



ADOPTED BUDGET

FY 2016-2017

August 22, 2016

Presented By:
Dr. Debra L. Fitzsimons
Vice Chancellor, Business 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 2016 is over 41,000 and full time equivalent students (FTES) for FY 2016-2017 are expected to number over 28,000. Demand for online courses and certificate programs continues to increase. SOCCCD has approximately 4,000 employees consisting of faculty, administrators, managers, classified staff, and police.

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) continued design and construction for the Technology and Applied Sciences (ATAS) Swing Space and Renovation projects; b) final construction and completion of the Sciences Building project which opens Fall 2016; and c) continued criteria development on the Site Improvement project which has been combined with the Athletic Stadium Renovation project for economy of scale; d) the Fine Arts Complex HVAC & Interior Improvements project; and e) predesign investigation of the Math Science Engineering (MSE) Building.

Irvine Valley College projects include: a) construction and completion of the Liberal Arts Building Design/Build project which opens this Fall semester; b) construction of the Barranca Road connection; c) design for the New IVC Building project at ATEP with construction ground breaking slated for September 2016; d) design of the IVC Parking Lot, Phase I with solar structures and e) the design of Health Center/Concessions Building project.

With the advent of the CIC and BAARC process, resources are in place to address many additional facility projects including at Saddleback College: a) Central Plant/CoGen Upgrade, b) Exterior

Campus Lighting, c) PE Sewer Ejector Repairs, d) Technology Services Storage area, e) Roof Numbering system and f) Wireless Access Points Installation.

At Irvine Valley College: additional projects included a) Field Repairs; b) Electronic Access Controls/Locks, c) Emergency Telephone/Mass Notification System, and d) PE Flooring Project.

On a district-wide basis: additional projects include district-wide review and planning of a) Sustainability Plan; b) Parking Study; c) ADA Access Transition plan; and d) Infrastructure Assessment.

Major Technology Initiatives: This year's proposed technology projects recommended by the District-wide Technology Committee (DTC) fall into five general categories. The first category is improvements to computing infrastructure, typified by the district-wide replacement of network security firewalls, faculty/staff email system, desktop computers, servers, classroom technology, and backup systems.

The second category is enterprise resource planning (ERP) software, where we have replaced aging software and manual processes for human resources and finance with Workday's new cloud-based ERP software. In addition, SOCCCD has joined key institutions in assisting with the design of Workday's new Student system, which will include functions from SOCCCD's award-winning suite of student success software.

The third category consists of college-requested items to improve service to students, such as a new "smart" student ID card and a new campus printing system for students.

The fourth category consists of major new software development projects such as MySite 3.0 which includes the new Student Success Dashboard. In the coming year we will be upgrading the class schedule with the SmartSchedule 2.0 project.

Finally, some technology funds are reserved to implement unfunded statewide mandates (past examples have included changes in student registration priorities and the handling of student course prerequisites).

State Budget and the Community College System: The final State budget was enacted on June 27, 2016 and provides \$330 million to community colleges above the FY 2015-2016 state budget. The passage of Proposition 30 in fall of 2012 created the Educational Protection Account (EPA) which continues to provide temporary funding for education to be used for one-time purposes. The sales tax increase in Proposition 30 will expire on December 31, 2016. The income tax provision expires on December 31, 2018. There currently are proposed bills to extend the income tax provision beyond 2018, but not the sales tax increase. The spending plan for EPA funds received by SOCCCD is included in the adopted budget.

Some of the highlights of the adopted budget related to community colleges are:

- Enrollment fees remain at \$46 per unit
- 0% COLA
- \$115 million for 2% enrollment growth; these funds will be distributed using the new growth funding formula for increased student enrollment
- \$75 million to increase the base allocation for operational costs
- \$105 million to pay down outstanding mandated cost claims (one-time funds)
- \$30 million increase in Basic Skills funding
- \$248 million increase for economic development
- \$49 million for Prop 39 energy efficiency projects
- \$185 million for deferred maintenance and instructional equipment with no local match requirement for deferred maintenance

The budget includes additional ongoing funds to increase the base allocation. These funds are intended for new operational costs mainly related to the increases in the STRS and PERS rates. This will increase the basic allocation to each college as well as the rate per FTES and amounts to an approximately 1.2% overall increase.

Although community-supported districts did not initially receive allocations for the full-time faculty funds in the FY 2015-2016 budget, the FY 2016-2017 state budget allows them to receive their fair-share of the \$62.3 million to increase the ratio of full-time faculty.

SOCCCD Budget: The SOCCCD budget for all funds totals over \$755 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 Unrestricted General Fund beginning balance (\$16.7M), an increase in mandate cost reimbursements (\$500K), an increase in full-time faculty funds (\$1.4M), an increase in part-time faculty office hours reimbursement (\$250K), and an overall increase in the Restricted General Fund (\$5.6M).

Although new on-going revenue was not available through a COLA, District-wide operating costs continue to increase from negotiated salary increases, health and welfare benefit increases, and pension rate increases. Personnel costs as a percentage of total budget has risen this year but is still within our recommended budget target of 86% - 88% largely due to available one-time funds. This

indicator demonstrates the need for future budget vigilance and is a trend that needs to be reversed to ensure future financial health of the District.

STRS and PERS rates are anticipated to increase significantly over the next 5 years. STRS rate increases have already been set by the legislature. PERS rates are set each year by the PERS Board. For FY 2016-2017, the increase cost over the prior year is estimated at \$2.6 million. This will grow an additional \$8 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 \$12.6M budgeted from basic aid funds for FY 2016-2017.

The District will need to be diligent in managing the tight budget where the increases in commitments for salaries, benefits, and retirement contributions to STRS and PERS surpass the new available income. On top of very low COLA increases in recent years, the EPA funds will expire, if not extended, after 2018 causing additional fiscal constraints.

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 \$58 million. These funds are used for capital expenditures and other one-time projects in lieu of bonds that other community colleges use.

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.

The adopted budget has been reviewed and confirmed that it is balanced as is required by law.

Dr. Debra L. Fitzsimons

Vice Chancellor, Business Services

Acting Chancellor

South Orange County Community College District



Saddleback College is pleased to submit its Adopted Budget to the Board of Trustees and Chancellor. This budget uses income and expenditure simulations in accordance with the FY 2016-2017 Final State Budget.

Saddleback is primarily funded through the State SB361 apportionment calculation. The State Budget proposes a 0.0% cost-of-living-adjustment (COLA), and 2% for growth; however, due to the new Community College Growth Formula, Saddleback will receive growth of 0.5%. The college has used these assumptions to develop income and expenditure projections. Expenditure assumptions include funding for all existing personnel; replacement of all vacant faculty, classified, and management positions; step and column increases; collective bargaining related increases; fringe benefit increases, and health and welfare increases.

The State Budget includes much needed one-time equipment/scheduled maintenance funds that the college will combine with prior year equipment/scheduled maintenance funds, and use for a much needed building access control project campus wide. In recent years the college has placed a high priority on this access control project, and these funds have provided the opportunity to make this priority a reality.

Both the State Teachers Retirement System (STRS) and Public Employee Retirement System (PERS) have revised contribution rates through FY 2020-2021, and projected employer rates rise sharply over that period. STRS rates will increase from 8.25% in FY 2013-2014 to 19.1% in FY 2020-2021, and PERS is projected to increase from 11.442% in FY 2013-2014 to 20.40% in FY 2020-2021. It is projected that by FY 2020-2021 Saddleback College will be required to pay at least an additional \$5M per year for these increases, based on FY 2013-2014 expenditures. However, due to action by the Board of Trustees, a pension stabilization fund has been set-aside which will fund these increases for non-categorical budgets until that time, which assists the college's operating budget.

The continuing trend of annually increasing costs for existing personnel relating to step and column movement, collective bargaining agreements, fringe benefit increases and health and welfare increases, presents an ongoing and difficult challenge to control the percentage of budget allocated to salaries and benefits. Pre-determined increases for salaries and benefits exceed actual and potential revenue increases, ultimately requiring less employees or more revenue. This is an issue district services and both colleges will need to address together as a team. These budget pressures, coupled with increased demands placed on faculty, staff and management, have created a challenge as the college pursues its top goal to significantly improve student success numbers and rates of degrees, certificates, and transfers. To enhance efficiency and cost effectiveness districtwide, the district will work on a district-wide approach to enrollment management and strategies.

This Adopted Budget includes a contingency of \$7M, planned as a minimum carry over for use

in the FY 2017-2018 budget cycle. These funds were derived primarily from one-time mandated cost reimbursement allocations, disbursed by the state in 2015-2016. Multi-year projections show that the cost of salaries and benefits will continue to increase as a percentage of budget, therefore the college will be careful when adding ongoing costs to the college budget, and will save, rather than spend, one time funds to 'smooth' the multi-year budget cycle.

In accordance with the college's participatory resource allocation process, the college has completed FY 2016-2017 resource request prioritization, and those items approved for funding are included in the Adopted Budget.

The Gateway Building is the college's top priority for state funding. After an arduous process, this capital project was submitted to the State for consideration by the June 30 deadline. Saddleback is hopeful that the points assigned to this project are sufficient to qualify for State funding, assuming funds become available. This building is a lynchpin in the future facilities plans for Saddleback. Facilities growth and modernization are vital to the future success of the college.

Faculty, staff and management remain committed to meeting the college mission and moving towards its vision of 'being the first choice'. We appreciate our successful partnership with the Board of Trustees, Chancellor, District Services, Irvine Valley College and the South Orange County community.

Tod A. Burnett, Ed.D., President and Carol Hilton, Vice President for Administrative Services

IRVINE VALLEY COLLEGE BUDGET MESSAGE



Irvine Valley College presents to the Board of Trustees a balanced 2016-17 budget for adoption. The financial situation has improved since the tentative budget due to additional one-time state funds allocated through the District Revenue Allocation Model (DRAC). These additional one-time funds provide the college with the much needed safeguard while sustainable solutions are being developed and implemented. Utilizing these one-time state funds, the college set aside a \$1.4 million contingency reserve.

Consequently, the ratio of salaries and benefits to the total budget has improved by declining from 92.8% observed at the tentative budget to 89.8% calculated at the adopted budget. This improved ratio is closer to the 86-88% recommended for a long-term budget stabilization.

As noted in the tentative budget message, IVC has embarked on a college-wide budget solution development process. While the solution plan is being developed, allocations from unrestricted funds have been curtailed, and recruitment process for vacant positions may slow down as the college analyses its business processes and organizational structure. There will be an across-the-board review of various solution options including additional revenue generation measures, efficiency measures and potential reductions with the understanding that not all areas may be subject to these measures equally and areas directly related to student enrollment and core services will be protected.

IVC prides itself on having a comprehensive and transparent budget development process that engages all the constituency groups of the campus including faculty, staff, students and administration. In parallel to developing a solutions package, the college will continue to find ways to strategically fund resource requests submitted by various schools and departments during FY 2015-2016. In accordance with the college's budget development process, all resource requests have gone through a college-wide strategic planning committee review and rating process. The top rated requests include new positions (\$1.0 million), capital improvements (\$13.9 million), technology (\$2 million), and instructional equipment (\$615,000).

The college will continue to seek funds to enhance programs and expand activities. The Student Success and Support Program (SSSP), formerly Matriculation, is funded at \$1.9 million. The goals of this program is to ensure that all students complete their college courses, persist to the next academic term, and achieve their educational objectives through admissions, orientation, assessment and testing, counseling, and student follow-up. Another noteworthy state program is the Physical Plant and Instructional Support funds (PPIS) also funded at \$1.4 million. These funds can be used to fund scheduled maintenance and water conservation projects and to purchase instructional equipment. Lastly, the Student Equity Planning (SEP) program is funded at \$661,000 focusing on increasing access, course completion, ESL and basic skills completion, degrees, certificates and transfer for all students.

Irvine Valley College is grateful to the Board of Trustees and the acting Chancellor for their continued support and visionary leadership. This support goes a long way toward empowering IVC to remain dedicated to student learning through exemplary teaching, integrated support services, effective stewardship, and continued accessibility in a diverse community.

Dr. Glenn Roquemore, President, Irvine Valley College
Davit Khachatryan, Vice President for Administrative Services



ADVANCED TECHNOLOGY & EDUCATION PARK (ATEP)

In 2004, SOCCCD was conveyed 68.37 acres of land from the Department of the Navy on the former Marine Helicopter Base in Tustin and named the Advanced Technology & Education Park (ATEP). This land conveyance provided the opportunity for the district to create an advanced technology and educational park emphasizing public/private partnerships focused on the colleges' career technical educational programs. The district opened with a 1 and 1/2 acre temporary campus in fall 2007 to begin serving students. Land exchange agreements with the City of Tustin were completed in 2013. This new land configuration provided the District with a 61.4 acre site to develop. Included in the agreements was an agreement to cost share and extend Bell Avenue. Bell Avenue, now newly called Victory Drive, will be constructed coinciding the construction of the IVC First Building at ATEP. Victory Road bifurcates the property and provides better access for our future students and the general public who will use the site.

Currently, Irvine Valley College oversees the day-to-day operations of the 14,088 square feet of temporary instructional buildings at the ATEP site. The District leases these buildings from the City of Tustin. District Services oversees planning, legal, and infrastructure development for the site.

Accomplishments and Future Activities

ATEP has several projects currently underway supporting the development of this site. Recent accomplishments and future activities in the planning and development of the ATEP site include:

- The design documents for the first ATEP building which will support Irvine Valley College academic programs were submitted by the Design-Builder to the Division of the State Architect (DSA) for review. It is anticipated that construction will commence in early September. The building will be a 32,000 square foot facility housing academic programs already on the ATEP site, along with an electrical/electronic program being moved from IVC to ATEP, and a Testing Center. The new building will also house an increased presence of student services that will better support our ATEP students.
- The design for the utility and road infrastructure project that will support the IVC first building and Phase I of the site was completed and has been approved by DSA. The District is currently in the process of prequalifying a General Engineering Contactor to bid the project. The ATEP Infrastructure Project will support the IVC First Building and additional site development, providing a utility back-bone to all of the phase one area in the ATEP Development Framework. This project is also expected to commence in September 2016.
- The City of Tustin and the District are working together to construct an extension of Bell Avenue, now designated as Victory Road, going through the ATEP development area. The road will be dedicated to the city upon completion and provide for important access and increases in average daily trips for the ATEP site. The construction on the road is expected to be completed by spring 2017.

- District staff is also working with the County of Orange to facilitate the design of the County Animal Care Center which is being built adjacent to the ATEP site on land leased from SOCCCD.
- All four construction projects will be going on simultaneously on the site with all four to be completed by various dates in the fall of 2017.
- The District has entered into an agreement for new commercial real estate brokers. The brokers will advertise partnership opportunities for the ATEP site. These partnerships will embrace opportunities for college program synergies to support student training, instruction, and career success. Ground lease opportunities for these partners will enhance the site for career technical education.
- The Land Exchange Agreement entered into with the County of Orange in 2011 was finalized. This Exchange allows for a more contiguous configuration of the ATEP site.
- The District is in the process of establishing the Covenants, Conditions and Restrictions (CC&R's) for the future tenants who develop portions of the site.

Dr. Debra L. Fitzsimons
Vice Chancellor, Business Services
Acting Chancellor

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

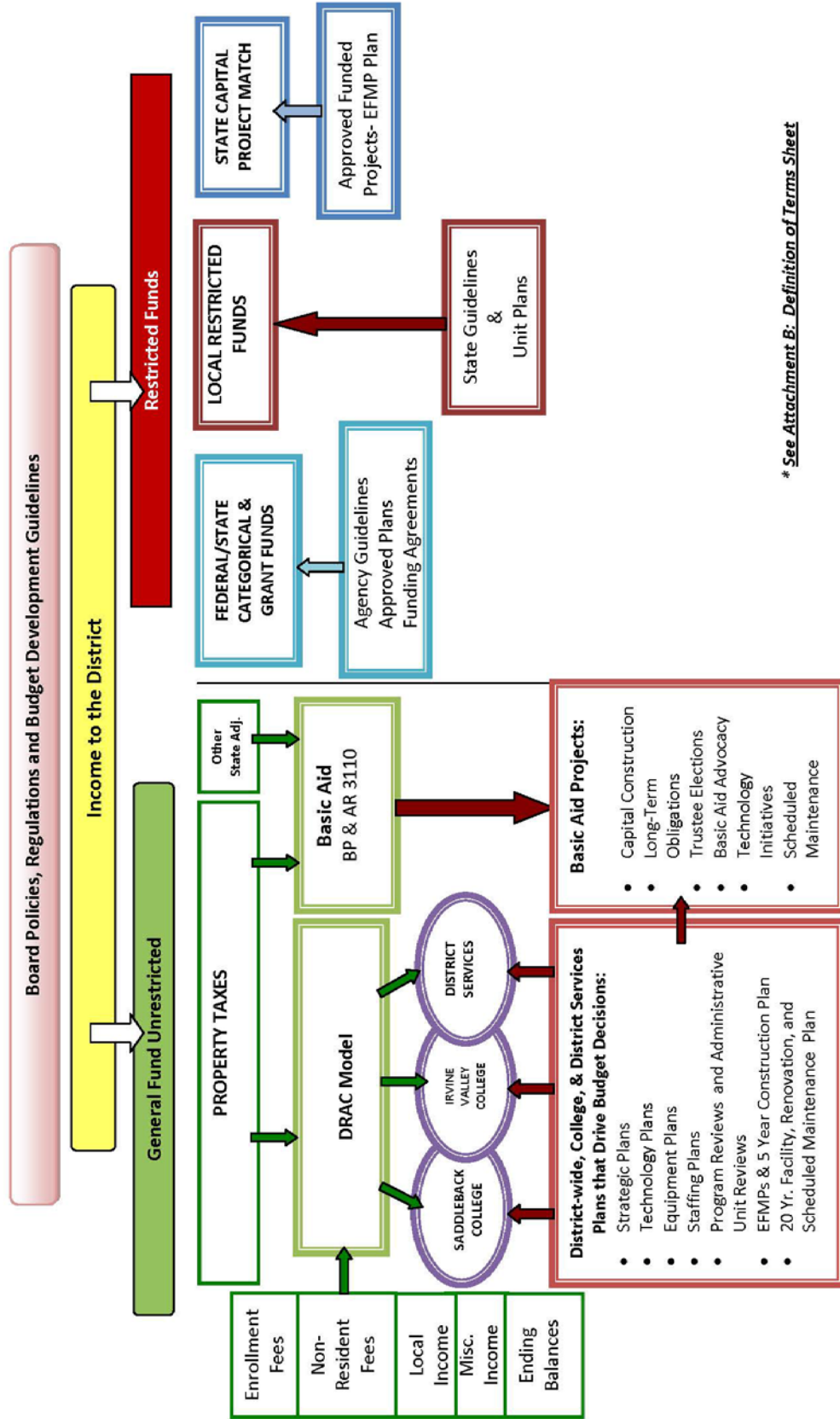
When developing the target FTES, consideration will be given to the following:

- 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*

d/f 8/11/2011

SUMMARY OF GENERAL FUND BUDGET ALLOCATIONS

Allocated Area	* Unrestricted	*Restricted	Total
Saddleback College	\$ 113,579,260	\$34,922,804	\$148,502,064
Irvine Valley College	\$ 64,061,883	\$17,644,011	\$ 81,705,894
District Services	\$ 18,573,704	\$ 15,033	\$ 18,588,737
District-wide General Expense	\$ 3,841,614		\$ 3,841,614
Part-Time Faculty Parity Funds	\$ 575,592		\$ 575,592
Basic Aid Allocation/Transfer**	\$ 58,882,174		\$ 58,882,174
Basic Aid Contingency	\$ 13,865,469		\$ 13,865,469
Reserves for Economic Uncertainties	\$ 12,705,329		\$ 12,705,329
TOTALS***	<u>\$ 286,085,025</u>	<u>\$ 52,581,848</u>	<u>\$338,666,872</u>

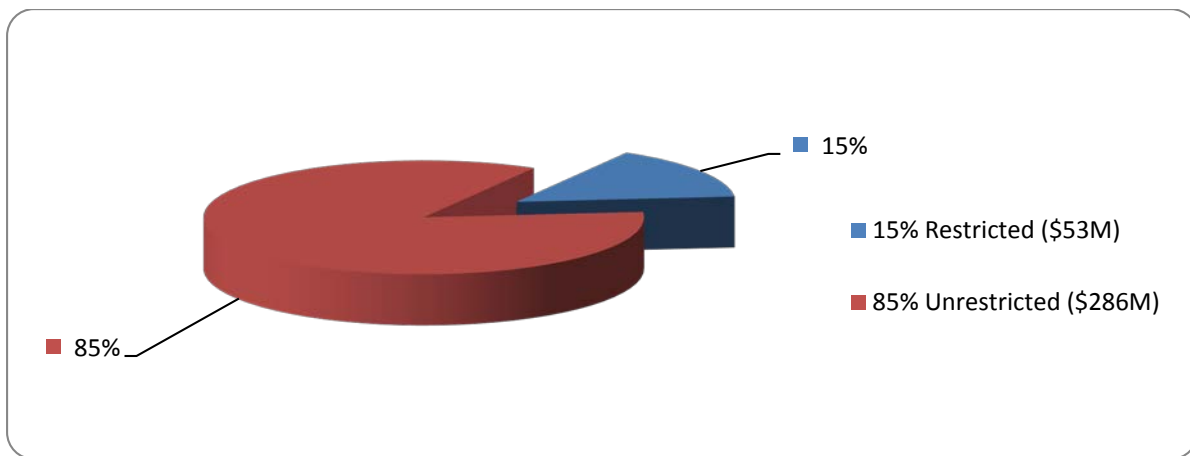
* See pages 28 through 32 (Total of revenue, expenses and ending balance for each budget location)

**Prior Year Beginning balance of Basic Aid funds (\$3.1 M) is in the Capital Outlay fund.

*** The basic aid total was based on conservative property tax estimates.

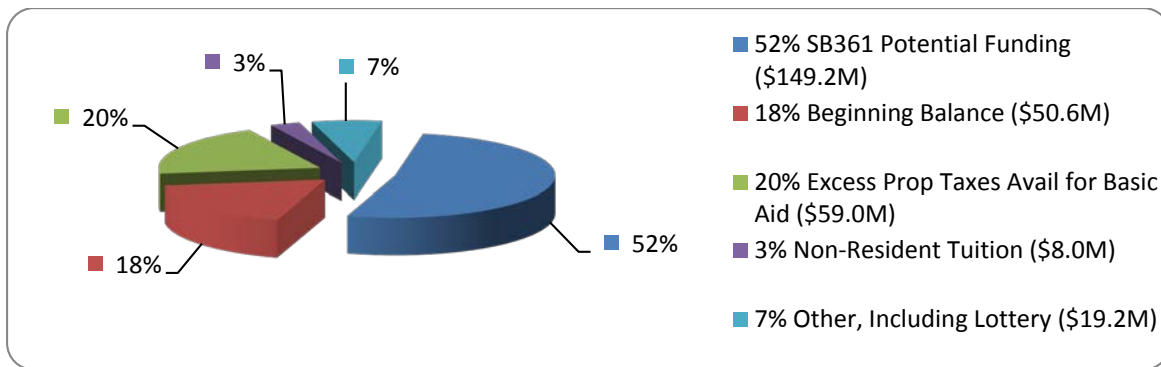
GENERAL FUND REVENUE

The general fund, which totals \$339 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.”

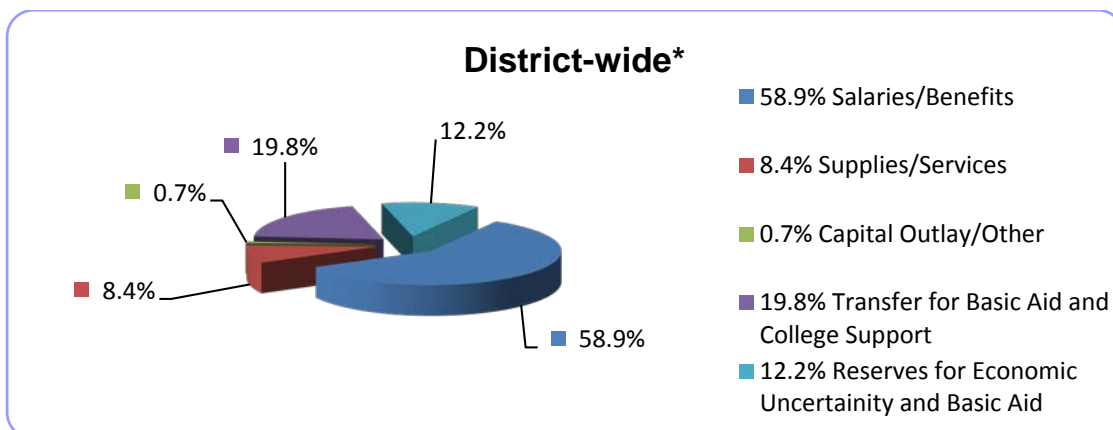


UNRESTRICTED GENERAL FUND REVENUE

The largest segment of the general fund is the *unrestricted portion*, which accounts for resources for the general purpose programs of the District, approximately \$286 million (85% of the activity). This is an increase of \$16 million over last year due primarily to increases in beginning balances, property taxes, growth and base augmentation. 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 and student enrollment growth. 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 2016-2017 Basic Aid (20%), Non-Resident Tuition (3%), and other sources, including Prop 30 EPA funds and Lottery (7%). The beginning balance, carried forward from the prior year, is 18% of available unrestricted funds.



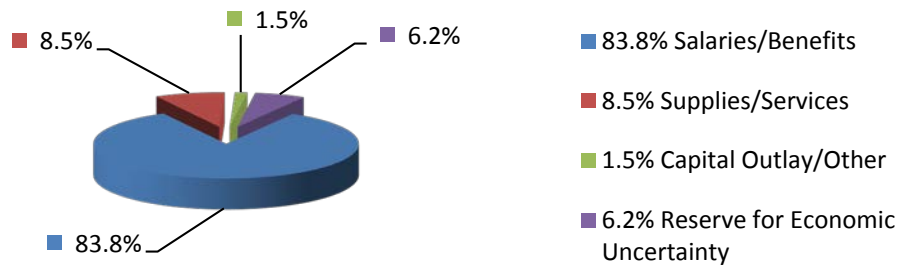
UNRESTRICTED GENERAL FUND OPERATING EXPENDITURES



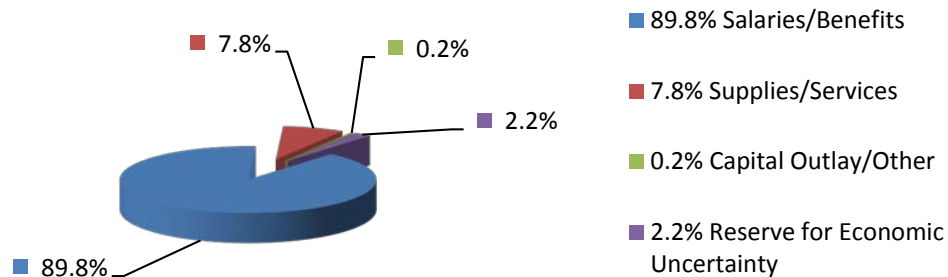
**Note: These percentages are based on the entire District budget that includes all reserves and Basic Aid funds. Without reserves and Basic Aid funds, the percentage for salaries and benefits would be 86.5%, which has increased from 84.9% last year.*

Most of the expenditures in the general fund operating budgets are for employee salaries/benefits as seen below. Saddleback College salaries and benefits equal 83.8% of its operating budget (up from 82.1%) and Irvine Valley College salaries and benefits equal 89.8% of its operating budget (up from 82.4%). District Services salaries and benefits increased from 76.8% to 79.6% of its operating budget. These increases reflect the negotiated salary increases and the overall reduction in available funds.

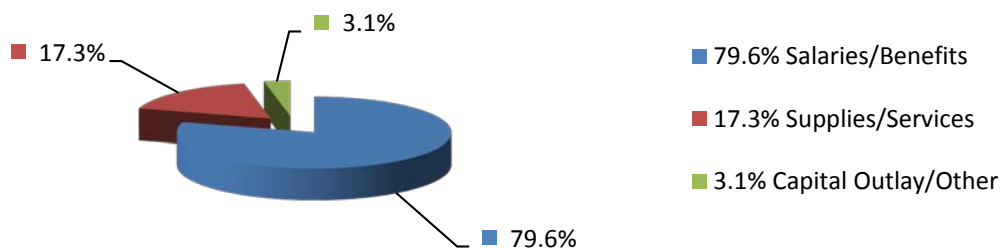
Saddleback College



Irvine Valley College



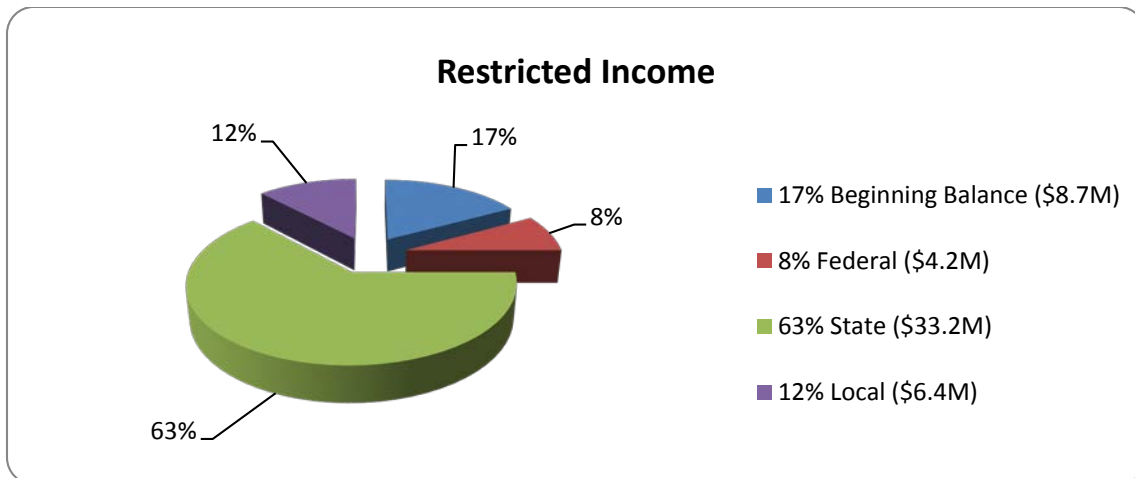
District Services



For fiscal prudence, the District-wide recommended budget target for overall staff costs is to not exceed 86-88% of the total budget so there are sufficient resources for instructional materials, equipment, and other operational costs. 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 \$53 million (15% 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 Planning (SEP), 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 \$12 million from the prior year primarily from state funds. 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 \$50.6 million. This is made up of the prior year reserve for contingency and general expenses (\$21.2 million), location beginning balances (\$15.7 million), and basic aid funds (\$13.7 million) which are included in the basic aid project budget.
- Full Time Equivalent Students (FTES) targets have been increased by 0.5% over last year's targets to align with the State apportionment formula and growth funds were provided to the colleges in the DRAC funding model. Actual annual FTES for FY 2015-2016 declined from FY 2014-2015 due to a shift in reporting. Both colleges expect to meet their targets for FY 2016-2017.

	FY 2012-2013 Actual	FY 2013-2014 Actual	FY 2014-2015 Actual	FY 2015-2016 Annual	FY 2016-2017 Target
IVC	9,329	9,419	9,510	9,841	9,712
SC	18,475	15,541	18,177	15,086	18,564
TOTAL	27,804	24,960	27,687	24,927	28,276

- Proposition 30 Education Protection Act (EPA) funds are budgeted at \$2.7 million, which is a decrease of \$100 thousand from FY 2015-2016 based on FTES. These revenues are from temporary taxes that will expire in FY 2016-2017 and FY 2018-2019 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 200% increase in the number of students qualifying for BOG waivers.
- Lottery revenue is budgeted at \$3.9 million based on an estimated \$140 per FTES funding, an increase of \$400,000 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, administrators and managers.
- The budget includes an overall cost increase of 2.9% for employee health and welfare benefits including PPO medical insurance, HMO medical insurance, dental insurance, vision insurance and life insurance.
- Workers' Compensation insurance is budgeted at 1.6% of salaries. This is a decrease of .2% from FY 2015-2016 due to improved experience rates.
- The unemployment insurance rate for FY 2016-2017 remains stable at 0.05% of salaries.
- The Public Employees Retirement System (PERS) employer contribution rate is budgeted at 13.888% of salaries, an increase of 2.041% from FY 2015-2016. The rate was approved by the PERS board in April. Additional increases are anticipated for the next several years.

Fiscal Year	2015-2016 Actual	2016-2017 Estimated	2017-2018 Estimated	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	Annual Increase over 2015-2016
PERS Annual Rate	11.847%	13.888%	16.600%	18.200%	19.900%	20.400%	
PERS Contribution	5,424,269	6,549,524	8,063,347	8,840,537	9,666,302	9,909,174	4,484,905

- The State Teachers Retirement System (STRS) employer contribution rate for FY 2016-2017 is budgeted at 12.58% of salaries, an increase of 1.85% from FY 2015-2016. This increase was approved by the legislature last fiscal year. We will continue to see similar increases in the coming years.

Fiscal Year	2015-2016 Actual	2016-2017 Estimated	2017-2018 Estimated	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	Annual Increase over 2015-2016
STRS Annual Rate	10.730%	12.580%	14.430%	16.280%	18.130%	19.100%	
STRS Contribution	7,181,247	8,671,975	10,245,683	11,559,232	12,872,781	13,561,507	6,380,260

- The property and liability insurance coverage is budgeted at \$1,250,000, which is a \$50,000 increase over the prior year.

General Expenses have the following budgeted amounts and changes from FY 2015-2016:

<u>EXPENSE</u>	<u>AMOUNT</u>	<u>CHANGE</u>
District Services Facilities and Maintenance	\$ 300,000	
Discrimination/Harassment Investigation Services	\$ 400,000	\$ 300,000
District-wide IT Maintenance Agreements	\$ 721,614	(\$87,218)
District-wide Strategic Planning	\$ 110,000	
Faculty Job Fair	\$ 30,000	
Financial Audit	\$ 145,000	
Labor Contract Negotiations	\$ 100,000	
Legal Advertising	\$ 30,000	
Legal Fees	\$ 500,000	\$ 25,000
Offsite Technology Security	\$ 115,000	
Personnel Advertising	\$ 130,000	
Phone System Maintenance Agreement	\$ 200,000	
Property & Liability Insurance	\$ 1,250,000	\$ 50,000
Faculty Sabbatical Bond Payments	\$ 18,000	
Employee Safety Compliance Cost	\$ 50,000	\$ 10,000
Taxpayer Relief Act Compliance	\$ 42,000	
TOTAL GENERAL EXPENSE ACCOUNTS	\$4,141,614	\$297,782
District Services Facilities and Maintenance*	\$ <300,000>	
ADJUSTED GENERAL EXPENSE ACCOUNTS	\$3,841,614	\$297,782

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

The FY 2016-2017 Adopted Budget includes inter-fund transfers as follows:

To:	From:					
	General Fund SC	General Fund DS	Capital Outlay	Basic Aid	Pension Stability	Total
General Fund IVC (a)					\$610,004	\$610,004
General Fund SC (b)			\$2,100,000		\$1,202,005	\$3,302,005
General Fund DS (c)					\$195,000	\$195,000
Child Development (d)	\$250,000					\$250,000
Capital Outlay (d,e)	\$250,000			\$32,379,557		\$32,629,557
Self-Insurance Fund (e)		\$250,000		\$100,000		\$350,000
Retiree Benefits Fund (e)				\$11,050,000		\$11,050,000
Pension Stability Fund (e)				\$12,600,000		\$12,600,000
Total Transfers	\$500,000	\$250,000	\$2,100,000	\$56,129,557	\$2,007,009	\$60,986,566

- (a) Transfer from Pension Stability Trust to IVC
- (b) Transfer from Pension Stability Trust to SC and return of advanced project funds covered by basic aid
- (c) Transfer from Pension Stability Trust to DS
- (d) Transfer from SC to support child development center and capital outlay projects
- (e) Basic Aid funds allocated based on BAARC recommendations for FY 2016-2017

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 2016-2017 Tentative Budget includes a reserve for contingency of 7.5% of unrestricted operating funds, with a total amount of \$12,705,329. 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 - 2004	\$ 74,365,248
2004 - 2005	\$ 40,162,878
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	\$ 41,571,064
2014 - 2015	\$ 49,642,317
2015 - 2016	\$52,672,948

The District estimates that property tax receipts above state calculated allocation amount for FY 2016-2017 and future years to be as follows:

<u>Fiscal Year</u>	<u>Basic Aid Receipts</u>
2016 - 2017	\$ 58,510,948
2017 - 2018	\$ 56,888,420
2018 - 2019	\$ 56,693,954
2019 - 2020	\$ 56,475,824

The FY 2015-2016 Basic Aid Receipts were increased after final property tax receipts were posted. Although still conservative, the FY 2016-2017 receipts are also higher due to larger projected property tax revenues.

The assumptions used to estimate basic aid funds for FY 2016-2017 are: SB361 funding COLA is estimated at 0.0%, growth is 0.5%, a base allocation increase of \$1.6 million, and enrollment fees at \$46 per unit. For the following years, SB361 COLA is estimated at 1% for FY 2017-2018 and 2% thereafter. Growth is estimated at 0.5% 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 2016-2017 estimates are based on that information and historical trends. For the FY 2016-2017, property taxes are budgeted with a 4% increase over FY 2015-2016. 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) is following this process for its recommendation for allocating the FY 2016-2017 basic aid funds and has partially allocated funds at this time. Additional allocations will be made at a future date. As this annual process was begun early in the budget cycle and was based on estimates, some final adjustments to funds available are made in the adopted budget.

The schedule below shows basic aid funds and projects that are included in the FY 2016-2017 Adopted Budget.

ESTIMATED BASIC AID RESOURCES & PLANNED EXPENDITURES

<u>FY 2016-2017 Resources</u>	<u>Amount</u>
Balance at July 1, 2016	\$ 16,229,972
Receipts FY 2016-2017	<u>\$ 58,510,948</u>
Estimated Property Taxes for Basic Aid	\$ 74,740,920
Contingency for Unrealized Tax Collections (20%)	(\$11,702,190)
Unallocated Funds	<u>(\$ 2,163,279)</u>
Total Allocated FY 2016-2017	<u>\$ 60,875,451</u>
<u>Budgeted Expenditures</u>	
FY 2016-2017 Long-Term Obligations and Fixed Expenses	\$ 24,625,000
Funding for Capital Projects	\$ 36,250,451
Total Approved and Budgeted Projects	<u>\$ 60,875,451</u>

The following projects were approved by the Board of Trustees:

<u>Basic Aid Projects</u>	<u>Project Amount</u>
Closed Projects	\$215,824,007
Prior Approved Open Project Balances	\$396,411,675
<u>New FY 2016-2017 Project Funding</u>	<u>Project Total</u>
<u>Long Term Obligations & Fixed Expenses</u>	
Insurance Deductibles*	\$100,000
SOCCCD - Legislative Advocacy Services*	\$125,000
Board of Trustee Election*	\$750,000
Retiree Benefits Expenses*	\$11,050,000

Pension Stability Trust*	\$12,600,000
<u>Capital Projects/Defects/Scheduled Maintenance/Renovation</u>	
IVC – ATEP Building*	\$1,600,000
IVC – Fine Arts Building*	\$1,659,739
IVC – Health Center/Concessions*	\$5,338,000
IVC – New Parking Lot Phase IA*	\$3,655,000
SC – ATAS Renovation*	\$3,110,000
SC - Fine Arts HVAC, Interior Improvements, Outdoor Theater*	\$2,100,000
SC – Gateway Building*	\$1,936,817
SC – Library Communication Arts*	\$1,217,073
<u>ATEP Development & Operations</u>	
ATEP Support (security, maintenance and operations support)*	\$766,432
<u>Capital Programs Planning, Technical, Specialty, Legal Consulting</u>	
ATEP Site Development*	\$1,500,000
ATEP Utilities/Infrastructure*	\$2,475,000
District-wide Sustainability/Energy Planning*	\$40,000
District-wide ADA Physical Access Transition Plan*	\$440,000
DW Technology Consultant for Capital Construction	\$460,000
Educational Facilities Master Plan	\$500,000
Legal Counsel for Facilities*	\$200,000
Pre-Planning and Investigations*	\$55,000
<u>IT Projects</u>	
Classroom Technology and Audio Visual Refresh*	\$2,000,000
District-wide Network Security Firewall Refresh	\$820,000
Faculty and Staff Email Infrastructure Refresh	\$355,000
HR/Business Services Integrated Software*	\$1,800,000
Refresh MDF and IDF*	\$500,000
Student Information System Enhancements*	\$1,814,400
Wireless Upgrade	\$1,907,990
Total FY 2016-2017 Funded Projects	\$60,875,451
Cumulative Total - Basic Aid Projects	<u>\$672,911,133</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 child development programs at both colleges 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 \$250,000 of support from the unrestricted general fund (26% of funding). Irvine Valley College has not budgeted any support for the child development program for the adopted budget. The child development programs at both colleges are also not charged for administration or operations, and it is currently not self-supporting.

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. The funds are required to be spent on educational facilities including facility construction, remodeling, and deferred maintenance. These funds have been distributed in the adopted budget following the DRAC model allocation with a 20% contingency.

Reserves (20%)	\$	7,290,005
Irvine Valley College	\$	9,149,664
Saddleback College	\$	17,286,810
District Services	\$	2,723,546
Total Allocations	\$	29,160,020
Total Available Funds 6/30/16	\$	36,450,025

The next table is a schedule of planned capital outlay projects.

CAPITAL OUTLAY PROJECTS – FUND 40

	FY 2016-2017
<u>Project Description</u>	<u>Adopted</u>
	<u>Budget</u>
Basic Aid Projects (including required college match)	\$187,296,663
<u>Other Project Funds</u>	
ATEP Property Development	\$1,016,806
District Technology Enhancement	\$269,421
State Scheduled Maintenance Projects (including required college match)	\$364,850
SC - Future Parking Lot Projects	\$589,222
SC - Future Capital Outlay Projects	\$4,871,634
District - Future Capital Outlay Projects	\$33,324,456
Redevelopment Funds for Capital Projects (Lake Forest, Mission Viejo, Tustin, Orange County, Irvine, Santa Ana, San Clemente, San Juan Capistrano)	\$37,700,025
Total Fund 40	\$265,433,077

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 2016-2017. This fund is planned for administration of CC&R's associated with the ATEP property and will be active in the future for this purpose.

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 \$4,660,000.

The District's actuarial accrued liability for past service is estimated at \$95,770,922 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 2016 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 foundation budgets are brought annually to the Board of Trustees for their approval at the Adopted Budget stage in August.

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.

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 2016-2017 for all District funds is summarized on the following pages.

Dr. Debra L. Fitzsimons, Vice Chancellor of Business Services & Acting Chancellor
Kim McCord, Executive Director of Fiscal Services/Comptroller

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2016-2017**

Revenues, Expenditures and Change in Fund Balance

	General Fund (01)	Community Education (07) & (09)	Child Development (12)	Capital Outlay (40)	Self-Insurance (68)	Retiree Benefit (71)	Retiree OPEB (72)	Pension Stability Trust Fund (78)	TOTAL ALL FUNDS
SOURCES OF FUNDS									
BEGINNING FUND BALANCE:	9712 \$	59,340,815 \$	1,015,537 \$	34,833 \$	228,549,520 \$	1,610,387 \$	1,380,134 \$	14,643,601 \$	399,913,158 \$
REVENUES:									
SB361 Revenue	Various	\$ 149,244,052	-	-	-	-	-	-	\$ 149,244,052
Basic Aid	8100-8199	59,010,948	-	-	-	-	-	-	59,010,948
Federal Sources	8600-8699	4,232,583	-	-	-	-	-	-	4,232,583
Other State Sources	8800-8899	45,266,156	-	-	-	-	-	-	45,266,156
Other Local Sources	Total Revenue	17,465,310	2,413,274	1,786,681	4,254,000	5,000	8,000	800,000	36,392,265
		275,219,049	2,413,274	1,786,681	4,254,000	5,000	8,000	800,000	294,146,004
BASIC AID INCOMING TRANSFERS	8980-8989	-	-	32,379,557	100,000	4,660,000	6,390,000	12,600,000	56,129,557
INCOMING TRANSFERS	8980-8989	4,107,009	-	250,000	250,000	-	-	-	4,857,009
TOTAL SOURCES OF FUNDS	\$	338,666,873 \$	3,428,811 \$	2,071,514 \$	265,433,077 \$	1,965,387 \$	6,048,134 \$	28,043,601 \$	755,045,728 \$

USES OF FUNDS

EXPENDITURES:									
Academic Salaries	1000-1999	\$ 86,730,335	\$ 205,947	-	-	-	-	-	\$ 86,936,282
Other Staff Salaries	2000-2999	54,253,223	764,000	1,477,827	373,704	211,204	-	-	57,079,958
Employee Benefits	3000-3999	50,476,683	290,315	546,960	215,199	94,277	4,660,000	-	60,533,434
Supplies & Materials	4000-4999	7,659,548	107,399	38,100	19,015	7,000	-	-	7,831,062
Services & Other Operating	5000-5999	30,037,802	1,275,770	8,627	6,730,061	539,699	62,000	-	39,053,959
Capital Outlay	6000-6999	16,595,642	785,380	-	225,841,240	16,000	-	-	243,238,262
Payments to Students	7500-7699	1,046,089	-	-	-	-	-	-	1,046,089
Total Expenditures		246,799,322	3,428,811	2,071,514	233,179,219	868,180	4,722,000	-	495,719,046
OTHER FINANCING USES:									
Transfers Out	7300-7400	\$ 750,000	-	-	2,100,000	-	-	2,007,009	\$ 4,857,009
Basic Aid Transfers Out	7300-7400	56,129,557	-	-	-	-	-	-	56,129,557
Debt Service	7100-7199	-	-	-	-	-	-	-	-
Total Other Uses		56,879,557	-	-	2,100,000	-	-	2,007,009	60,986,566
TOTAL USES OF FUNDS	\$	303,678,879 \$	3,428,811 \$	2,071,514 \$	235,279,219 \$	868,180 \$	4,722,000 \$	2,007,009 \$	556,705,612 \$
ENDING FUND BALANCE	\$	34,987,994 \$	-	-	30,153,858 \$	1,097,207 \$	1,326,134 \$	26,036,592 \$	198,340,116 \$

COMPONENTS OF ENDING BALANCE

Reserve, Economic Uncertainties/Fund Bal.	\$ 21,122,525	\$ -	\$ -	\$ 30,153,858	\$ 1,097,207	\$ 1,326,134	\$ 104,738,331	\$ 26,036,592	\$ 184,474,647
Reserve, Unrealized Tax Collections (Basic Aid)	13,865,469	-	-	-	-	-	-	-	13,865,469

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2016-2017**

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 \$	9,640,806 \$	6,167,397 \$	15,808,203 \$	3,921,728 \$	2,556,618 \$	6,478,346 \$	2,153,075 \$	- \$	2,153,075
REVENUES:										
SB361 Revenue										
Basic Aid	Various	88,931,921 \$	- \$	88,931,921 \$	48,704,055 \$	- \$	48,704,055 \$	16,225,629 \$	- \$	16,225,629
Federal Salaries	8100-8199	-	2,395,998	2,395,998	-	1,836,585	1,836,585	-	-	-
Other State Sources	8600-8699	7,567,331	22,964,025	30,521,356	3,982,320	10,171,855	14,154,175	-	15,033	15,033
Other Local Sources	8800-8899	4,137,197	3,405,384	7,542,581	6,843,776	3,078,953	9,922,729	-	-	-
Total Revenue		100,636,449	28,755,407	129,391,856	59,530,151	15,087,393	74,617,544	16,225,629	15,033	16,240,662
RESTRICTED BASIC AID										
INCOMING TRANSFERS	8980-8989	3,302,005	-	3,302,005	610,004	-	610,004	195,000	-	195,000
TOTAL SOURCES OF FUNDS		113,579,260 \$	34,922,804 \$	148,502,064 \$	64,061,883 \$	17,644,011 \$	81,705,894 \$	18,573,704 \$	15,033 \$	18,588,737
USES OF FUNDS										
EXPENDITURES:										
Academic Salaries	1000-1999	50,165,680 \$	4,098,314 \$	54,263,994 \$	28,795,551 \$	1,871,182 \$	30,666,733 \$	1,302,037 \$	- \$	1,302,037
Other Staff Salaries	2000-2999	20,263,422	7,307,901	27,571,323	13,650,887	3,830,543	17,481,430	8,886,782	-	8,886,782
Employee Benefits	3000-3999	24,755,775	3,591,387	28,347,162	15,076,067	2,205,545	17,281,612	4,604,751	-	4,604,751
Supplies & Materials	4000-4999	1,954,640	3,479,579	5,434,219	774,074	1,320,750	2,094,824	93,505	-	93,505
Services & Other Operating	5000-5999	7,711,052	5,959,258	13,670,310	4,203,068	2,997,148	7,200,216	3,117,244	15,033	3,132,277
Capital Outlay	6000-6999	1,478,691	9,541,373	11,020,064	145,040	5,067,746	5,212,786	319,385	-	319,385
Payments to Students	7500-7699	-	694,992	694,992	-	351,097	351,097	-	-	-
Total Expenditures		106,329,260	34,672,804	141,002,064	62,644,687	17,644,011	80,288,698	18,323,704	15,033	18,338,737
OTHER FINANCING USES:										
Transfers Out	7300-7400	250,000 \$	250,000 \$	500,000 \$	- \$	- \$	- \$	250,000 \$	- \$	250,000
Basic Aid Transfers Out	7300-7400	-	-	-	-	-	-	-	-	-
Debt Service	7100-7199	-	-	-	-	-	-	-	-	-
Total Other Sources (Uses)		250,000	250,000	500,000	-	-	-	250,000	-	250,000
TOTAL USES OF FUNDS		106,579,260	34,922,804	141,502,064	62,644,687	17,644,011	80,288,698	18,573,704	15,033	18,588,737
ENDING FUND BALANCE		7,000,000 \$	- \$	7,000,000 \$	1,417,196 \$	- \$	1,417,196 \$	- \$	- \$	-
COMPONENTS OF ENDING BALANCE										
Reserve, Economic Uncertainties/Fund Bal.		7,000,000 \$	- \$	7,000,000 \$	1,417,196 \$	- \$	1,417,196 \$	- \$	- \$	-
Reserve, Unrealized Tax Collections (Basic Aid)		-	-	-	-	-	-	-	-	-

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2016-2017**

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 \$	13,736,695 \$	13,736,695 \$	21,164,496 \$	50,616,800 \$	8,724,015 \$	59,340,815		
REVENUES:									
SB361 Revenue									
Basic Aid									
Various	\$ -	\$ -	\$ -	\$ (4,617,553)	\$ 149,244,052	\$ -	\$ 149,244,052		
Federal Sources	59,010,948	-	59,010,948	-	59,010,948	-	59,010,948		
Other State Sources	-	-	-	575,592	12,125,243	4,232,583	4,232,583		
Other Local Sources	-	-	-	-	10,980,973	6,484,337	17,465,310		
Total Revenue	59,010,948	-	59,010,948	(4,041,961)	231,361,216	43,857,833	275,219,049		
RESTRICTED BASIC AID	-	-	-	-	-	-	-		
INCOMING TRANSFERS	-	-	-	-	4,107,009	-	4,107,009		
TOTAL SOURCES OF FUNDS	\$ 72,747,643	\$ -	\$ 72,747,643	\$ 17,122,535	\$ 286,085,025	\$ 52,581,848	\$ 338,666,873		

USES OF FUNDS

EXPENDITURES:

Academic Salaries	1000-1999	-	-	497,571	80,760,839	5,969,496	86,730,335
Other Staff Salaries	2000-2999	313,688	313,688	-	43,114,779	11,138,444	54,253,223
Employee Benefits	3000-3999	165,137	165,137	78,021	44,679,751	5,796,932	50,476,683
Supplies & Materials	4000-4999	13,000	13,000	24,000	2,859,219	4,800,329	7,659,548
Services & Other Operating	5000-5999	2,217,385	2,217,385	3,817,614	21,066,363	8,971,439	30,037,802
Capital Outlay	6000-6999	43,407	43,407	-	1,986,523	14,609,119	16,595,642
Payments to Students	7500-7699	-	-	-	-	1,046,089	1,046,089
Total Expenditures		2,752,617	2,752,617	4,417,206	194,467,474	52,331,848	246,799,322

OTHER FINANCING USES:

Transfers Out	7300-7400	-	-	-	500,000	250,000	750,000
Basic Aid Transfers Out	7300-7400	56,129,557	56,129,557	-	56,129,557	-	56,129,557
Debt Service	7100-7199	-	-	-	-	-	-
Total Other Sources (Uses)		56,129,557	56,129,557	-	56,629,557	250,000	56,879,557

TOTAL USES OF FUNDS

		58,882,174	58,882,174	4,417,206	251,097,031	52,581,848	303,678,879
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ENDING FUND BALANCE

	\$ 13,865,469	\$ -	\$ 13,865,469	\$ 12,705,329	\$ 34,987,994	\$ -	\$ 34,987,994
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COMPONENTS OF ENDING BALANCE

Reserve, Economic Uncertainties/Fund Bal.	\$ -	\$ -	\$ -	\$ 12,705,329	\$ 21,122,525	\$ -	\$ 21,122,525
Reserve, Unrealized Tax Collections (Basic Aid)	13,865,469	-	13,865,469	-	13,865,469	-	13,865,469

* Includes General Expenses, Parity & Reserves

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2016-2017**

Revenues, Expenditures and Change in Fund Balance

	Community Education Fund			Child Development Fund		
	Saddleback College (090)	Irvine Valley College (070)	Total	Saddleback College (120)	Irvine Valley College (120)	Total
SOURCES OF FUNDS						
BEGINNING FUND BALANCE:	9712 \$	866,467 \$	149,070 \$	1,015,537		
REVENUES:						
SB361 Revenue						
Basic Aid						
Federal Sources						
Other State Sources						
Other Local Sources	1,901,000	472,274	2,373,274	720,570	1,066,111	1,786,681
Total Revenue	1,901,000	472,274	2,373,274	720,570	1,066,111	1,786,681
RESTRICTED BASIC AID						
INCOMING TRANSFERS	8980-8989	-	-	-	-	-
	8980-8989	-	-	250,000	-	250,000
TOTAL SOURCES OF FUNDS	\$ 2,767,467	\$ 621,344	\$ 3,388,811	\$ 999,784	\$ 1,071,730	\$ 2,071,514
USES OF FUNDS						
EXPENDITURES:						
Academic Salaries	1000-1999	\$ 175,404	\$ 20,543	\$ 195,947		
Other Staff Salaries	2000-2999	583,453	180,547	764,000	699,165	1,477,827
Employee Benefits	3000-3999	227,691	61,056	288,747	273,652	546,960
Supplies & Materials	4000-4999	100,000	3,732	103,732	23,100	38,100
Services & Other Operating	5000-5999	1,078,657	172,348	1,251,005	3,867	8,627
Capital Outlay	6000-6999	602,262	183,118	785,380		
Payments to Students	7500-7699	-	-	-		
Total Expenditures	2,767,467	621,344	3,388,811	999,784	1,071,730	2,071,514
OTHER FINANCING USES:						
Transfers Out	7300-7400	\$ -	\$ -	\$ -	\$ -	\$ -
Basic Aid Transfers Out	7300-7400	-	-	-	-	-
Debt Service	7100-7199	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	-	-
TOTAL USES OF FUNDS	2,767,467	621,344	3,388,811	999,784	1,071,730	2,071,514
ENDING FUND BALANCE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COMPONENTS OF ENDING BALANCE						
Reserve, Economic Uncertainties/Fund Bal.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve, Unrealized Tax Collections (Basic Aid)	-	-	-	-	-	-

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 2015-2016	Budget Changes FY 2016-2017	Adopted Budget FY 2015-2016	Budget Changes FY 2016-2017
SOURCES OF FUNDS				
BEGINNING FUND BALANCE:	\$ 47,612,695	\$ 3,004,105	\$ 50,616,800	\$ 7,377,265
				\$ 1,346,750
				\$ 8,724,015
REVENUES:				
SB361 Revenue	\$ 149,894,914	\$ (650,862)	\$ 149,244,052	\$ -
Basic Aid	45,269,086	13,741,862	59,010,948	-
Federal Sources	-	-	-	-
Other State Sources	16,419,463	(4,294,220)	12,125,243	4,372,603
Other Local Sources	10,885,576	95,397	10,980,973	23,069,146
Total Revenues	222,469,039	8,892,177	231,361,216	10,071,767
				82,894
				10,014,641
				43,857,833
RESTRICTED BASIC AID INCOMING TRANSFERS	-	-	-	-
	-	4,107,009	4,107,009	-
TOTAL SOURCES OF FUNDS	\$ 270,081,734	\$ 16,003,291	\$ 286,085,025	\$ 11,361,391
				\$ 52,581,848
USES OF FUNDS				
EXPENDITURES:				
Academic Salaries	\$ 72,112,287	\$ 8,648,552	\$ 80,760,839	\$ 4,984,947
Other Staff Salaries	39,432,128	3,682,651	43,114,779	8,746,989
Employee Benefits	38,666,157	6,013,594	44,679,751	4,309,114
Supplies & Materials	2,915,409	(56,190)	2,859,219	3,667,075
Services & Other Operating	29,561,684	(8,495,321)	21,066,363	8,806,636
Capital Outlay	3,731,822	(1,745,299)	1,986,523	9,822,443
Payments to Students	-	-	-	583,253
Total Expenditures	186,419,487	8,047,987	194,467,474	462,836
				11,411,391
				52,331,848
OTHER FINANCING USES:				
Transfers Out	\$ 698,414	\$ (198,414)	\$ 500,000	\$ (50,000)
Basic Aid Transfers Out	57,851,978	(1,722,421)	56,129,557	-
Debt Service	-	-	-	-
Total Other Sources (Uses)	58,550,392	(1,920,835)	56,629,557	(50,000)
				250,000
TOTAL USES OF FUNDS	\$ 244,969,879	\$ 6,127,152	\$ 251,097,031	\$ 11,361,391
				\$ 52,581,848
ENDING FUND BALANCE	\$ 25,111,855	\$ 9,876,139	\$ 34,987,994	\$ -
				\$ -
COMPONENTS OF ENDING BALANCE				
Reserve, Economic Uncertainties/Fund Bal.	\$ 16,090,208	\$ 5,032,317	\$ 21,122,525	\$ -
Reserve, Unrealized Tax Collections (Basic Aid)	9,021,647	4,843,822	13,865,469	-

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.

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.