHER FINANCING USES:																		
Transfers Out																		
7300-7399																		
Basic Aid Transfers Out																		
7300-7399																		
Other Transfers																		
7400-7499																		
Debt Service																		
7100-7199																		
Total Other Sources (Uses)																		
TOTAL USES OF FUNDS																		
	\$	111,266,637	\$	45,971,617	\$	157,238,254	\$	64,074,669	\$	21,314,448	\$	85,389,117	\$	19,752,825	\$	4,453,043	\$	24,205,868
ENDING FUND BALANCE																		
	\$	2,500,000	\$	-	\$	2,500,000	\$	293,681	\$	-	\$	293,681	\$	-	\$	-	\$	-
COMPONENTS OF ENDING BALANCE																		
Reserve, Economic Uncertainties/Fund Bal.																		
Reserve, Unrealized Tax Collections (Basic Aid)																		

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2017-2018

Revenues, Expenditures and Change in Fund Balance

	General Fund			Other*			Total General Fund		
	Basic Aid		Total	General Fund		Total	General Fund		Total
	Unrestricted	Restricted		Unrestricted	Restricted		Unrestricted	Restricted	
SOURCES OF FUNDS									
BEGINNING FUND BALANCE:	9712 \$	22,185,895 \$	\$	22,185,895 \$	16,437,160 \$	55,889,977 \$	9,765,924 \$	65,655,901	
REVENUES:									
SB361 Revenue									
Basic Aid									
Various	\$	- \$	- \$	1,340,147 \$	156,461,881 \$	- \$	- \$	156,461,881	
8100-8199		64,652,119	-	64,652,119	-	-	-	64,652,119	
Federal Sources		-	-	-	-	-	3,321,902	3,321,902	
Other State Sources		-	-	565,895	10,133,700	46,298,803	-	56,432,503	
Other Local Sources		-	-	-	12,787,509	8,002,267	-	20,789,776	
Total Revenue		64,652,119	-	1,906,042	244,035,209	57,622,972	-	301,658,181	
FISCAL AGENT PASS-THRU									
RESTRICTED BASIC AID		-	-	-	-	-	4,350,212	4,350,212	
INCOMING TRANSFERS		-	-	-	3,143,842	-	-	3,143,842	
TOTAL SOURCES OF FUNDS	\$	86,838,014	\$	86,838,014	18,343,202	303,069,028	71,739,108	374,808,136	
USES OF FUNDS									
EXPENDITURES:									
Academic Salaries	\$	- \$	- \$	481,079 \$	81,764,143 \$	8,531,097 \$	-	90,295,240	
Other Staff Salaries		32,248	-	595,663	44,712,186	12,627,736	-	57,339,922	
Employee Benefits		8,047	-	304,169	49,918,215	7,337,654	-	57,255,869	
Supplies & Materials		-	-	24,500	2,330,886	5,770,931	-	8,101,817	
Services & Other Operating		2,120,411	-	3,677,614	20,854,505	14,443,367	-	35,297,872	
Capital Outlay		-	-	-	2,032,927	16,830,453	-	18,863,380	
Payments to Students		-	-	-	-	1,347,658	-	1,347,658	
Total Expenditures		2,160,706	-	5,083,025	201,612,862	66,888,896	-	268,501,758	
OTHER FINANCING USES:									
Transfers Out	\$	- \$	- \$	- \$	725,000 \$	500,000 \$	-	1,225,000	
Basic Aid Transfers Out		67,231,257	-	67,231,257	-	-	-	67,231,257	
Other Transfers		-	-	-	-	4,350,212	-	4,350,212	
Debt Service		-	-	-	-	-	-	-	
Total Other Sources (Uses)		67,231,257	-	67,231,257	67,956,257	4,850,212	-	72,806,469	
TOTAL USES OF FUNDS		69,391,963	-	69,391,963	5,083,025	269,569,119	71,739,108	341,308,227	
ENDING FUND BALANCE	\$	17,446,051	\$	17,446,051	13,260,177	33,495,909	-	33,499,909	
COMPONENTS OF ENDING BALANCE									
Reserve, Economic Uncertainties/Fund Bal.	\$	-	-	13,260,177 \$	16,053,858 \$	-	-	16,053,858	
Reserve, Unrealized Tax Collections (Basic Aid)		17,446,051	-	17,446,051	-	-	-	17,446,051	

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2017-2018**

Revenues, Expenditures and Change in Fund Balance

		Community Education Fund		Child Development Fund		
		Saddleback College (09)	Irvine Valley College (07)	Saddleback College (12)	Irvine Valley College (12)	Total
<u>SOURCES OF FUNDS</u>						
BEGINNING FUND BALANCE:	9712	\$ 725,280	\$ 153,097	\$ -	\$ -	\$ 1,804
REVENUES:						
SB361 Revenue						
Basic Aid	Various	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	8100-8199	-	-	-	-	-
Other State Sources	8600-8699	-	-	-	-	-
Other Local Sources	8800-8899	1,931,000	484,490	703,735	-	703,735
Total Revenue		1,931,000	484,490	703,735	-	703,735
FISCAL AGENT PASS-THRU	8970-8979	-	-	-	-	-
RESTRICTED BASIC AID	8980-8989	-	-	-	-	-
INCOMING TRANSFERS	8980-8989	-	-	375,000	-	375,000
TOTAL SOURCES OF FUNDS		\$ 2,656,280	\$ 637,587	\$ 1,080,539	\$ -	\$ 1,080,539
<u>USES OF FUNDS</u>						
EXPENDITURES:						
Academic Salaries	1000-1999	\$ 200,976	\$ 18,930	\$ -	\$ -	\$ -
Other Staff Salaries	2000-2999	680,351	126,610	751,122	-	751,122
Employee Benefits	3000-3999	298,739	84,658	302,417	-	302,417
Supplies & Materials	4000-4999	121,214	3,732	22,000	-	22,000
Services & Other Operating	5000-5999	1,025,000	253,419	5,000	-	5,000
Capital Outlay	6000-6999	330,000	150,238	-	-	-
Payments to Students	7500-7699	-	-	-	-	-
Total Expenditures		2,656,280	637,587	1,080,539	-	1,080,539
OTHER FINANCING USES:						
Transfers Out	7300-7399	\$ -	\$ -	\$ -	\$ -	\$ -
Basic Aid Transfers Out	7300-7399	-	-	-	-	-
Other Transfers	7400-7499	-	-	-	-	-
Debt Service	7100-7199	-	-	-	-	-
Total Other Sources (Uses)		-	-	-	-	-
TOTAL USES OF FUNDS		2,656,280	637,587	1,080,539	-	1,080,539
ENDING FUND BALANCE		\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
Changes from Prior Year to Current Year Adopted Budget

Revenues, Expenditures and Change in Fund Balance
GENERAL FUND

	Unrestricted General Fund		Restricted General Fund	
	Adopted Budget FY 2016-2017	Budget Changes FY 2017-2018	Adopted Budget FY 2016-2017	Budget Changes FY 2017-2018
SOURCES OF FUNDS				
BEGINNING FUND BALANCE:	\$ 50,616,800	\$ 5,273,177	\$ 8,724,015	\$ 1,041,909
REVENUES:				
9712 SB361 Revenue	\$ 149,244,052	\$ 7,217,829	\$ -	\$ -
Basic Aid	59,010,948	5,641,171	-	-
8100-8199 Federal Sources	-	-	4,232,583	(910,681)
8600-8699 Other State Sources	12,125,243	(1,991,543)	33,140,913	13,157,890
8800-8899 Other Local Sources	10,980,973	1,806,536	6,484,337	1,517,930
Total Revenues	231,361,216	12,673,993	43,857,833	13,765,139
FISCAL AGENT PASS THROUGH				
8970-8979 RESTRICTED BASIC AID	-	-	-	4,350,212
8980-8989 INCOMING TRANSFERS	4,107,009	(963,167)	-	-
TOTAL SOURCES OF FUNDS	\$ 286,085,025	\$ 16,984,003	\$ 52,581,848	\$ 19,157,260
USES OF FUNDS				
EXPENDITURES:				
1000-1999 Academic Salaries	\$ 80,760,839	\$ 1,003,304	\$ 81,764,143	\$ 2,561,601
2000-2999 Other Staff Salaries	43,114,779	1,597,407	44,712,186	1,489,292
3000-3999 Employee Benefits	44,679,751	5,238,464	49,918,215	1,540,722
4000-4999 Supplies & Materials	2,859,219	(528,333)	2,330,886	970,602
5000-5999 Services & Other Operating	21,066,363	(211,858)	20,854,505	5,471,928
6000-6999 Capital Outlay	1,986,523	46,404	2,032,927	2,221,334
7500-7699 Payments to Students	-	-	1,046,089	301,569
Total Expenditures	194,467,474	7,145,388	201,612,862	14,557,048
OTHER FINANCING USES:				
7300-7399 Transfers Out	\$ 500,000	\$ 225,000	\$ 725,000	\$ 250,000
Basic Aid Transfers Out	56,129,557	11,101,700	67,231,257	-
Other Transfers	-	-	-	4,350,212
Debt Service	-	-	-	-
Total Other Sources (Uses)	56,629,557	11,326,700	67,956,257	4,600,212
TOTAL USES OF FUNDS	251,097,031	18,472,088	269,569,119	19,157,260
ENDING FUND BALANCE	\$ 34,987,994	\$ (1,488,085)	\$ 33,499,909	\$ -
COMPONENTS OF ENDING BALANCE				
Reserve, Economic Uncertainties/Fund Bal.	\$ 21,122,525	\$ (5,068,667)	\$ 16,053,858	\$ -
Reserve, Unrealized Tax Collections (Basic Aid)	13,865,469	3,580,582	17,446,051	-

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

Prior Year Budget to Actual

Revenues, Expenditures and Change in Fund Balance
GENERAL FUND

	Unrestricted General Fund			Restricted General Fund		
	Adopted Budget FY 2016-2017	Actual FY 2016-2017	Balance FY 2016-2017	Adopted Budget FY 2016-2017	Actual FY 2016-2017	Balance FY 2016-2017
SOURCES OF FUNDS						
BEGINNING FUND BALANCE:	\$ 50,616,800	\$ 50,616,800	\$ -	\$ 8,724,015	\$ 8,724,015	\$ -
REVENUES:						
9712						
Federal Sources	-	7,898	(7,898)	4,232,583	2,947,645	1,284,938
8600-8699	13,315,243	19,136,787	(5,821,544)	33,140,913	23,693,869	9,447,044
8800-8899	218,045,973	228,241,451	(10,195,478)	6,484,337	8,202,035	(1,717,698)
Total Revenues	231,361,216	247,386,136	(16,024,920)	43,857,833	34,843,549	9,014,284
FISCAL AGENT PASS THROUGH INCOMING TRANSFERS						
8970-8979	-	-	-	-	4,350,211	(4,350,211)
8980-8989	4,107,009	4,835,415	(728,406)	-	19,406	(19,406)
TOTAL SOURCES OF FUNDS	\$ 286,085,025	\$ 302,838,351	\$ (16,753,326)	\$ 52,581,848	\$ 47,937,181	\$ 4,644,667
USES OF FUNDS						
EXPENDITURES:						
1000-1999	\$ 80,760,839	\$ 82,138,227	\$(1,377,388)	\$ 5,969,496	\$ 6,038,260	\$(68,764)
2000-2999	43,114,779	42,059,712	1,055,067	11,138,444	9,492,302	1,646,142
3000-3999	44,679,751	45,793,064	(1,113,313)	5,796,932	5,188,983	607,949
4000-4999	2,859,219	2,221,827	637,392	4,800,329	1,519,665	3,280,664
5000-5999	21,066,363	15,626,826	5,439,537	8,971,439	4,020,520	4,950,919
6000-6999	1,986,523	1,733,800	252,723	14,609,119	5,349,863	9,259,256
7500-7699	-	8	(8)	1,046,089	1,882,157	(836,068)
Total Expenditures	194,467,474	189,573,464	4,894,010	52,331,848	33,491,750	18,840,098
OTHER FINANCING USES:						
7300-7399	\$ 56,629,557	\$ 57,374,910	\$(745,353)	\$ 250,000	\$ 309,889	\$(59,889)
7400-7499	-	-	-	-	4,369,618	(4,369,618)
Total Other Sources (Uses)	56,629,557	57,374,910	(745,353)	250,000	4,679,507	(4,429,507)
TOTAL USES OF FUNDS	251,097,031	246,948,374	4,148,657	52,581,848	38,171,257	14,410,591
ENDING FUND BALANCE	\$ 34,987,994	\$ 55,889,977	\$ (20,901,983)	\$ -	\$ 9,765,924	\$ (9,765,924)

APPENDIX A

The following Funds are used at South Orange County Community College District:

FUND NUMBER	DESCRIPTION	DEFINITION
01	General Fund	Used to account for the ordinary operational expenses of the district. These funds are available for any legally authorized purpose not specified for payment by other funds.
07	Community Education Fund – Irvine Valley College	Irvine Valley College provides community education seminars, short courses, workshops, and programs to support community needs not met by the traditional college curriculum. This fund is self-supporting.
09	Community Education Fund – Saddleback College	Saddleback College provides community education seminars, short courses, workshops, and programs to support community needs not met by the traditional college curriculum. This fund is self-supporting.
12	Child Development Fund	The District operates child development programs at both colleges for the benefit of children ages 18 months to 5 years. Services are provided to students and the community on a fee basis. The child development program is not charged for administration and operations. It is intended to be self-supporting.
40	Capital Outlay Fund	The District maintains the capital outlay projects fund to account for the expenditures of capital outlay and scheduled maintenance projects. This fund is further divided by funding sources; i.e., state apportionment for new construction, state scheduled maintenance, local redevelopment funds, American with Disabilities Act, and District funded projects.
41	Facilities Corporation Capital Outlay Projects Fund	The District established the Facilities Corporation capital outlay projects fund to account for the transactions related to funding for the development of ATEP, when it is needed.
68	Self-Insurance Fund	The self-insurance fund is used to account for the activities of the District’s self-funded programs for property/liability and workers’ compensation programs.

APPENDIX A

FUND NUMBER	DESCRIPTION	DEFINITION
71	Retiree Benefits Fund	The District pays premiums for health care coverage for retirees according to Board Policies and contract agreements with employee groups. This fund is used to pay premiums. The current year's annual accrual of retiree benefits for existing employees is also made in this fund.
72	Retiree (OPEB) Trust	This fund is used to account for the activities of the District's irrevocable trust, established for the purpose of investment and disbursement of funds irrevocably designated for the payment of obligations to eligible employees, former employees, and their eligible dependents for medical, dental, and vision upon retirement.
73	Saddleback College Foundation	This fund is used to account for the activities of an auxiliary organization known as a foundation. The foundation provides scholarships for students and supplements the needs of the college.
74	Irvine Valley College Foundation	This fund is used to account for the activities of an auxiliary organization known as a foundation. The foundation provides scholarships for students and supplements the needs of the college.
75	District Foundation	This fund is used to account for the activities of an auxiliary organization known as a foundation. The foundation supplements any needs the District may have.
76	ATEP Foundation	This fund is used to account for the activities of an auxiliary organization known as a foundation. This account may supplement needs the District may have related to ATEP.
78	Pension Stability Trust	This fund is used to account for the activities of the District funds set aside to pre-fund the STRS and PERS rate increases for unrestricted general fund employees.
84	Student Financial Aid Fund	This fund is used to account for the deposit and direct payment of government-funded student financial aid, including grants and loans.

APPENDIX A

FUND NUMBER	DESCRIPTION	DEFINITION
95	Associated Student Government - Saddleback College	This fund is used to account for monies held in trust by the college for organized student body associations. The fund is subjected to the approval of the governing board.
96	Associated Student Government - IVC	This fund is used to account for monies held in trust by the college for organized student body associations. The fund is subjected to the approval of the governing board.
99	Fixed Assets	This fund is used to record the fixed asset acquisition, disposal, and depreciation transactions for our annual financial report.

APPENDIX B

South Orange County Community College District

RESOURCE ALLOCATION DEFINITION OF TERMS

(To accompany the Flow Chart outlining the Resource Allocation Process)

- **Administrative Unit Reviews (AURs)** are conducted to examine the effectiveness of an administrative unit. They are conducted at both District Services and the colleges.
- **Basic Aid** occurs when the local property tax revenue in a community college district exceeds the total funding that the state would have provided, as calculated by SB361 apportionment. Apportionment is the method by which the CCC system office distributes federal, state and local monies to community college districts according to a specified formula. Under Basic Aid, there is no need to factor in any state aid because the property taxes and student fees surpass the minimum funding level established by the state. K-12 school districts also can be basic aid districts.
- **Capital Construction** refers to large scale building construction projects. They include specific construction projects such as site development, utilities, roads, buildings, and equipment projects. Capital projects may also be thought of in terms of “facilities systems.”
- **DRAC** is the SOCCCD’s District Resource Allocation Council, which is a district-wide participatory governance council, approved by the Board of Trustees and charged with recommendations for the income allocation model on which the budget is based. It is charged with development and oversight of the allocation process for Unrestricted General Funds and it makes recommendations to the Chancellor.
- **DRAC Model** is a resource allocation model for the District. It distributes available general fund unrestricted resources (following the state funding formula SB 361) and other funding such as enrollment fees, non-resident fees, local income, miscellaneous income, and ending balances. It is distributed to five areas: 1) Saddleback College, 2) Irvine Valley College, 3) Contingency Reserve, 4) General Expenditures, and 5) District Services. The intention of the model is to guarantee the colleges a predictable, fair, and equitable distribution of revenues.
- **Education and Facilities Master Plan (EFMP)** is a year-long endeavor updated every five years. Information is captured from a variety of sources, both internal and external, to facilitate data driven decision making. Meetings were hosted with participatory governance groups and with community involvement. The results connect capital expenditure decisions directly to planning efforts. The District-wide Education and Facilities Master Plan (EFMP) 2011-2031 is in a 5-volume comprehensive document. The product is a long-term plan for continuous quality improvements focusing on strategies for academic excellence and facilities improvements.

APPENDIX B

South Orange County Community College District

RESOURCE ALLOCATION DEFINITION OF TERMS

(To accompany the Flow Chart outlining the Resource Allocation Process)

- **Ending Balances** are one-time remaining funds that are unspent at the end of the fiscal year and are available to be rolled over into the new fiscal year within the fund. They should only be available for one-time purposes. If negative ending balances should occur, they are deducted from the budget for the respective entity in the next year's budget process.
- **Enrollment Fees** are charged to a student for instructional services provided to that student and these fee levels are set by the state.
- **Federal, State, Categorical, and Grant Funds** include restricted revenues received from a government or a private or non-profit organization to be used or expended for a specified purpose.
- **General Funds** are used to account for the ordinary operational expenses of the District. These funds are available for any legally authorized purpose not specified for payment by other funds.
- **Local Income** is income derived from non-state and non-federal sources, such as material fees, facility rental, and application fees.
- **Local Restricted Funds** are funds that are non-state and non-federal, but have restrictions or limitations based on their use by the funding source or funding agency. Examples are community education, parking income, and child development funds.
- **Long-Term Obligations** are amounts that an entity may be legally required to pay out of its resources over a longer period of time in the future. Included are not only actual liabilities, but also unliquidated encumbrances. An example of a long term obligation that community colleges typically have is the future retiree benefit liability obligation, as required by GASB 43 and 45. Other examples could include Certificates of Participation (COPs) and debt, which the District does not currently have.
- **Miscellaneous Income** is income that is outside of the SB 361 formula. Examples are unrestricted lottery, interest, mandated costs, and enrollment fee administration.
- **Non-Resident Fees** are charged to a student for instructional services provided to a student who resides outside of California. Revenues are retained by the colleges in addition to revenues received through the DRAC model.

APPENDIX B

South Orange County Community College District

RESOURCE ALLOCATION DEFINITION OF TERMS

(To accompany the Flow Chart outlining the Resource Allocation Process)

- **Program Reviews** are a process to examine the effectiveness of an academic program. The process typically provides feedback (a) to the academic unit primarily responsible for the program, (b) to the appropriate academic administrators, and (c) to external units in the form of confirmation of the existence of a review process and in the form of summaries of the outcomes.
- **Property Taxes** are compulsory charges levied within boundaries by a governmental unit against the property of persons, natural or corporate, to finance services performed for the common benefit. Property taxes are the primary source of revenue to the District.
- **Reserve** is an amount set aside to provide for estimated future expenditures or losses for working capital, or for other specified purposes. The Budget Guidelines approved by the Board of Trustees require a general fund reserve for economic uncertainties that shall be no less than 7.5% of the projected unrestricted revenue.
- **Restricted Funds** are used to account for resources available for the operation and support of educational or other programs specifically restricted by law, regulations, donors, or other outside agencies. Examples of Restricted Funds at SOCCCD are EOPS, DSPS, and grants. All federal, state, and local funds including state categorical programs and grants are recognized as restricted general fund income to the District.
- **Scheduled Maintenance** The state refers to scheduled maintenance as state funds that are provided for major repairs of buildings and equipment and have required a local match. For several years, state scheduled maintenance funds had not been allocated to community colleges. Beginning in FY 2013-2014, the State re-introduced the State Scheduled Maintenance program. At the District, the working definition of scheduled maintenance includes scheduled maintenance or repair of major building systems at the end of their life cycle that require planning, allocation of a significant amount of time and funds, and a high degree of coordination.
- **State Capital Project Match** are match funds provided by the California Community College Chancellor's Office for district capital construction projects that meet their criteria for receiving a match of dollars from the state. These matching funds are matched by the local district.
- **Strategic Plans** refer to the Strategic Plans at both colleges and the SOCCCD District-wide Strategic Plan.
- **Unrestricted Funds** are funds that do not have limitations on their use or disposition by their funding source (i.e., do not have specific restrictions placed upon them). These funds can be used for general purpose operating expenses and support of educational programs of the District.

APPENDIX B:

South Orange County Community College District

RESOURCE ALLOCATION DEFINITION OF TERMS

(To accompany the Flow Chart outlining the Resource Allocation Process)

- **5 Year Construction Plan** uses the project lists developed during the Education and Facilities Master Planning process. The college presidents work every year with their campuses to update the two colleges' lists of project priorities. The separate campus priority lists are merged into one district-wide project priority list vetted through the Capital Improvement Committee (CIC) and approved by the Board of Trustees for submittal to the State Chancellor's office. This Five Year Construction Plan is the basis for the State Chancellor's Office determination of which projects they will consider for funding. All Initial Project Proposal (IPP) and Final Project Proposal (FPP) submittals must be drawn from this list.
- **20 Year Facility, Renovation, & Scheduled Maintenance Plan** will be a plan developed by each college and facilitated by CIC to create a 20 year projection of District-wide facility needs including projected cost and revenue. Facility needs are defined as new facilities, renovation of existing facilities, scheduled maintenance and maintenance backlog. This plan will be developed objectively by applying uniform data driven criteria to assess facility needs District-wide. This plan will be reviewed annually by the committee.