



ADOPTED BUDGET

FY 2018-2019

August 27, 2018

Presented By:
Ann-Marie Gabel
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 relatively stable. Total student headcount for spring 2018 is over 42,000 and resident full time equivalent students (FTES) for FY 2017-2018 is nearly 27,000. 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.

Budget Outlook: The district is projecting tight operating 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 evaluating/assessing all positions as they become vacant, and expanding resource development to supplement revenue. The district is also realizing savings from the early retirement incentive program offered last year.

Planning Efforts: During the last several years, great strides have been made to the district-wide planning and budgeting processes. In response to accreditation recommendations, 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. 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) Advanced Technology and Applied Sciences (ATAS) Building – begin design; b) Athletic Stadium - construction; c) Interior LED Lighting and Controls retrofit – construction; d) Accessible ramp from parking lot 9 - construction; e) Data Center Phase II - construction; f) PE 100, 208, & 300 – pre-design; and g) Access Control – design and construction.

Irvine Valley College projects include: a) Parking Lot, Phase I and II with solar – construction; b) Health Center/Concessions – construction; c) Performing Arts Center Construction Defects – construction; d) B300 Exterior Improvements – construction, e) Access Control - design; e) B200 – Physical Sciences - design; and f) Soccer and Practice Fields – pre-design.

ATEP projects include: a) ATEP Signage project – bid/award.

On a district-wide basis, projects include: a) Sustainability Plan, Phase II; b) Technology Consultant for capital projects; c) ADA Transition Plan, Phase II; d) Infrastructure Mapping; and e) Saddleback Sciences and Math and Technology Applied Sciences (TAS) Buildings Assessment and IVC Structural Analysis services.

Major Technology Initiatives: This year’s approved 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 SIS system health, improvements to the My Academic Plan (MAP) academic planning software, curriculum management system, registration restriction module, automated student assistant, and increased security protections.

The final category consists of college-requested items such as network access controls, server hardware refresh, and 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, 2018. The overall allocation for Proposition 98 funding is \$78.4 billion with the statutory split of 10.93% going to community colleges. The Governor is predicting continued economic expansions with relatively low unemployment rates over the next few years. For community colleges, the budget provides an approximate increase of \$378 million over last year.

The biggest budget impact is the creation of a new funding formula, the Student Centered Funding Formula (SCFF), beginning in FY 2018-2019 comprised of a base allocation calculated on credit FTES (70%), a supplemental allocation calculated on low-income students (20%) and a student success incentive allocation calculated on various completion metrics (10%). The percentages will shift over a three-year period to 60%, 20% and 20%. The budget also provides districts with a funding guarantee (hold-harmless) for three years including at least a COLA increase.

The passage of Proposition 55 in fall of 2016 continues to provide Educational Protection Account (EPA) funds through December 31, 2030.

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

- Enrollment fees remain at \$46 per unit
- 2.71% COLA tied to the new funding formula (\$173.1 million)
- \$151.3 million base augmentation for apportionments tied to the new funding formula
- \$58.7 million hold-harmless funds tied to the new funding formula
- \$46 million for California College Promise Program
- \$50 million to increase full-time faculty
- \$50 million for part-time faculty office hours (one-time funds)
- \$28 million for deferred maintenance and instructional equipment with no local

- match requirement for deferred maintenance (one-time funds)
- Consolidation of certain categorical programs to create efficiencies

SOCCCD Budget: The SOCCCD budget for all funds totals over \$935 million, which is comprised of \$479 million in beginning fund balances and \$457 million in revenue. Our total budgeted expenditures is \$717 million and we anticipate spending down our reserves by \$260 million leaving \$219 million in ending fund balance. Because the District is self-sufficient and is a community supported district, it is essential that the budget is conservative. 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 budget includes conservative estimates for property tax revenues, enrollment fees, non-resident tuition, EPA funds, Lottery, interest, and other miscellaneous revenue.

Although SOCCCD does not receive state apportionment, proposed changes to the funding formula do have an impact on other proposed allocations, such as scheduled maintenance and instructional equipment.

Due to the uncertainty of the impact of the new funding formula, the district continues to follow the SB361 funding formula for the FY 2018-2019 budget. The state COLA of 2.71% provided \$4.0 million in additional funding. This aligns with the hold-harmless plus COLA provided in the new funding formula.

The major changes between the tentative budget and the adopted budget include an increase in the beginning balance (\$12M) and an increase in the property tax estimates (\$4M).

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 decreased slightly to fall within our recommended budget target of 86% - 88%. This indicator demonstrates the need for future budget vigilance since the decrease seen this year is a result of the early retirement incentive provided. Furthermore, the budget only includes negotiated salary increases for CSEA as the other units have not completed their negotiations. As a result, we expect this percentage to increase next year.

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 2018-2019, the increased costs over the prior year is estimated at \$2.3 million. This will grow an additional \$4.3 million by FY 2021-2022. 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 additional deposits of \$12.6M in FY 2016-2017 and FY 2017-2018. The funds continue to earn interest and should be sufficient to fund the increased costs through FY 2021-2022.

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 approximately \$69 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 recommendations from BAARC that were approved

at the May 21, 2018 board meeting.

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 stabilized enrollment while taking steps to carefully control the addition of ongoing expenditures. The College resource request process ensures new expenditure requests are identified as such, and that these 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 finished the 2017-2018 fiscal year with an ending balance of \$11,041,409. The College was able to achieve this fiscally prudent balance, in part, by saving \$2,882,681 with the Early Retirement Incentive Program.

The budget challenges now faced by Saddleback are twofold: a reduction in income due to not meeting funded enrollment growth targets, and personnel costs that have increased at a higher rate than income. Due to its current ending balance, the College will be able to continue strengthening its key programs, and enhance them via new initiatives, such as College Promise and Guided Pathways, thereby furthering its ability to improve enrollments and student success while realigning its expenditure budget.

The recent Early Retirement Incentive Program provided a fiscal opportunity that the College has embraced. We are reviewing structure and position replacements with an eye towards efficiency and achieving College goals for the future. We are working collegially with the Academic Senate in a 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. The latter 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 will continue to substantially drive budget decisions, and our goal is to maintain instructional, student service and operational integrity while ensuring the effective and efficient utilization of those funds allocated to the College. In so doing, the College will continue strategic use of data to inform decision making.

Irvine Valley College

Irvine Valley College (IVC) successfully submitted a balanced FY 2018-2019 budget. IVC continues to offer highly efficient instruction while achieving its FTES targets. Although many colleges in the California Community College system are experiencing enrollment declines, a strong local demand has allowed IVC to maintain moderate, sustainable enrollment growth. Partly contributing to this growth are the non-resident student enrollments, which look particularly strong. With the Board approved reduction in the non-resident tuition rate effective fall 2018, further enrollment growth is projected in this area.

One of the great challenges ahead is the implementation of the new state funding formula. While the short- and long-term impacts of the formula are being finalized, IVC will continue working with District Services and Saddleback College to integrate the new formula into the DRAC model.

Another adjustment issued from the State Chancellor's Office is the consolidation of funding for SSSP, SEP, and BSI. IVC hopes the transition to one funding source and one report will allow for concentrated and seamless efforts in serving the student body as needed. In recent years, IVC has received a number of new funding opportunities in such areas as veteran's services, mental health, and equity. One such new program is the Promise Program being implemented pursuant to AB 19. IVC's share of the Promise Program is \$795,000. These dollars will go a long way to accomplish the goals set by AB 19, namely, increasing the number of high school students joining the college directly from high school, increasing the percentage of students who earn associate degrees or career technical education certificates, increasing transfer rates, and reducing and eliminating achievement gaps from underrepresented groups.

Looking Ahead: As a result of the new SCFF, DRAC will be working this fall to determine the impact on the DRAC funding model. The district will also closely monitor Proposition 5, a property tax transfer initiative, which, if passed in November, could have a substantial impact on the amount of property tax revenues received in the future.

Chancellor Burke has reviewed the budget and confirms that it is balanced as is required by law.

Ann-Marie Gabel

*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 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 Certificates of Participation (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 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

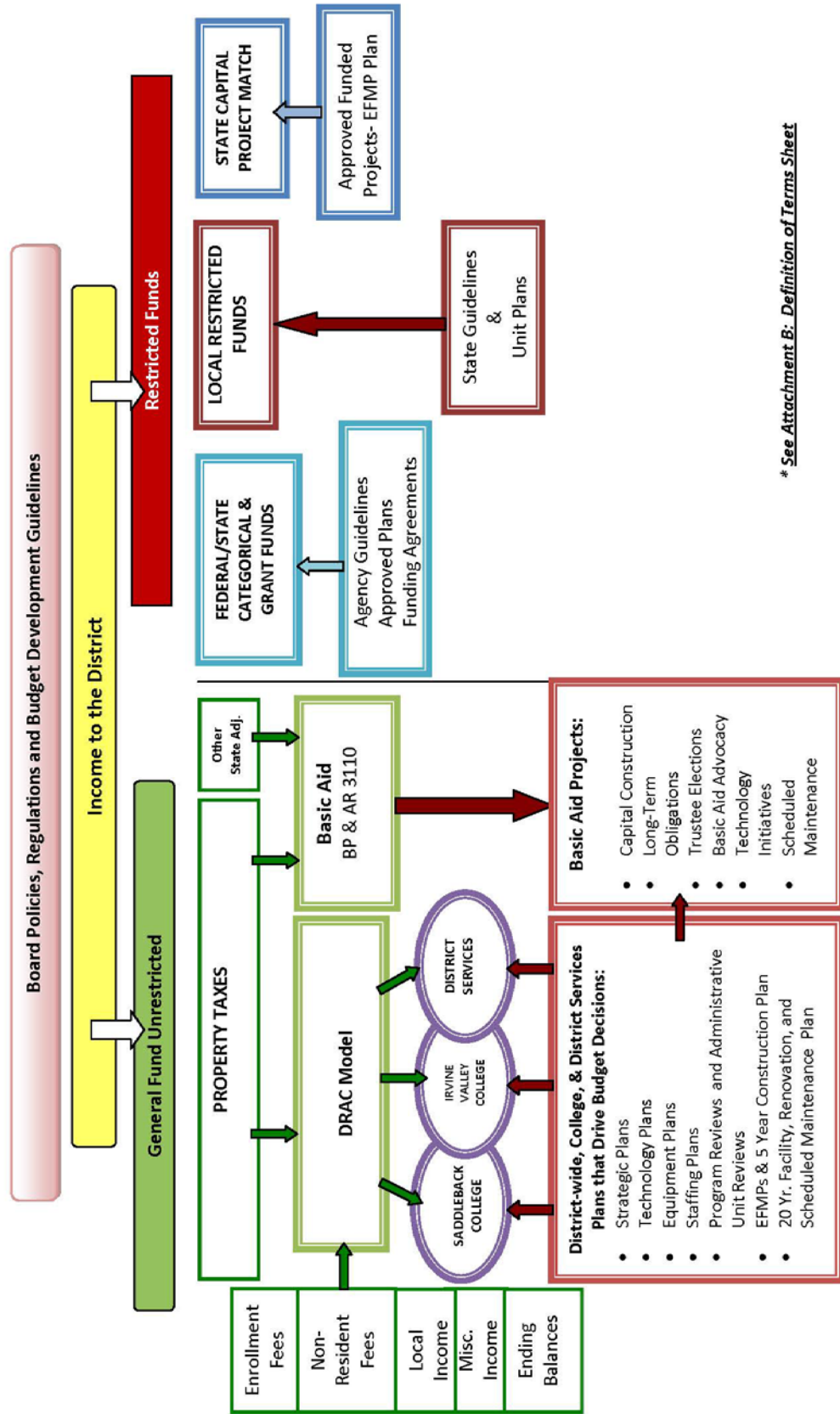
When developing the target FTES, consideration will be given to the following:

- 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 the 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 (BEGINNING FUND BALANCE & REVENUES)

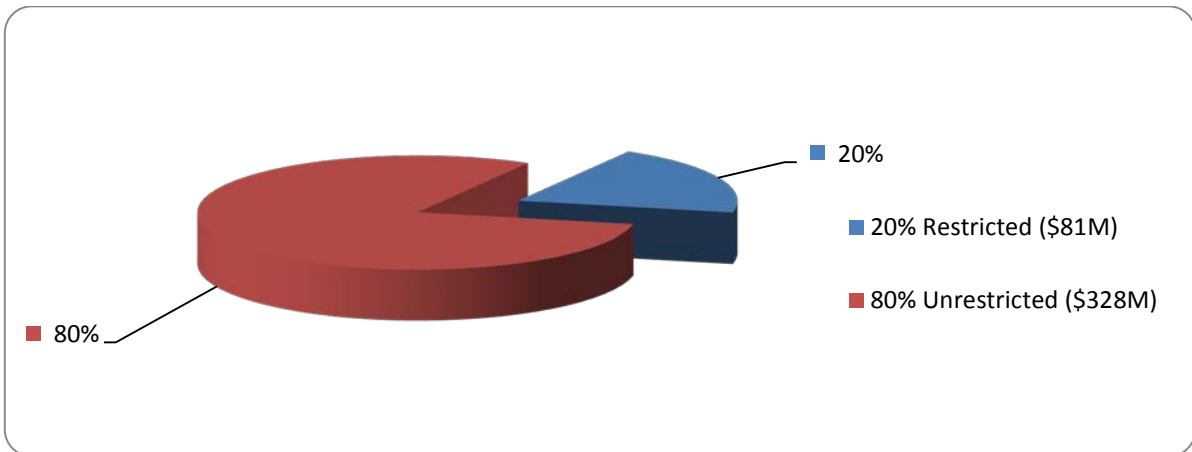
Allocated Area	* Unrestricted	*Restricted	Total
Saddleback College	\$ 115,894,831	\$51,433,033	\$167,327,864
Irvine Valley College	\$ 68,449,650	\$25,282,639	\$ 93,732,289
District Services	\$ 21,031,766	\$ 4,672,092	\$ 25,703,858
District-wide General Expense	\$ 7,369,272		\$ 7,369,272
Part-Time Faculty Parity Funds	\$ 572,131		\$ 572,131
Basic Aid Allocation/Transfer**	\$ 77,284,696		\$ 77,284,696
Basic Aid Contingency	\$ 23,847,231		\$ 23,847,231
Reserves for Economic Uncertainties	\$ 13,858,716		\$ 13,858,716
TOTALS	<u>\$ 328,308,293</u>	<u>\$ 81,387,764</u>	<u>\$409,696,057</u>

* See pages 22 through 28 (Total of revenue, expenses and ending balance for each budget location)

**Prior Year Beginning balance of Basic Aid funds (\$7.5M) is in the Capital Outlay Fund.

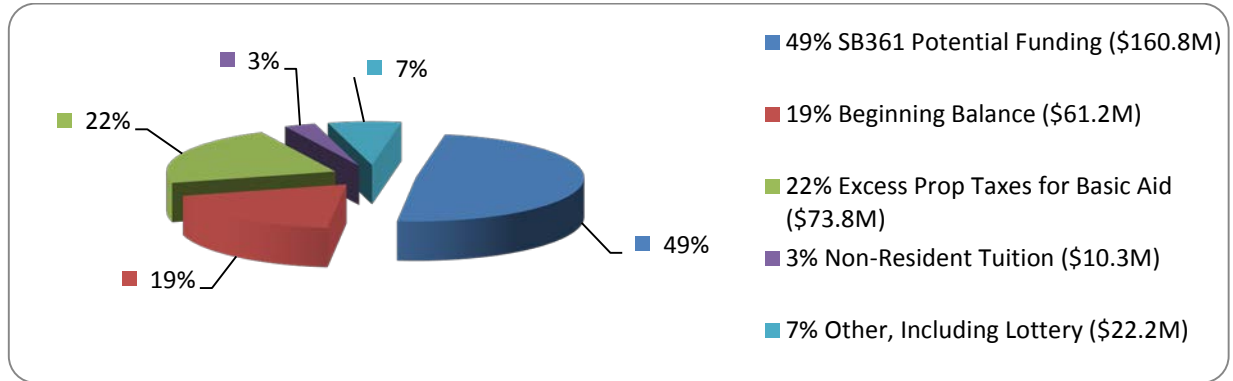
GENERAL FUND REVENUE

The general fund, which totals \$409 million in beginning balances and revenues, 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.”

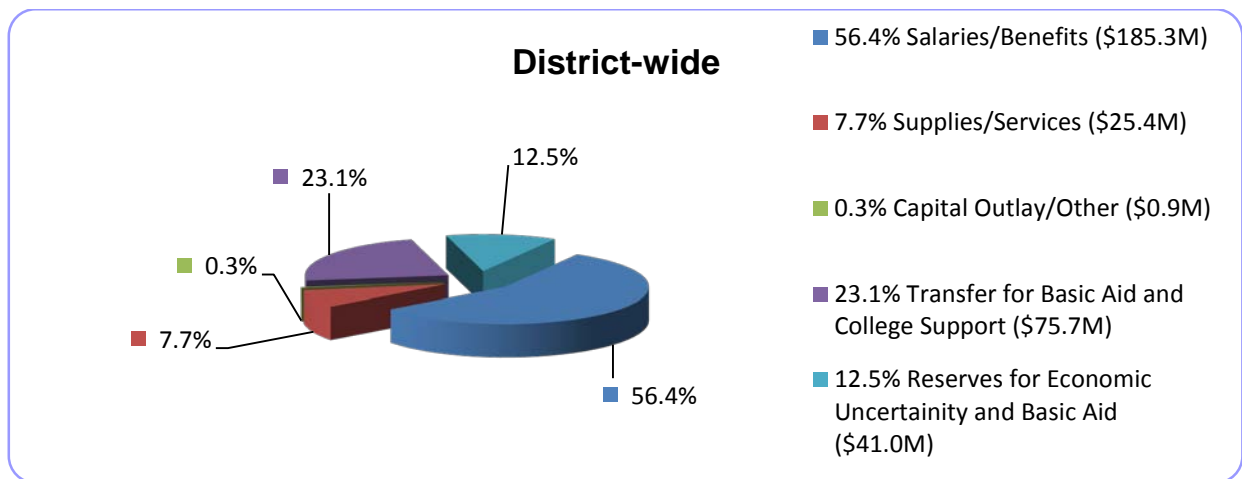


UNRESTRICTED GENERAL FUND REVENUE

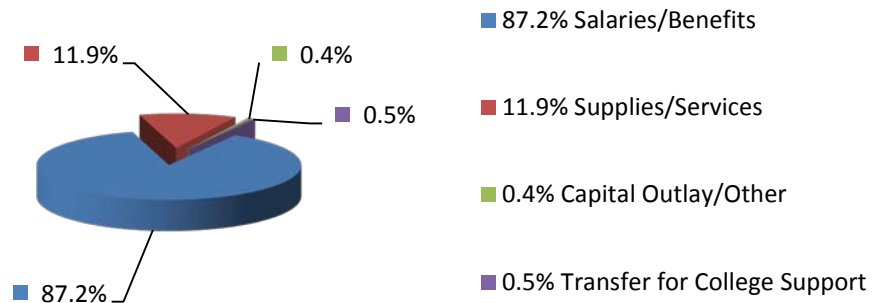
The largest segment of the general fund is the *unrestricted portion* which totals \$328 million and accounts for resources for the general purpose programs of the District (80% of the activity). This is an increase of \$25 million over last year due primarily to an increase in property taxes and the beginning balance. Of the resources, 49% 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 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. 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 2018-2019 Basic Aid (22%), Non-Resident Tuition (3%), and other sources, including EPA funds and Lottery (7%). The beginning balance, carried forward from the prior year, is 19% of available unrestricted funds.



UNRESTRICTED GENERAL FUND OPERATING EXPENDITURES

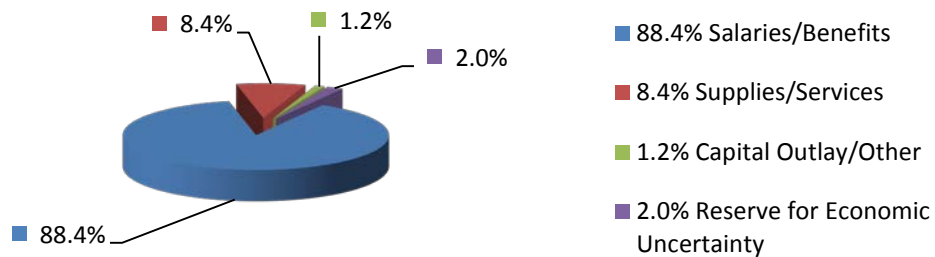


District-wide without Reserves and Basid Aid

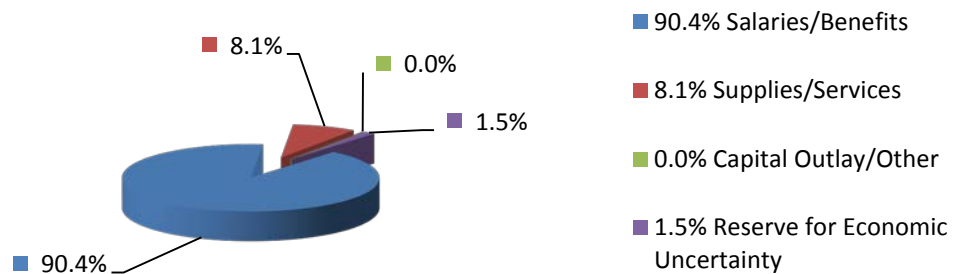


Most of the expenditures in the general fund operating budgets are for employee salaries/benefits as seen below. Saddleback College salaries and benefits equal 88.4% of its operating budget (up from 87.4%) and Irvine Valley College salaries and benefits equal 90.4% of its operating budget (down from 92.2%). District Services salaries and benefits decreased from 84.5% to 76.3% of its operating budget. These costs reflect the existing salary rates and known benefit cost increases.

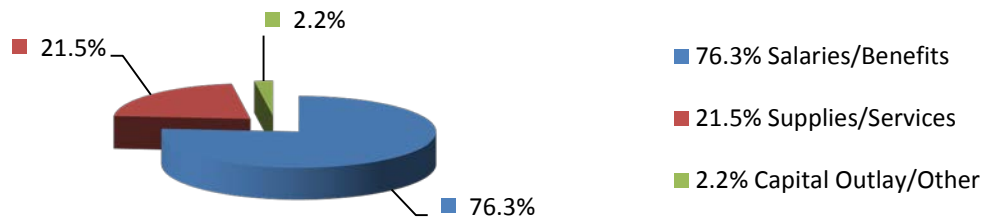
Saddleback College



Irvine Valley College



District Services

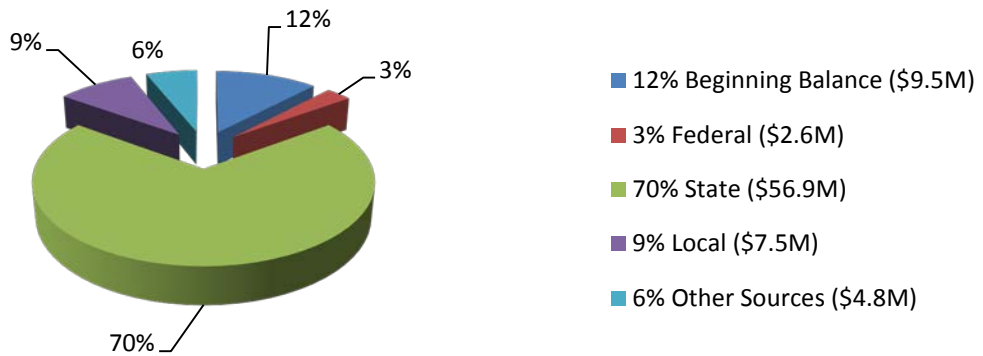


For fiscal prudence, the District-wide recommended budget target for overall staff costs is to not exceed 86-88% of the total budget so there are sufficient resources for instructional materials, equipment, and other operational costs. It is advisable to be on the low end of the range. We are approaching the top of this range which is a budget concern and needs to be monitored closely.

RESTRICTED GENERAL FUND

The other segment of the general fund is the *restricted portion (categorical aid and grants)*, approximately \$81 million (20% 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 and Achievement, Strong Workforce, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), and Adult Education. The restricted general fund increased by \$9.6 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 and are used primarily by the colleges for support to educational programs and specialized activities.

Restricted Income



NOTEWORTHY GENERAL FUND ASSUMPTIONS

- Unrestricted General Fund beginning balance is \$61.2 million. This is made up of the prior year adjusted reserve for contingency (\$9.6 million), location beginning balances (\$24.3 million), and basic aid funds (\$27.3 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. As shown below, Saddleback College is below the FTES target. They are intensifying their enrollment management efforts to address the situation.

Annual FTES (Summer, Fall, Spring)					
	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
	Annual	Annual	Annual	Annual	Target
IVC	9,331	9,560	10,511	10,087	9,809
SC	16,652	16,626	16,866	16,878	18,467
TOTAL	25,983	26,186	27,377	26,965	28,276

- Education Protection Act (EPA) funds are budgeted at \$2.7 million, which is consistent with FY 2017-2018. These revenues are from temporary taxes and are budgeted for part-time faculty salaries and benefits.
- Enrollment fee revenue remains flat as the slight decline in enrollment coincides with a reduction in California Promise Grants.
- Lottery revenue is budgeted at \$4.1 million based on an estimated \$145 per FTES funding, the same as last year. Lottery funds are paid on all FTES, including non-resident FTES.
- Employee movement on the salary schedule (step and column increases) are included in the budget for all employee groups. Negotiated salary increases for CSEA is included in the budget. Negotiations are not finalized for the other employee groups so no salary increases are budgeted for them.
- The budget includes 0.7% 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 1.4% of salaries, a reduction from 1.7% for FY 2017-2018. The lower rate is due to positive district experience rates.
- The unemployment insurance rate for FY 2018-2019 remains stable at 0.05% of salaries.
- The Public Employees Retirement System (PERS) employer contribution rate is budgeted at 18.062% of salaries, an increase of 2.531% from FY 2017-2018. The rate was approved by the PERS board in April. Additional increases are anticipated for the next several years as shown on the next page.

Fiscal Year	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	2021-2022 Estimated	Annual Increase over 2015-2016
PERS Annual Rate	11.847%	13.888%	15.531%	18.062%	20.800%	23.500%	24.600%	
PERS Contribution	4,491,723	5,646,703	6,284,890	7,309,103	8,417,083	9,509,685	9,954,819	5,463,096

- The State Teachers Retirement System (STRS) employer contribution rate for FY 2018-2019 is budgeted at 16.28% of salaries, an increase of 1.85% from FY 2017-2018. This increase was previously approved by the legislature. We will continue to see similar increases in the coming years as shown below.

Fiscal Year	2015-2016 Actual	2016-2017 Actual	2017-2018 Actual	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	2021-2022 Estimated	Annual Increase over 2015-2016
STRS Annual Rate	10.730%	12.580%	14.430%	16.280%	18.130%	19.100%	18.600%	
STRS Contribution	6,692,933	8,553,945	9,745,732	10,995,185	12,244,638	12,899,756	12,562,066	5,869,133

- The property and liability insurance coverage is budgeted at \$1,000,000, which is a decrease of \$250,000 from the prior year.

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	\$ 1,028,874	\$ 309,744
District-wide Strategic Planning	\$ 110,000	
Faculty Job Fair	\$ 30,000	
Financial Audit	\$ 145,000	
Internal Audit	\$ 230,000	\$ 15,000
Labor Contract Negotiations	\$ 100,000	
Legal Advertising	\$ 30,000	
Legal Fees	\$ 500,000	
Local Experience Charge – Unemployment Insurance	\$ 45,000	\$ 45,000
Offsite Technology Security	\$ 45,000	(\$ 70,000)
Personnel Advertising	\$ 130,000	
Phone System Maintenance Agreement	\$ 205,000	\$ 5,000
Property & Liability Insurance	\$ 1,000,000	(\$250,000)
Recruitment for Retirement Incentive	\$ 0	(\$445,000)
Faculty Sabbatical Bond Payments	\$ 18,000	
Employee Safety Compliance Cost	\$ 60,000	
Taxpayer Relief Act Compliance	\$ 58,000	\$ 8,000
TOTAL GENERAL EXPENSE ACCOUNTS	\$4,434,874	(\$382,256)
District Services Facilities and Maintenance*	\$ <300,000>	
ADJUSTED GENERAL EXPENSE ACCOUNTS	\$4,134,874	(\$ 382,256)

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

The FY 2018-2019 Tentative Budget includes inter-fund transfers as follows:

To:	From:				Total
	General Fund SC	General Fund DS	Basic Aid	Pension Stability	
General Fund IVC (a)				\$2,100,000	\$2,100,000
General Fund SC (b)				\$3,546,040	\$3,546,040
General Fund DS (c)				\$550,000	\$550,000
Capital Outlay (d)	\$250,000		\$69,361,841		\$69,611,841
Child Development (d)	\$385,000				\$385,000
Self-Insurance Fund (e)		\$350,000	\$500,000		\$850,000
Retiree Benefits Fund (e)			\$4,894,000		\$ 4,894,000
Total Transfers	\$635,000	\$350,000	\$74,755,841	\$6,196,040	\$81,936,881

- (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 and Basic Aid to support child development center and capital outlay projects
- (e) Basic Aid funds allocated for retiree health benefits liability and insurance deductibles based on approved BAARC recommendations for FY 2018-2019

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 2018-2019 Adopted Budget includes a reserve for contingency of 7.5% of unrestricted operating funds, with a total amount of \$13,858,716. 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 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
2017 - 2018	\$ 72,940,087

The District estimates that property tax receipts above state calculated allocation amount for FY 2018-2019 and future years to be as follows:

<u>Fiscal Year</u>	<u>Basic Aid Receipts</u>
2018 - 2019	\$ 73,289,378
2019 - 2020	\$ 76,538,370
2020 - 2021	\$ 79,577,627
2021 - 2022	\$82,740,798

The FY 2017-2018 basic aid receipts were increased after final property taxes were posted. Although still conservative, the FY 2018-2019 receipts are also higher due to larger projected property tax revenues.

The assumptions used to estimate basic aid funds for FY 2018-2019 are: SB361 funding COLA is 2.71%, growth is 0.0%, and enrollment fees at \$46 per unit. For the following years, funding formula COLA is estimated at 2% and growth is estimated at 0.0% for all years.

The Orange County Auditor Controller’s office is consulted regularly in order to conservatively project the District’s property tax revenue in conjunction with historical trends. For FY 2018-2019, property taxes are budgeted with a 3% increase over FY 2017-2018. For the following years, secured taxes are estimated to increase 3% 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 2018-2019 basic aid funds. 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 2018-2019 Budget.

ESTIMATED BASIC AID RESOURCES & PLANNED EXPENDITURES

<u>FY 2018-2019 Resources</u>	<u>Amount</u>
Balance at July 1, 2018	\$ 33,750,397
Receipts FY 2018-2019	<u>\$ 73,289,378</u>
Estimated Property Taxes for Basic Aid	\$107,039,775
Contingency for Unrealized Tax Collections (20%)	(\$14,657,876)
Unallocated Funds	<u>(\$ 9,189,355)</u>
Total Allocated FY 2018-2019	<u>\$ 83,192,544</u>
<u>Budgeted Expenditures</u>	
FY 2018-2019 Long-Term Obligations and Fixed Expenses	\$ 5,544,000
Funding for Capital Projects	\$ 77,648,544
Total Approved and Budgeted Projects	<u>\$ 83,192,544</u>

The following projects were approved by the Board of Trustees:

<u>Basic Aid Projects</u>	<u>Project Amount</u>
Closed Projects	\$261,245,034
Prior Approved Open Project Balances	\$472,227,592
<u>New FY 2018-2019 Project Funding</u>	<u>Project Total</u>
<u>Long Term Obligations & Fixed Expenses</u>	
SOCCCD - Legislative Advocacy Services*	\$150,000
Retiree Benefits Expenses*	\$4,894,000
Insurance Deductibles*	\$500,000
<u>Capital Projects/Defects/Scheduled Maintenance/Renovation</u>	
DW – ADA Transition Plan Projects*	\$3,000,000
IVC – Access Controls	\$1,718,815
IVC - ATEP Building Signage (planning and design)	\$500,000
IVC – B200 Scheduled Maintenance*	\$1,500,000

IVC - Health Center/Concessions*	\$1,360,000
IVC - New Parking Lot*	\$1,300,000
IVC – Scheduled Maintenance College-wide	\$3,828,162
IVC – Soccer and Practice Fields (planning)	\$175,000
SC – Access Controls	\$4,000,000
SC – PE 200 and 300 Interior Renovation*	(\$706,033)
SC – PE 400 and 500 Renovation*	(\$800,000)
SC – PE Renovation*	\$1,506,033
SC – TAS Building*	\$44,863,622
SC – Walkway Lot 9 to Quad*	\$350,000
<u>ATEP Development & Operations</u>	
ATEP Support (security, maintenance and operations support)*	\$770,325
<u>Capital Programs Planning, Technical, Specialty, Legal Consulting</u>	
District-wide Mapping*	\$3,000,000
District-wide Technology Consultant for Capital Construction*	\$25,000
Pre-Planning and Investigations*	\$175,000
Sustainability/Energy Planning*	\$200,000
<u>IT Projects</u>	
Automated Student Assistant (AI Chatbot)	\$475,000
College Cabling	\$87,845
College Desktop Refresh*	\$2,182,754
College Network Access Control	\$320,000
College Server Refresh	\$407,247
Classroom Technology and Audio Visual Refresh*	\$602,154
Co-locate District-wide Infrastructure	\$60,000
Curriculum Management System	\$467,600
DevOps / Identity Management Engineering	\$200,000
District Innovation Fund	\$518,220
Faculty Syllabus Builder	\$315,000
HR/Business Services Integrated Software*	\$1,350,000
Information Security Contract Services	\$360,000
Infrastructure Expansion	\$170,000
MAP Enhancements*	\$385,000
MySite Faculty Services Upgrade	\$275,000
Privilege Access Management (PAM)	\$240,000
Registration Restriction Module	\$302,400
SIS Student System Health	\$350,000
Student Information System Enhancements*	\$1,814,400
Total FY 2018-2019 Funded Projects	<u>\$83,192,544</u>
Cumulative Total - Basic Aid Projects	<u>\$816,665,170</u>

*Reflects an augmentation/adjustment 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 fund is 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 \$385,000 of support from the unrestricted general fund (34% of funding). The child development program is 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 on February 1, 2012. Funds are received based on prior “pass-through” agreements as well as residual funds not needed to pay remaining agency obligations. These funds have been distributed following the DRAC model allocation.

CAPITAL OUTLAY PROJECTS – FUND 40

	FY 2018-2019
<u>Project Description</u>	Adopted Budget
Basic Aid Projects (including required college match)	\$251,940,536
<u>Other Project Funds</u>	
ATEP Property Development	\$1,016,806
State Prop 39 & Scheduled Maintenance Projects (including required college match)	\$2,020,588
College Funded Capital Outlay Projects	\$5,383,974
SC - Future Capital Outlay Projects	\$1,149,750
District - Future Capital Outlay Projects	\$32,174,538
Redevelopment Funds	\$29,569,436
Total Fund 40	\$323,255,628

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 Retiree OPEB Trust fund. The current year's annual accrual of retiree benefits for existing employees is also made in this fund.

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 2018 with the completion of a required actuarial study.

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 \$4,894,000. The District's actuarial accrued liability for past service is estimated at \$110,209,323 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.

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 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 2021-2022. The funds will be transferred to the district each year based on actual increased expenditures for STRS and PERS.

Student Financial Aid Fund (Fund #84)

The Student Financial Aid Fund is used to account for federal and state financial funds received and disbursed to students.

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 2018-2019 for all District funds is summarized on the following pages.

Ann-Marie Gabel, Vice Chancellor, Business Services
Kim McCord, Executive Director, Fiscal Services

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2018-2019**

Revenues, Expenditures and Change in Fund Balance

	General Fund (01)	Community Education (07) & (09)	SC Child Development (12)	Capital Outlay (40)	Self-Insurance (68)	Retiree Benefit (71)	Retiree OPEB (72)	Pension Stability Trust Fund (78)	Student Financial Aid Fund (84)	TOTAL ALL FUNDS
SOURCES OF FUNDS										
BEGINNING FUND BALANCE:										
9712	\$ 70,700,080	\$ 563,040	\$ 16,862	\$ 250,368,787	\$ 3,185,478	\$ 1,387,556	\$ 117,531,502	\$ 34,914,596	\$ 23,240	\$ 478,691,141
REVENUES:										
SB361 Revenue	\$ 160,820,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,820,622
Basic Aid	73,839,378	-	-	-	-	-	-	-	-	73,839,378
Federal Sources	2,632,479	-	-	-	-	-	-	-	22,075,000	24,707,479
Other State Sources	70,069,588	-	-	-	-	-	-	-	1,989,000	72,058,588
Other Local Sources	20,659,299	2,279,750	755,000	3,275,000	10,000	10,000	10,894,000	1,000,000	-	38,883,049
Total Revenue	328,021,366	2,279,750	755,000	3,275,000	10,000	10,000	10,894,000	1,000,000	24,064,000	370,309,116
FISCAL AGENT PASS-THRU										
8970-8979	4,528,571	-	-	-	-	-	-	-	-	4,528,571
8980-8989	-	-	-	69,361,841	500,000	4,894,000	-	-	-	74,755,841
BASIC AID INCOMING TRANSFERS										
8980-8989	6,446,040	-	385,000	250,000	350,000	-	-	-	-	7,431,040
INCOMING TRANSFERS										
Total Sources of Funds	338,995,977	2,279,750	1,140,000	72,886,841	860,000	4,904,000	10,894,000	1,000,000	24,064,000	457,024,568
TOTAL AVAILABLE FUNDS	\$ 409,696,057	\$ 2,842,790	\$ 1,156,862	\$ 323,255,628	\$ 4,045,478	\$ 6,291,556	\$ 128,425,502	\$ 35,914,596	\$ 24,087,240	\$ 935,715,709
USES OF FUNDS										
EXPENDITURES:										
Academic Salaries	95,430,837	140,276	-	-	-	-	-	-	-	95,571,113
Classified Salaries	59,257,036	875,634	807,724	312,219	376,444	-	-	-	-	61,629,057
Employee Benefits	61,420,772	350,596	320,376	146,578	156,409	4,894,000	4,930,000	-	-	72,218,731
Supplies & Materials	9,360,109	108,500	21,162	1,500	8,000	-	-	-	-	9,499,271
Services & Other Operating	43,630,360	1,279,201	7,600	6,574,298	619,797	50,000	420,000	200,000	-	52,781,256
Capital Outlay	15,603,835	88,583	-	295,255,451	15,000	-	-	-	-	310,962,869
Payments to Students	3,467,749	-	-	-	-	-	-	-	24,064,000	27,531,749
Total Expenditures	288,170,698	2,842,790	1,156,862	302,290,046	1,175,650	4,944,000	5,350,000	200,000	24,064,000	630,194,046
OTHER FINANCING USES:										
Transfers Out	1,235,000	-	-	-	-	-	-	-	23,240	7,454,280
Basic Aid Transfers Out	74,755,841	-	-	-	-	-	-	-	-	74,755,841
Other Transfers	4,528,571	-	-	-	-	-	-	-	-	4,528,571
Debt Service	-	-	-	-	-	-	-	-	-	-
Total Other Uses	80,519,412	-	-	-	-	-	-	6,196,040	23,240	86,738,692
TOTAL USES OF FUNDS	\$ 368,690,110	\$ 2,842,790	\$ 1,156,862	\$ 302,290,046	\$ 1,175,650	\$ 4,944,000	\$ 5,350,000	\$ 6,396,040	\$ 24,087,240	\$ 716,932,738
ENDING FUND BALANCE	\$ 41,005,947	\$ -	\$ -	\$ 20,965,582	\$ 2,869,828	\$ 1,347,556	\$ 123,075,502	\$ 29,518,556	\$ -	\$ 218,782,971
COMPONENTS OF ENDING BALANCE										
Reserve, Economic Uncertainties/Fund Bal.	\$ 17,158,716	\$ -	\$ -	\$ 20,965,582	\$ 2,869,828	\$ 1,347,556	\$ 123,075,502	\$ 29,518,556	\$ -	\$ 194,935,740
Reserve, Unrealized Tax Collections (Basic Aid)	23,847,231	-	-	-	-	-	-	-	-	23,847,231

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2018-2019**

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								
SB361 Revenue	\$ 11,041,409	\$ 5,844,193	\$ 16,885,602	\$ 1,291,459	\$ 3,687,316	\$ 4,978,775	\$ 3,554,648	\$ -	\$ 3,554,648
Basic Aid									
Various	\$ 88,120,577	\$ -	\$ 88,120,577	\$ 52,522,573	\$ -	\$ 52,522,573	\$ 16,927,118	\$ -	\$ 16,927,118
Federal Sources									
8100-8199		1,214,627	1,214,627		1,417,852	1,417,852			
Other State Sources	8,094,111	40,558,981	48,653,092	4,515,504	16,196,212	20,711,716		143,521	143,521
Other Local Sources	5,092,694	3,565,232	8,657,926	8,020,114	3,981,259	12,001,373			
Total Revenue	101,307,382	45,338,840	146,646,222	65,058,191	21,595,323	86,653,514	16,927,118	143,521	17,070,639
FISCAL AGENT PASS-THRU									
RESTRICTED BASIC AID									
8970-8979								4,528,571	4,528,571
8980-8989									
8980-8989	3,546,040	250,000	3,796,040	2,100,000		2,100,000	550,000		550,000
INCOMING TRANSFERS									
TOTAL SOURCES OF FUNDS	104,853,422	45,588,840	150,442,262	67,158,191	21,595,323	88,753,514	17,477,118	4,672,092	22,149,210
TOTAL AVAILABLE FUNDS	\$ 115,894,831	\$ 51,433,033	\$ 167,327,864	\$ 68,449,650	\$ 25,282,639	\$ 93,732,289	\$ 21,031,766	\$ 4,672,092	\$ 25,703,858

USES OF FUNDS

EXPENDITURES:

1000-1999	\$ 51,602,533	\$ 6,431,393	\$ 58,033,926	\$ 30,129,103	\$ 2,759,191	\$ 32,888,294	\$ 1,135,683	\$ -	\$ 1,135,683
Academic Salaries	21,815,017	8,959,582	30,774,599	13,650,827	4,961,229	18,612,056	9,317,140	-	9,317,140
Classified Salaries	29,061,074	4,754,944	33,816,018	18,102,142	2,949,245	21,051,387	5,599,731	-	5,599,731
Employee Benefits	1,455,063	5,922,638	7,377,701	820,303	1,042,105	1,862,408	82,000	-	82,000
Supplies & Materials	8,266,499	13,463,492	21,729,991	4,747,275	7,021,414	11,768,689	4,436,712	143,521	4,580,233
Services & Other Operating	759,645	9,062,589	9,822,234	-	5,670,101	5,670,101	110,500	-	110,500
Capital Outlay									
Payments to Students		2,588,395	2,588,395		879,354	879,354			
7500-7699	112,959,831	51,183,033	164,142,864	67,449,650	25,282,639	92,732,289	20,681,766	143,521	20,825,287
Total Expenditures									
7300-7399	\$ 635,000	\$ 250,000	\$ 885,000	\$ -	\$ -	\$ -	\$ 350,000	\$ -	\$ 350,000
Transfers Out									
Basic Aid Transfers Out									
7300-7399									
Other Transfers								4,528,571	4,528,571
7400-7499									
Debt Service									
7100-7199	635,000	250,000	885,000				350,000	4,528,571	4,878,571
Total Other Sources (Uses)									
TOTAL USES OF FUNDS	113,594,831	51,433,033	165,027,864	67,449,650	25,282,639	92,732,289	21,031,766	4,672,092	25,703,858

OTHER FINANCING USES:

7300-7399	\$ 2,300,000	\$ -	\$ 2,300,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -
Transfers Out									
Basic Aid Transfers Out									
7300-7399									
Other Transfers									
7400-7499									
Debt Service									
7100-7199									
Total Other Sources (Uses)									
ENDING FUND BALANCE	\$ 2,300,000	\$ -	\$ 2,300,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -

TOTAL USES OF FUNDS

ENDING FUND BALANCE	\$ 2,300,000	\$ -	\$ 2,300,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -
COMPONENTS OF ENDING BALANCE									
Reserve, Economic Uncertainties/Fund Bal.	\$ 2,300,000	\$ -	\$ 2,300,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -
Reserve, Unrealized Tax Collections (Basic Aid)									

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2018-2019**

Revenues, Expenditures and Change in Fund Balance

	General Fund			Total General Fund		
	Basic Aid	Other*	General	General	General	Total
	General	General	Fund	Fund	Fund	
	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Restricted	
SOURCES OF FUNDS						
BEGINNING FUND BALANCE: 9712	\$ 27,292,549	\$ 17,988,506	\$ 61,168,571	\$ 9,531,509	\$	\$ 70,700,080
REVENUES:						
SB361 Revenue						
Basic Aid						
Various	\$ -	\$ 3,250,354	\$ 160,820,622	\$ -	\$ -	\$ 160,820,622
Federal Sources	73,839,378	-	73,839,378	-	-	73,839,378
Other State Sources	-	-	-	2,632,479	-	2,632,479
Other Local Sources	-	561,259	13,170,874	56,898,714	70,069,588	70,069,588
Total Revenue	73,839,378	3,811,613	260,943,682	67,077,684	328,021,366	328,021,366
FISCAL AGENT PASS-THRU						
RESTRICTED BASIC AID	-	-	-	4,528,571	-	4,528,571
INCOMING TRANSFERS	-	-	6,196,040	-	250,000	6,446,040
TOTAL SOURCES OF FUNDS	73,839,378	3,811,613	267,139,722	71,856,255	338,995,977	338,995,977
TOTAL AVAILABLE FUNDS	\$ 101,131,927	\$ 21,800,119	\$ 328,308,293	\$ 81,387,764	\$	\$ 409,696,057
USES OF FUNDS						
EXPENDITURES:						
Academic Salaries	\$ 370,561	\$ 3,002,373	\$ 86,240,253	\$ 9,190,584	\$	\$ 95,430,837
Classified Salaries	195,517	357,724	45,336,225	13,920,811	-	59,257,036
Employee Benefits	182,821	770,815	53,716,583	7,704,189	-	61,420,772
Supplies & Materials	13,500	24,500	2,395,366	6,964,743	-	9,360,109
Services & Other Operating	1,766,456	3,784,991	23,001,933	20,628,427	43,630,360	43,630,360
Capital Outlay	-	1,000	871,145	14,732,690	-	15,603,835
Payments to Students	-	-	-	3,467,749	-	3,467,749
Total Expenditures	2,528,855	7,941,403	211,561,505	76,609,193	288,170,698	288,170,698
OTHER FINANCING USES:						
Transfers Out	\$ -	\$ -	\$ 985,000	\$ 250,000	\$	\$ 1,235,000
Basic Aid Transfers Out	74,755,841	-	74,755,841	-	-	74,755,841
Other Transfers	-	-	-	4,528,571	-	4,528,571
Debt Service	-	-	-	-	-	-
Total Other Sources (Uses)	74,755,841	-	75,740,841	4,778,571	-	80,519,412
TOTAL USES OF FUNDS	77,284,696	7,941,403	287,302,346	81,387,764	368,690,110	368,690,110
ENDING FUND BALANCE	\$ 23,847,231	\$ 13,858,716	\$ 41,005,947	\$ -	\$ -	\$ 41,005,947
COMPONENTS OF ENDING BALANCE						
Reserve, Economic Uncertainties/Fund Bal.	\$ -	\$ 13,858,716	\$ 17,158,716	\$ -	\$ -	\$ 17,158,716
Reserve, Unrealized Tax Collections (Basic Aid)	23,847,231	-	23,847,231	-	-	23,847,231

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ADOPTED BUDGET - FISCAL YEAR 2018-2019**

Revenues, Expenditures and Change in Fund Balance

	Community Education Fund			Student Financial Aid Fund		
	Saddleback College (09) & (100)	Irvine Valley College (07)	Total	Saddleback College (84)	Irvine Valley College (84)	Total
<u>SOURCES OF FUNDS</u>						
BEGINNING FUND BALANCE:	\$ 530,364	\$ 32,676	\$ 563,040	\$ 23,240	\$ -	\$ 23,240
REVENUES:						
SB361 Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Basic Aid	-	-	-	-	-	-
Federal Sources	-	-	-	11,200,000	10,875,000	22,075,000
Other State Sources	-	-	-	776,000	1,213,000	1,989,000
Other Local Sources	1,936,500	343,250	2,279,750	-	-	-
Total Revenue	1,936,500	343,250	2,279,750	11,976,000	12,088,000	24,064,000
FISCAL AGENT PASS-THRU	-	-	-	-	-	-
RESTRICTED BASIC AID	-	-	-	-	-	-
INCOMING TRANSFERS	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS	1,936,500	343,250	2,279,750	11,976,000	12,088,000	24,064,000
TOTAL AVAILABLE FUNDS	\$ 2,466,864	\$ 375,926	\$ 2,842,790	\$ 11,999,240	\$ 12,088,000	\$ 24,087,240
<u>USES OF FUNDS</u>						
EXPENDITURES:						
Academic Salaries	\$ 125,836	\$ 14,440	\$ 140,276	\$ -	\$ -	\$ -
Classified Salaries	745,661	129,973	875,634	-	-	-
Employee Benefits	265,014	85,582	350,596	-	-	-
Supplies & Materials	105,500	3,000	108,500	-	-	-
Services & Other Operating	1,151,225	127,976	1,279,201	-	-	-
Capital Outlay	73,628	14,955	88,583	-	-	-
Payments to Students	-	-	-	11,976,000	12,088,000	24,064,000
Total Expenditures	2,466,864	375,926	2,842,790	11,976,000	12,088,000	24,064,000
OTHER FINANCING USES:						
Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Basic Aid Transfers Out	-	-	-	-	-	-
Other Transfers	-	-	-	23,240	-	-
Debt Service	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	23,240	-	-
TOTAL USES OF FUNDS	2,466,864	375,926	2,842,790	11,999,240	12,088,000	24,087,240
ENDING FUND BALANCE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
Changes from Tentative Budget to Adopted Budget

Revenues, Expenditures and Change in Fund Balance
GENERAL FUND

	Unrestricted General Fund			Restricted General Fund		
	Tentative Budget	Budget Changes	Adopted Budget	Tentative Budget	Budget Changes	Adopted Budget
SOURCES OF FUNDS						
BEGINNING FUND BALANCE:	\$ 42,393,532	\$ 18,775,039	\$ 61,168,571	\$ 9,466,633	\$ 64,876	\$ 9,531,509
REVENUES:						
SB361 Revenue	\$ 160,820,622	\$ -	\$ 160,820,622	\$ -	\$ -	\$ -
Basic Aid	69,447,378	4,392,000	73,839,378	-	-	-
Federal Sources	8100-8199			2,483,805	148,674	2,632,479
Other State Sources	8600-8699	499,128	13,170,874	50,859,910	6,038,804	56,898,714
Other Local Sources	8800-8899	394,326	13,112,808	7,684,776	(138,285)	7,546,491
Total Revenue	255,658,228	5,285,454	260,943,682	61,028,491	6,049,193	67,077,684
FISCAL AGENT PASS-THRU	8970-8979	-	-	4,528,571	-	4,528,571
BASIC AID INCOMING TRANSFERS	8980-8989	-	-	-	-	-
INCOMING TRANSFERS	8980-8989	6,167,705	6,196,040	250,000	-	250,000
TOTAL SOURCES OF FUNDS	261,825,933	5,313,789	267,139,722	65,807,062	6,049,193	71,856,255
TOTAL AVAILABLE FUNDS	\$ 304,219,465	\$ 24,088,828	\$ 328,308,293	\$ 75,273,695	\$ 6,114,069	\$ 81,387,764
USES OF FUNDS						
EXPENDITURES:						
Academic Salaries	1000-1999	6,569,325	86,240,253	8,321,289	869,295	9,190,584
Classified Salaries	2000-2999	44,440,938	895,287	45,336,225	12,928,717	13,920,811
Employee Benefits	3000-3999	53,251,020	465,563	53,716,583	277,374	7,704,189
Supplies & Materials	4000-4999	2,329,167	66,199	2,395,366	6,370,140	6,964,743
Services & Other Operating	5000-5999	20,541,915	2,460,018	23,001,933	18,174,798	20,628,427
Capital Outlay	6000-6999	545,444	325,701	871,145	15,396,626	14,732,690
Payments to Students	7500-7699	-	-	1,876,739	1,591,010	3,467,749
Total Expenditures	200,779,412	10,782,093	211,561,505	70,495,124	6,114,069	76,609,193
OTHER FINANCING USES:						
Transfers Out	7300-7399	-	985,000	250,000	-	250,000
Basic Aid Transfers Out	7300-7399	-	74,755,841	-	-	-
Other Transfers	7400-7499	-	-	4,528,571	-	4,528,571
Debt Service	7100-7199	-	-	-	-	-
Total Other Uses	75,740,841	-	75,740,841	4,778,571	-	4,778,571
TOTAL USES OF FUNDS	276,520,253	10,782,093	287,302,346	75,273,695	6,114,069	81,387,764
ENDING FUND BALANCE	\$ 27,699,212	\$ 13,306,735	\$ 41,005,947	\$ -	\$ -	\$ -
COMPONENTS OF ENDING BALANCE						
Reserve, Economic Uncertainties/Fund Bal.	13,796,449	3,362,267	17,158,716	-	-	-
Reserve, Unrealized Tax Collections (Basic Aid)	13,902,763	9,944,468	23,847,231	-	-	-

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 2017-2018	Budget Changes FY 2018-2019	Adopted Budget FY 2017-2018	Budget Changes FY 2018-2019
SOURCES OF FUNDS				
BEGINNING FUND BALANCE:	\$ 55,889,977	\$ 5,278,594	\$ 9,765,924	\$ (234,415)
9712	\$	\$	\$	\$
REVENUES:				
SB361 Revenue	\$ 156,461,881	\$ 4,358,741	\$ 160,820,622	\$ -
Basic Aid	64,652,119	9,187,259	73,839,378	-
Federal Sources	-	-	3,321,902	(689,423)
Other State Sources	10,133,700	3,037,174	37,443,672	19,455,042
Other Local Sources	12,787,509	325,299	16,857,398	(9,310,907)
244,035,209	16,908,473	260,943,682	57,622,972	9,454,712
Total Revenue				
8970-8979	-	-	4,350,212	178,359
8980-8989	-	-	-	-
8990-8999	3,143,842	3,052,198	-	250,000
FISCAL AGENT PASS-THRU				
BASIC AID INCOMING TRANSFERS				
INCOMING TRANSFERS	247,179,051	19,960,671	61,973,184	9,883,071
TOTAL SOURCES OF FUNDS	\$ 303,069,028	\$ 25,239,265	\$ 71,739,108	\$ 9,648,656
TOTAL AVAILABLE FUNDS	\$ 303,069,028	\$ 25,239,265	\$ 71,739,108	\$ 9,648,656
USES OF FUNDS				
EXPENDITURES:				
Academic Salaries	\$ 81,764,143	\$ 4,476,110	\$ 86,240,253	\$ 659,487
2000-2999	44,712,186	624,039	45,336,225	1,293,075
Classified Salaries	49,918,215	3,798,368	53,716,583	366,535
Employee Benefits	2,330,886	64,480	2,395,366	1,193,812
Supplies & Materials	20,854,505	2,147,428	14,443,367	6,185,060
Services & Other Operating	2,032,927	(1,161,782)	871,145	(2,097,763)
Capital Outlay	201,612,862	9,948,643	211,561,505	2,120,091
Payments to Students				
Total Expenditures	\$ 725,000	\$ 260,000	\$ 985,000	\$ (250,000)
OTHER FINANCING USES:				
Transfers Out	67,231,257	7,524,584	74,755,841	-
Basic Aid Transfers Out	-	-	4,350,212	178,359
Other Transfers	-	-	-	-
Debt Service	67,956,257	7,784,584	75,740,841	(71,641)
Total Other Uses	269,569,119	17,733,227	287,302,346	9,648,656
TOTAL USES OF FUNDS	\$ 33,489,909	\$ 7,506,038	\$ 41,005,947	\$ -
ENDING FUND BALANCE	\$ 16,053,858	\$ 1,104,858	\$ 17,158,716	\$ -
COMPONENTS OF ENDING BALANCE				
Reserve, Economic Uncertainties/Fund Bal.	17,446,051	6,401,180	23,847,231	-
Reserve, Unrealized Tax Collections (Basic Aid)				

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 2017-2018	Actual FY 2017-2018	Balance FY 2017-2018	Adopted Budget FY 2017-2018	Actual FY 2017-2018	Balance FY 2017-2018
SOURCES OF FUNDS						
BEGINNING FUND BALANCE:	\$ 55,889,977	\$ 55,889,977	\$ -	\$ 9,765,924	\$ 9,765,924	\$ -
REVENUES:						
8100-8199 Federal Sources	-	14,886	(14,886)	3,321,902	2,350,649	971,253
8600-8699 State Sources	11,307,700	18,442,072	(7,134,372)	46,298,803	27,866,130	18,432,673
8800-8899 Local Sources	232,727,509	246,250,773	(13,523,264)	8,002,267	7,693,496	308,771
Total Revenue	244,035,209	264,707,731	(20,672,522)	57,622,972	37,910,275	19,712,697
FISCAL AGENT PASS-THRU INCOMING TRANSFERS	3,143,842	3,953,307	(809,465)	4,350,212	4,710,212	(360,000)
8970-8979	-	-	-	-	279,258	(279,258)
8980-8989	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS	247,179,051	268,661,038	(21,481,987)	61,973,184	42,899,745	19,073,439
TOTAL AVAILABLE FUNDS	\$ 303,069,028	\$ 324,551,015	\$ (21,481,987)	\$ 71,739,108	\$ 52,665,669	\$ 19,073,439
USES OF FUNDS						
EXPENDITURES:						
1000-1999 Academic Salaries	81,764,143	82,104,461	(340,318)	8,531,097	6,687,536	1,843,561
2000-2999 Classified Salaries	44,712,186	42,316,793	2,395,393	12,627,736	9,932,321	2,695,415
3000-3999 Employee Benefits	49,918,215	52,157,033	(2,238,818)	7,337,654	6,132,060	1,205,594
4000-4999 Supplies & Materials	2,330,886	2,136,343	194,543	5,770,931	1,266,927	4,504,004
5000-5999 Services & Other Operating	20,854,505	15,380,315	5,474,190	14,443,367	5,630,890	8,812,477
6000-6999 Capital Outlay	2,032,927	1,061,242	971,685	16,830,453	5,778,769	11,051,684
7500-7699 Payments to Students	-	-	-	1,347,658	2,486,187	(1,138,529)
Total Expenditures	201,612,862	195,156,187	6,456,675	66,888,896	37,914,690	28,974,206
OTHER FINANCING USES:						
7300-7399 Transfers Out	67,956,257	68,226,257	(270,000)	500,000	509,258	(9,258)
7400-7499 Other Transfers	-	-	-	4,350,212	4,710,212	(360,000)
Total Other Uses	67,956,257	68,226,257	(270,000)	4,850,212	5,219,470	(369,258)
TOTAL USES OF FUNDS	269,569,119	263,382,444	6,186,675	71,739,108	43,134,160	28,604,948
ENDING FUND BALANCE	\$ 33,499,909	\$ 61,168,571	\$ (27,668,662)	\$ -	\$ 9,531,509	\$ (9,531,509)

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 a child development program at Saddleback College 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 funded new construction, state scheduled maintenance, local redevelopment funds, and District funded projects.
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.
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.

APPENDIX A

FUND NUMBER	DESCRIPTION	DEFINITION
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. Financial information is reported separately.
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. Financial information is reported separately.
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. Financial information is reported separately.
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.
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, charged with making recommendations for the income allocation model on which the budget is based. It is charged with development and oversight of the allocation process for the Unrestricted General Fund 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 to six 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.
- **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.

APPENDIX B

South Orange County Community College District

RESOURCE ALLOCATION DEFINITION OF TERMS

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

- **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 Funds** are 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 Funds** are funds provided by the California Community College Chancellor's Office for district capital construction projects that meet their criteria for receiving funds from the state. These 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.