

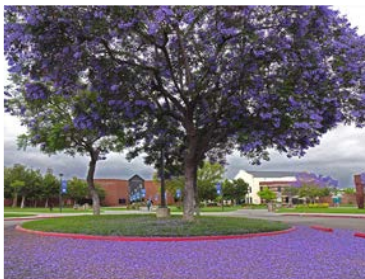


# TENTATIVE BUDGET

FY 2018-2019

June 25, 2018

Presented By:  
**Kim McCord**  
Acting 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-select Design-Build Entity; 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 - 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; e) and 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 released his May Revision on May 11, 2018. The overall increase in the Proposition 98 funding is \$78.4 billion with \$7.1 billion for 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 \$727 million over the last three years.

The Joint Budget Conference Committee has since met and reached agreement. Both the Senate and Assembly passed the budget bill on June 14, 2018. The biggest impact is the creation of a new funding formula 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. These details appear in the Higher Education trailer Bills which have not been voted on at the time of this writing.

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

Some of the highlights of the conference compromise that relate to community colleges are:

- Enrollment fees remain at \$46 per unit
- 2.71% COLA tied to the new funding formula
- \$24 million hold-harmless funds tied to the new funding formula
- \$34 million one-time discretionary funding 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 \$913 million, which is comprised of \$467 million in beginning fund balances and \$446 million in revenue. Our total budgeted expenditures is over \$709 million and we anticipate spending down our reserves by \$263 million leaving \$204 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 tentative 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. Other proposals being debated could also impact our enrollments.

Due to the uncertainty of the new funding formula, the district continues to follow the SB361 funding formula for the FY 2018-2019 tentative budget. The state COLA of 2.71% provided \$4.0 million in additional funding. Although the Governor's May Revise includes growth funds of 1%, SOCCCD is not anticipating any growth above the amount currently funded, and therefore has not budgeted any growth revenue. These amounts will be adjusted based on the final state budget, if needed, for the FY 2018-2019 Adopted Budget to be approved by the Board of Trustees in August.

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 does not include any allowance for negotiated salary increases. 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 \$2.4 million. This will grow an additional \$4.8 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 tentative 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

Beginning around 2012, enrollments became the number one challenge throughout the California Community Colleges. In fact, of the 72 Districts in the State, 32 of them are expected to be in stabilization when this year's enrollment numbers are finalized in October. The enrollment challenge results from low unemployment and the declining numbers of high school graduates. Saddleback College is among those facing this challenge. The College has recognized the need to intensify its enrollment management efforts, and those efforts are under review as part of our Innovation and Effectiveness planning. We anticipate receipt of a grant of \$200,000 to assist us in this regard.

Of course, it is not just numbers of students that are important; more importantly, we must think about the level of student success. One such enrollment initiative currently underway is our College Promise plan. While numbers of College Promise students are fluctuating, it is clear that the number of Promise students will be significantly higher (perhaps even double) our original goal! Here, our goals are both to increase enrollments and to facilitate successful course and program completion.

Additionally, the College recognizes the need to make fiscally prudent decisions. All expenditures are being reviewed with a focus on ways to save unnecessary spending. The College Resource Request process ensures that ongoing expenditure requests are identified as such, and that all types of both on-going and one-time requests are receiving extra scrutiny. Furthermore, with the full support of college constituent groups, the College strategically generated strong ending balances to allow time for the College to bring ongoing income in line with ongoing expenditures.

The budget challenges faced by Saddleback are twofold: a reduction in income due to not meeting potential funded enrollment growth targets, and personnel costs that have increased at a higher rate than income. Due to its current healthy ending balance, the College will be able to strengthen its key programs, such as College Promise, and further its ability to improve enrollments and student success while balancing its budget.

The college's strategic planning process substantially drives budget. Our goal is to maintain instructional, student services, operational and fiscal integrity while operating ethically and ensuring effective and efficient allocation of funds. To enhance this process, the College has significantly increased its data capabilities, and is continuing to use data on a consistent basis to inform decision making.

## Irvine Valley College

The resource allocation process at Irvine Valley College is highly transparent and involves all constituency groups of the campus. The budget development and resource planning committee regularly conducts short-term and long-term revenue and expenditure projections to recommend budget solutions and strategies for a strong financial position. The FY 2018-2019 tentative budget is focused primarily on maintaining the baseline programs and services that would allow IVC to continue fulfilling the local and district wide vision, mission, and goals. The college has been actively recruiting to fill the vacancies created through the Supplemental Early Retirement Program (SERP) last year. In particular, IVC has conducted four faculty recruitments during Spring 2018. The SERP allowed IVC to assess the staffing levels in all of its programs and services resulting in many efficiencies in instructional support. The college maintains a high level of efficiency in the area of instruction as well as maximizing the use of both human and physical resources.

The current state funding formula limits access provided by the college to 0.5 to 1.0 percent growth in FTES. This limitation will likely remain unchanged with the new funding formula. The college has been actively seeking alternative revenue sources where possible. One highlight of the budget is the non-resident student population comprised of 23% domestic non-resident and 77% international students. While the tuition rates have been steadily increasing in recent years, the enrollments have remained relatively flat. For the tentative budget, non-resident tuition income has been budgeted conservatively. However, thanks to the relatively small increase in non-resident tuition fees for FY 2018-2019 approved by the Board of Trustees, the college expects an increase in non-resident student enrollments leading to additional income.

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

Although we don't anticipate too many changes in the State budget, we won't know the final impact until it is signed by the Governor on or before June 30. Any necessary changes along with changes in our local projections will be reflected in our adopted budget which will be submitted to the Board for approval in August.

*Kim McCord*

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

# BUDGET DEVELOPMENT GUIDELINES

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## **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 Keenan Futuris Public Entity Investment Trust Program was selected to organize the structure and operations of the trust. Benefit Trust Company was selected to manage the funds in the trust. An actuarial study is conducted at a minimum of every two years to update the District's OPEB (other post-employment benefits) liability. It is the Board's intent to fully fund the liability once it is identified.

**7. Basic Aid**

While the District is a basic aid district:

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

**8. One-time Cost Savings**

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

**9. Full Time Equivalent Student Targets**

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

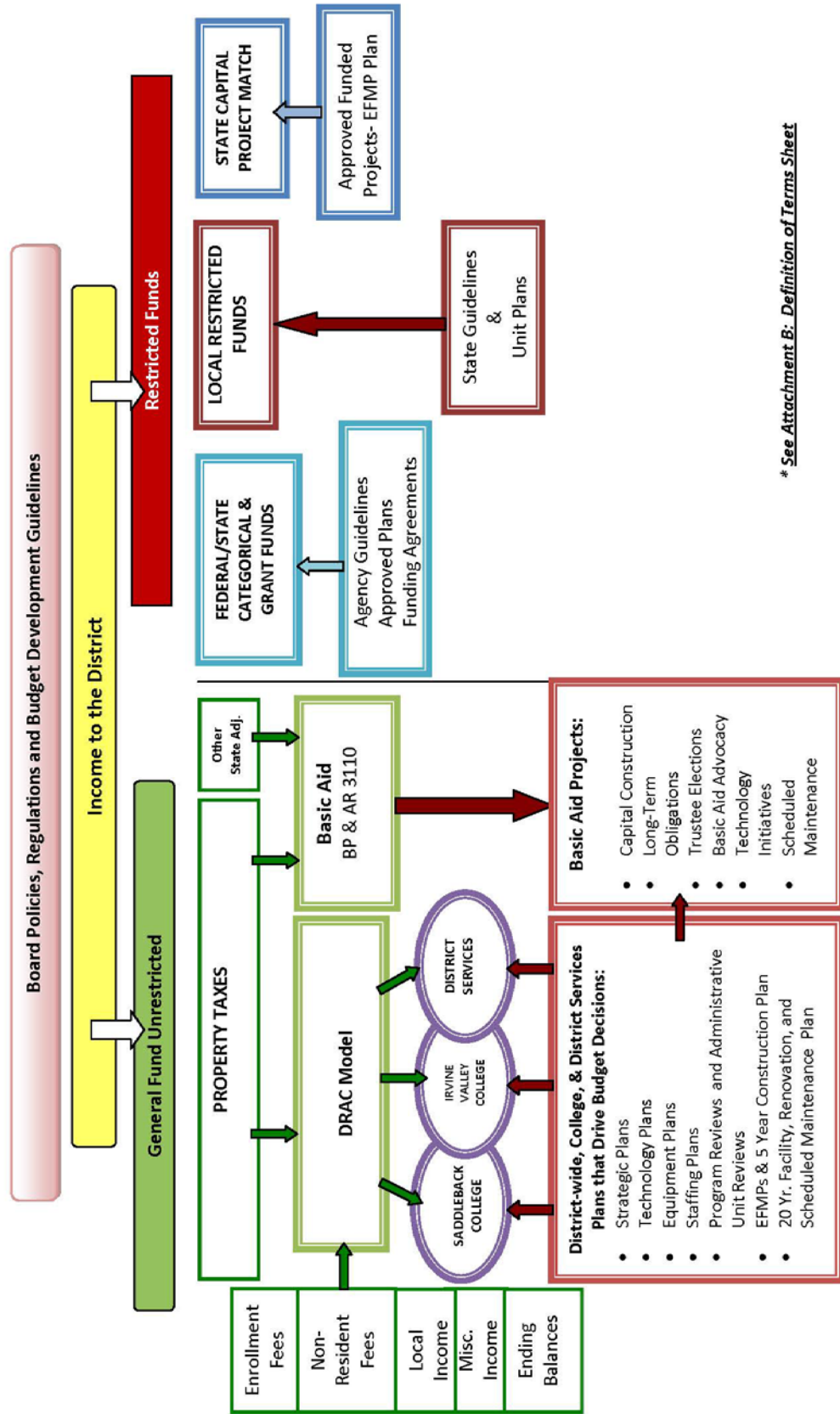
- a. The needs of students and the community.
- b. The percentage of growth allocation in the state apportionment formula.
- c. The FTES generated in the most recent academic year.
- d. The number of FTES the college administration realistically believes can be generated.

**10. Funding for Growth**

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



SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT RESOURCE ALLOCATION PROCESS



\* See Attachment B: Definition of Terms Sheet

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## SUMMARY OF GENERAL FUND BUDGET ALLOCATIONS

Allocated Area	* Unrestricted	*Restricted	Total
Saddleback College	\$ 109,295,224	\$48,816,853	\$158,112,077
Irvine Valley College	\$ 66,283,508	\$21,793,271	\$ 88,076,779
District Services	\$ 19,082,497	\$ 4,663,571	\$ 23,746,068
District-wide General Expense	\$ 4,338,923		\$ 4,338,923
Part-Time Faculty Parity Funds	\$ 572,131		\$ 572,131
Basic Aid Allocation/Transfer**	\$ 76,947,970		\$ 76,947,970
Basic Aid Contingency	\$ 13,902,763		\$ 13,902,763
Reserves for Economic Uncertainties	\$ 13,796,449		\$ 13,796,449
<b>TOTALS***</b>	<b>\$ 304,219,465</b>	<b>\$ 75,273,695</b>	<b>\$379,493,160</b>

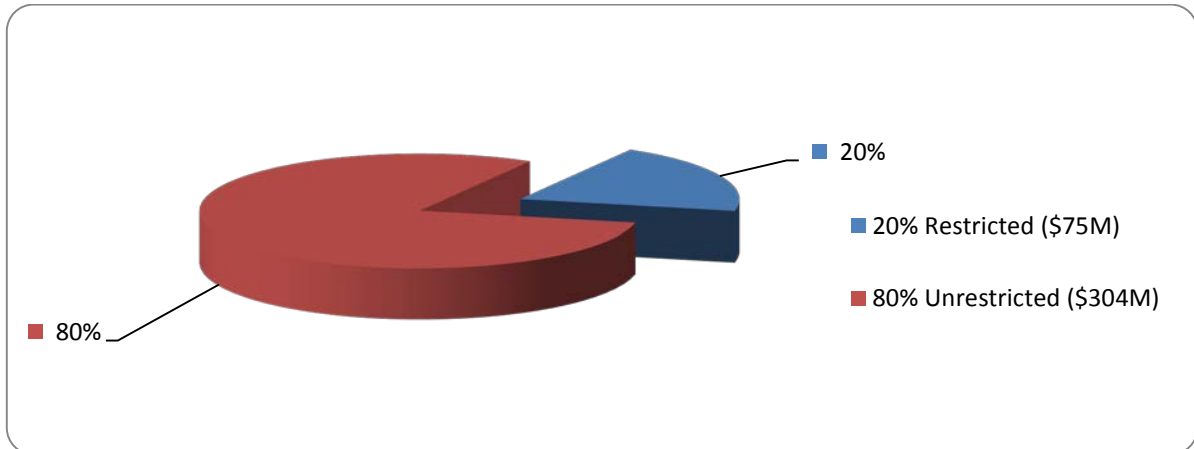
\* See pages 22 through 25 (Total of revenue, expenses and ending balance for each budget location)

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

\*\*\*The basic aid total was based on conservative property tax estimates and will be revised for final budget.

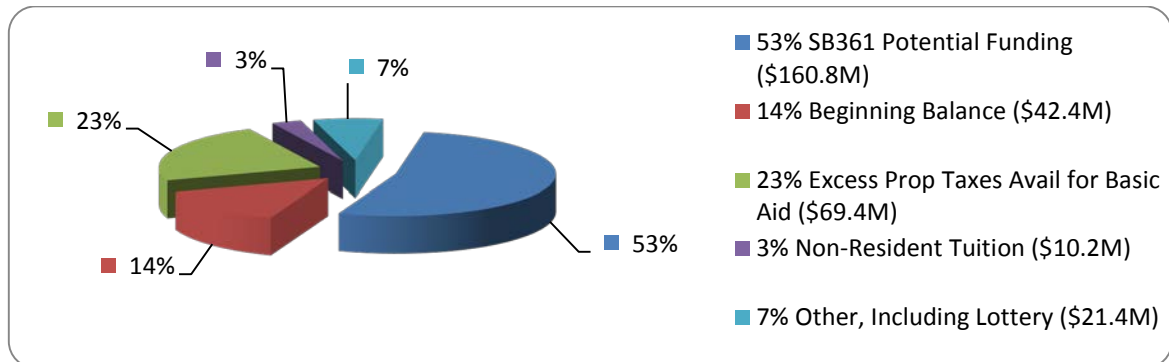
## GENERAL FUND REVENUE

The general fund, which totals \$379 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.”

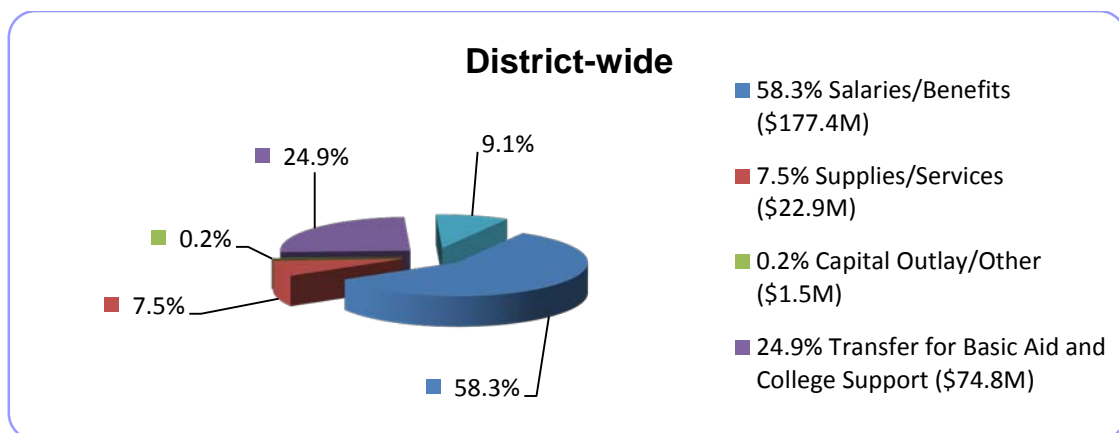


## UNRESTRICTED GENERAL FUND REVENUE

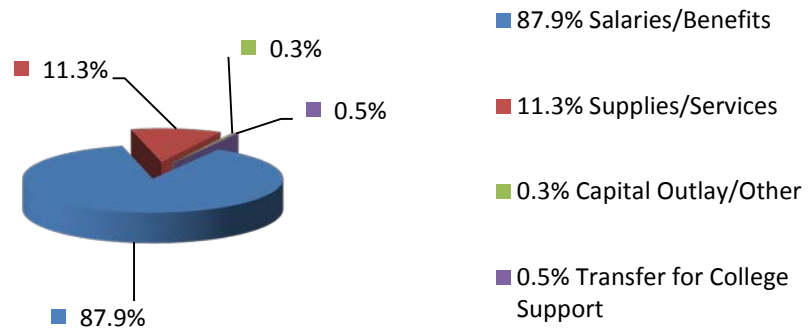
The largest segment of the general fund is the *unrestricted portion* which totals \$304 million and accounts for resources for the general purpose programs of the District (80% of the activity). This is an increase of \$1 million over last year due primarily to an increase in property taxes and a reduction in the beginning balance. Of the resources, 53% 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 2018-2019 Basic Aid (23%), Non-Resident Tuition (3%), and other sources, including EPA funds and Lottery (7%). The beginning balance, carried forward from the prior year, is 14% of available unrestricted funds.



## UNRESTRICTED GENERAL FUND OPERATING EXPENDITURES

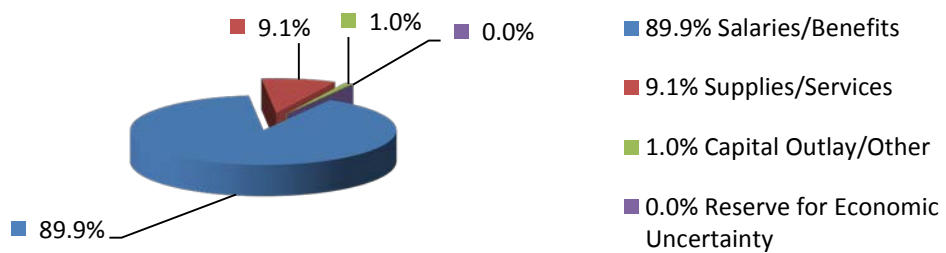


### District-wide without Reserves and Basid Aid

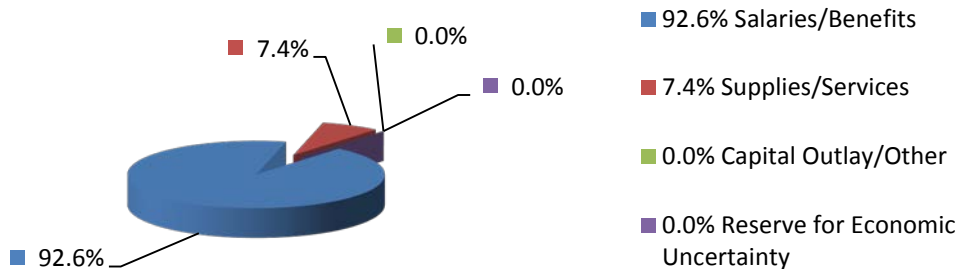


Most of the expenditures in the general fund operating budgets are for employee salaries/benefits as seen below. Saddleback College salaries and benefits equal 89.9% of its operating budget (down from 90.0%) and Irvine Valley College salaries and benefits equal 92.6% of its operating budget (down from 93.2%). District Services salaries and benefits decreased from 90.4% to 84.5% of its operating budget. These costs reflect the existing salary rates and known benefit cost increases.

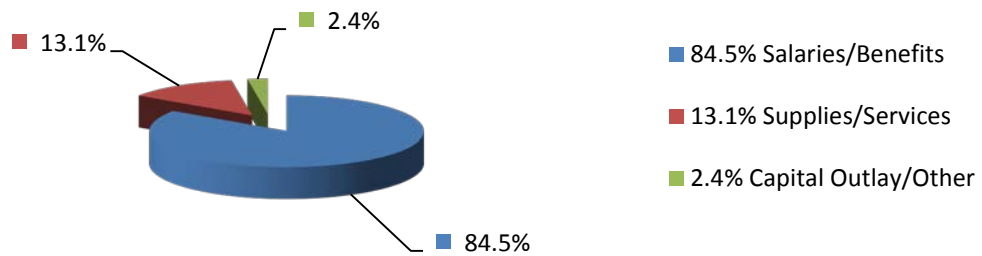
### Saddleback College



### Irvine Valley College



### District Services

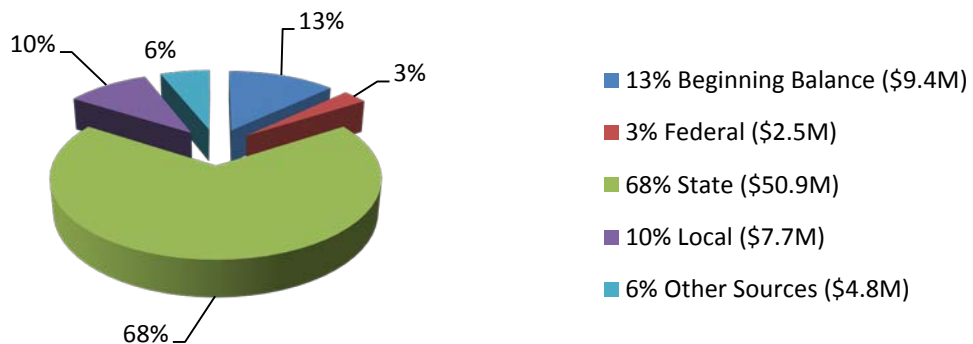


For fiscal prudence, the District-wide recommended budget target for overall staff costs is to not exceed 86-88% of the total budget so there are sufficient resources for instructional materials, equipment, and other operational costs. It is advisable to be on the low end of the range. We are at the 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 \$75 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, Strong Workforce, 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 \$3.5 million from the prior year primarily from state funds for categorical programs. All federal, state, and local grants and categorical funding are recognized in the restricted general funds of the district as fiscal agent and are used primarily by the colleges for support to educational programs and specialized activities.

### Restricted Income



## NOTEWORTHY GENERAL FUND ASSUMPTIONS

- Unrestricted General Fund beginning balance is estimated at \$42.4 million. This is made up of the prior year reserve for contingency (\$11.5 million), location beginning balances (\$9.5 million), and basic aid funds (\$21.4 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.

<b>Annual FTES (Summer, Fall, Spring)</b>					
	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
	Annual	Annual	Annual	P2	Target
IVC	9,331	9,560	10,497	9,969	9,809
SC	16,652	16,626	16,869	16,781	18,467
<b>TOTAL</b>	<b>25,983</b>	<b>26,186</b>	<b>27,366</b>	<b>26,750</b>	<b>28,276</b>

- Education Protection Act (EPA) funds are budgeted at \$2.7 million, which is consistent with FY 2017-2018. The revenue will be adjusted at the Adopted Budget when FTES estimates are confirmed. 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 (formally Board of Governors Waivers).
- 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 tentative budget for all employee groups. Negotiations are currently under way and any resulting salary increases will be reflected in the adopted budget.
- The tentative budget includes an estimated 1.4% cost increase for employee benefits including PPO medical insurance, HMO medical insurance, dental insurance, vision insurance and life insurance. Actual cost increases will be finalized in June and reflected in the adopted budget.
- Workers' Compensation insurance is budgeted at 1.7% of salaries, the same as FY 2017-2018. A lower rate is anticipated for the adopted budget 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 show below.

Fiscal Year	2015-2016 Actual	2016-2017 Actual	2017-2018 Estimated	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	2021-2022 Estimated	Annual Increase over 2015-2016
<b>PERS Annual Rate</b>	11.847%	13.888%	15.531%	18.062%	20.800%	23.500%	24.600%	
<b>PERS Contribution</b>	4,491,723	5,646,703	6,522,439	7,585,364	8,735,222	9,869,121	10,331,080	5,839,357

- 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 Estimated	2018-2019 Estimated	2019-2020 Estimated	2020-2021 Estimated	2021-2022 Estimated	Annual Increase over 2015-2016
<b>STRS Annual Rate</b>	10.730%	12.580%	14.430%	16.280%	18.130%	19.100%	18.600%	
<b>STRS Contribution</b>	6,692,933	8,553,945	10,323,105	11,646,580	12,970,055	13,663,985	13,306,289	6,613,356

- 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	\$ 1,047,923	\$ 328,793
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	
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
<b>TOTAL GENERAL EXPENSE ACCOUNTS</b>	<b>\$4,408,923</b>	<b>\$ 408,207</b>
District Services Facilities and Maintenance*	\$ <300,000>	
<b>ADJUSTED GENERAL EXPENSE ACCOUNTS</b>	<b>\$4,108,923</b>	<b>\$ 408,207</b>

\*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)				\$3,517,705	\$3,517,705
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
<b>Total Transfers</b>	<b>\$635,000</b>	<b>\$350,000</b>	<b>\$74,755,841</b>	<b>\$6,167,705</b>	<b>\$81,908,546</b>

- (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 Tentative Budget includes a reserve for contingency of 7.5% of unrestricted operating funds, with a total amount of \$13,796,449. The State Chancellor's Office recommends a minimum district reserve of 5%.



## BASIC AID STATUS

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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	\$ 61,959,948

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

<u>Fiscal Year</u>	<u>Basic Aid Receipts</u>
2017 - 2018	\$ 67,386,119
2018 - 2019	\$ 68,897,378
2019 - 2020	\$ 72,099,770
2020 - 2021	\$ 75,070,429
2021 - 2022	\$78,162,944

The final property tax collections for FY 2017-2018 will be determined at the close of the fiscal year and this figure will be amended for the adopted budget.

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

### ESTIMATED BASIC AID RESOURCES & PLANNED EXPENDITURES

<u>FY 2018-2019 Resources</u>	<u>Amount</u>
Estimated Balance at July 1, 2018	\$ 28,196,429
Receipts FY 2018-2019	\$ 68,897,378
Estimated Property Taxes for Basic Aid	\$ 97,093,807
Contingency for Unrealized Tax Collections (20%)	(\$13,779,476)
Unallocated Funds	(\$ 123,287)
<b>Total Allocated FY 2018-2019</b>	<b>\$ 83,191,044</b>
<b><u>Budgeted Expenditures</u></b>	
FY 2018-2019 Long-Term Obligations and Fixed Expenses	\$ 5,544,000
Funding for Capital Projects	\$ 77,647,044
<b>Total Approved and Budgeted Projects</b>	<b>\$ 83,191,044</b>

The following projects were approved by the Board of Trustees:

<u>Basic Aid Projects</u>	<u>Project Amount</u>
<b>Closed Projects</b>	<b>\$261,245,034</b>
<b>Prior Approved Open Project Balances</b>	<b>\$472,227,592</b>
<b><u>New FY 2018-2019 Project Funding</u></b>	
<b><u>Long Term Obligations &amp; Fixed Expenses</u></b>	
SOCCCD - Legislative Advocacy Services*	\$150,000
Retiree Benefits Expenses*	\$4,894,000
Insurance Deductibles*	\$500,000
<b><u>Capital Projects/Defects/Scheduled Maintenance/Renovation</u></b>	
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
<b><u>ATEP Development &amp; Operations</u></b>	
ATEP Support (security, maintenance and operations support)*	\$768,825
<b><u>Capital Programs Planning, Technical, Specialty, Legal Consulting</u></b>	
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
<b><u>IT Projects</u></b>	
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
<b>Total FY 2018-2019 Funded Projects</b>	<b><u>\$83,191,044</u></b>
<b>Cumulative Total - Basic Aid Projects</b>	<b><u>\$816,663,670</u></b>

\*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 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

	<b>FY 2018-2019</b>
<u>Project Description</u>	<b>Tentative Budget</b>
<b>Basic Aid Projects (including required college match)</b>	\$261,135,950
<b><u>Other Project Funds</u></b>	
ATEP Property Development	\$1,016,806
State Prop 39 & Scheduled Maintenance Projects (including required college match)	\$2,145,267
IVC – College Capital Outlay Projects	\$2,572,500
SC - Future Parking Lot Projects	\$940,249
SC - Future Capital Outlay Projects	\$4,864,981
District - Future Capital Outlay Projects	\$33,709,226
Redevelopment Funds	\$26,584,934
<b>Total Fund 40</b>	<b>\$332,969,913</b>

**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.

**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 2020-2021. 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 Tentative Budget for board approval.

## BUDGET TABLES

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The Tentative Budget for FY 2018-2019 for all District funds is summarized on the following pages.

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*Ann-Marie Gabel, Interim Chancellor*

*Kim McCord, Acting Vice Chancellor, Business Services*

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
TENTATIVE 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 Trust Fund (78)	Student Financial Aid Fund (84)	TOTAL ALL FUNDS
<b>SOURCES OF FUNDS</b>										
<b>BEGINNING FUND BALANCE:</b>	9712 \$	51,860,165 \$	- \$	260,083,072 \$	1,466,662 \$	1,300,000 \$	116,691,000 \$	35,096,000 \$	-	486,810,159
<b>REVENUES:</b>										
SB361 Revenue	Various	\$ 160,820,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	160,820,622
Basic Aid		69,447,378	-	-	-	-	-	-	-	69,447,378
Federal Sources	8100-8199	2,483,805	-	-	-	-	-	-	22,075,000	24,568,805
Other State Sources	8600-8699	63,531,656	-	-	-	-	-	-	1,989,000	65,520,656
Other Local Sources	8800-8899	2,399,236	755,000	3,275,000	10,000	10,000	10,894,000	1,000,000	-	38,746,494
Total Revenue		316,686,719	755,000	3,275,000	10,000	10,000	10,894,000	1,000,000	24,064,000	359,093,955
<b>FISCAL AGENT PASS-THRU</b>	8970-8979	4,528,571	-	-	-	-	-	-	-	4,528,571
<b>BASIC AID INCOMING TRANSFER:</b>	8980-8989	-	-	69,361,841	500,000	4,894,000	-	-	-	74,755,841
<b>INCOMING TRANSFERS</b>	8980-8989	6,417,705	385,000	250,000	350,000	-	-	-	-	7,402,705
<b>TOTAL SOURCES OF FUNDS</b>		327,632,995	1,140,000	72,886,841	860,000	4,904,000	10,894,000	1,000,000	24,064,000	445,781,072
<b>TOTAL AVAILABLE FUNDS</b>		\$ 379,493,160	\$ 2,712,496	\$ 332,969,913	\$ 2,326,662	\$ 6,204,000	\$ 127,585,000	\$ 36,096,000	\$ 24,064,000	\$ 912,591,231

**USES OF FUNDS**

**EXPENDITURES:**

Academic Salaries	1000-1999	\$ 87,992,217	\$ 199,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	88,192,085
Classified Staff Salaries	2000-2999	57,369,655	845,014	789,655	311,799	-	-	-	-	59,690,752
Employee Benefits	3000-3999	60,677,835	387,438	318,740	147,847	4,894,000	4,930,000	-	-	71,513,344
Supplies & Materials	4000-4999	8,699,307	108,500	24,000	1,500	-	-	-	-	8,841,307
Services & Other Operating	5000-5999	38,716,713	1,078,048	7,605	6,562,150	50,000	420,000	200,000	-	47,637,898
Capital Outlay	6000-6999	15,942,070	93,628	-	304,487,647	-	-	-	-	320,538,345
Payments to Students	7000-7999	1,876,739	-	-	-	-	-	-	24,064,000	25,940,739
Total Expenditures		271,274,536	2,712,496	1,140,000	311,510,943	4,944,000	5,350,000	200,000	24,064,000	622,354,470

**OTHER FINANCING USES:**

Transfers Out	7300-7399	\$ 1,235,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,167,705	\$ -	7,402,705
Basic Aid Transfers Out	7300-7399	74,755,841	-	-	-	-	-	-	-	74,755,841
Other Transfers	7400-7499	4,528,571	-	-	-	-	-	-	-	4,528,571
Debt Service	7100-7199	-	-	-	-	-	-	-	-	-
Total Other Uses		80,519,412	-	-	-	-	-	6,167,705	-	86,687,117

**TOTAL USES OF FUNDS**

		\$ 351,793,948	\$ 2,712,496	\$ 1,140,000	\$ 311,510,943	\$ 4,944,000	\$ 5,350,000	\$ 6,367,705	\$ 24,064,000	\$ 709,041,587
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**ENDING FUND BALANCE**

		\$ 27,699,212	\$ -	\$ -	\$ 21,458,970	\$ 1,168,167	\$ 122,235,000	\$ 29,728,295	\$ -	\$ 203,549,644
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**COMPONENTS OF ENDING BALANCE**

Reserve, Economic Uncertainties/Fund Bal.	\$ 13,796,449	\$ -	\$ -	\$ 21,458,970	\$ 1,168,167	\$ 1,260,000	\$ 122,235,000	\$ 29,728,295	\$ -	\$ 189,646,881
Reserve, Unrealized Tax Collections (Basic Aid)	13,902,763	-	-	-	-	-	-	-	-	13,902,763

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
TENTATIVE 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		
<b>SOURCES OF FUNDS</b>										
BEGINNING FUND BALANCE:	9712 \$	7,000,000 \$	5,872,000 \$	12,872,000 \$	500,000 \$	3,594,633 \$	4,094,633 \$	2,000,000 \$	- \$	2,000,000
REVENUES:										
SB361 Revenue										
Basic Aid		86,136,658 \$	- \$	86,136,658 \$	51,506,272 \$	- \$	51,506,272 \$	16,532,497 \$	- \$	16,532,497
Federal Sources		-	1,182,946	1,182,946	-	1,300,859	1,300,859	-	-	-
Other State Sources		7,760,693	37,920,590	45,681,283	4,338,922	12,804,320	17,143,242	-	135,000	135,000
Other Local Sources		4,880,168	3,591,317	8,471,485	7,838,314	4,093,459	11,931,773	-	-	-
Total Revenue		98,777,519	42,694,853	141,472,372	63,683,508	18,198,638	81,882,146	16,532,497	135,000	16,667,497
FISCAL AGENT PASS-THRU										
RESTRICTED BASIC AID										
INCOMING TRANSFERS		3,517,705	250,000	3,767,705	2,100,000	-	2,100,000	550,000	-	550,000
<b>TOTAL SOURCES OF FUNDS</b>		<b>109,295,224 \$</b>	<b>48,816,853 \$</b>	<b>158,112,077 \$</b>	<b>66,283,508 \$</b>	<b>21,793,271 \$</b>	<b>88,076,779 \$</b>	<b>19,082,497 \$</b>	<b>4,663,571 \$</b>	<b>23,746,068</b>
<b>USES OF FUNDS</b>										
EXPENDITURES:										
Academic Salaries		48,308,450 \$	5,650,739 \$	53,959,189 \$	29,747,946 \$	2,670,550 \$	32,418,496 \$	1,135,683 \$	- \$	1,135,683
Classified Staff Salaries		21,177,869	8,175,232	29,353,101	13,419,948	4,753,485	18,173,433	9,214,952	-	9,214,952
Employee Benefits		28,820,643	4,541,253	33,361,896	18,218,039	2,885,562	21,103,601	5,763,480	-	5,763,480
Supplies & Materials		1,388,604	5,171,383	6,559,987	823,063	1,198,757	2,021,820	82,000	-	82,000
Services & Other Operating		8,530,714	14,682,880	23,213,594	4,074,512	3,356,918	7,431,430	2,425,882	135,000	2,560,882
Capital Outlay		433,944	9,248,884	9,682,828	-	6,147,742	6,147,742	110,500	-	110,500
Payments to Students		-	1,096,482	1,096,482	-	780,257	780,257	-	-	-
Total Expenditures		108,660,224	48,566,853	157,227,077	66,283,508	21,793,271	88,076,779	18,732,497	135,000	18,867,497
OTHER FINANCING USES:										
Transfers Out										
Basic Aid Transfers Out		635,000 \$	250,000 \$	885,000 \$	- \$	- \$	- \$	350,000 \$	- \$	350,000
Other Transfers		-	-	-	-	-	-	-	-	-
Debt Service		-	-	-	-	-	-	-	4,528,571	4,528,571
Total Other Sources (Uses)		635,000	250,000	885,000	-	-	-	350,000	4,528,571	4,878,571
<b>TOTAL USES OF FUNDS</b>		<b>109,295,224</b>	<b>48,816,853</b>	<b>158,112,077</b>	<b>66,283,508</b>	<b>21,793,271</b>	<b>88,076,779</b>	<b>19,082,497</b>	<b>4,663,571</b>	<b>23,746,068</b>
<b>ENDING FUND BALANCE</b>		<b>\$ \$</b>	<b>\$ \$</b>	<b>\$ \$</b>	<b>\$ \$</b>	<b>\$ \$</b>	<b>\$ \$</b>	<b>\$ \$</b>	<b>\$ \$</b>	<b>\$ \$</b>



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

**Revenues, Expenditures and Change in Fund Balance**

	General Fund		Other*		Total General Fund	
	Basic Aid General Fund Unrestricted	General Fund Unrestricted	General Fund Unrestricted	General Fund Restricted	General Fund Unrestricted	General Fund Restricted
<b>SOURCES OF FUNDS</b>						
BEGINNING FUND BALANCE:	9712 \$	21,403,355 \$	11,490,177 \$		42,393,532 \$	51,860,165 \$
REVENUES:						
SB361 Revenue						
Basic Aid	69,447,378		6,645,195		160,820,622	
Federal Sources					69,447,378	
Other State Sources			572,131		2,483,805	
Other Local Sources					50,859,910	
Total Revenue	69,447,378		7,217,326		255,658,228	
FISCAL AGENT PASS-THRU						
RESTRICTED BASIC AID						4,528,571
INCOMING TRANSFERS					6,167,705	
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 90,850,733</b>	<b>\$ 18,707,503</b>	<b>\$ 304,219,465</b>	<b>\$ 75,273,695</b>	<b>\$ 379,493,160</b>	

**USES OF FUNDS**

**EXPENDITURES:**

Academic Salaries						
Classified Staff Salaries	227,019		478,849		79,670,928	
Employee Benefits	139,246		401,150		44,440,938	
Supplies & Materials	11,000		309,612		53,251,020	
Services & Other Operating	1,814,864		24,500		2,329,167	
Capital Outlay			3,695,943		20,541,915	
Payments to Students			1,000		545,444	
Total Expenditures	2,192,129		4,911,054		200,779,412	
Transfers Out						
Basic Aid Transfers Out					985,000	
Other Transfers	74,755,841				74,755,841	
Debt Service						
Total Other Sources (Uses)	74,755,841				75,740,841	
<b>TOTAL USES OF FUNDS</b>	<b>\$ 76,947,970</b>	<b>\$ 4,911,054</b>	<b>\$ 276,520,253</b>	<b>\$ 75,273,695</b>	<b>\$ 351,793,948</b>	
<b>ENDING FUND BALANCE</b>	<b>\$ 13,902,763</b>	<b>\$ 13,796,449</b>	<b>\$ 27,699,212</b>	<b>\$ -</b>	<b>\$ 27,699,212</b>	

**OTHER FINANCING USES:**

Transfers Out						
Basic Aid Transfers Out					250,000	
Other Transfers						
Debt Service					4,528,571	
Total Other Sources (Uses)					4,778,571	
<b>TOTAL USES OF FUNDS</b>	<b>\$ 76,947,970</b>	<b>\$ 4,911,054</b>	<b>\$ 276,520,253</b>	<b>\$ 75,273,695</b>	<b>\$ 351,793,948</b>	
<b>ENDING FUND BALANCE</b>	<b>\$ 13,902,763</b>	<b>\$ 13,796,449</b>	<b>\$ 27,699,212</b>	<b>\$ -</b>	<b>\$ 27,699,212</b>	

**COMPONENTS OF ENDING BALANCE**

Reserve, Economic Uncertainties/Fund Bal.	\$ -	\$ 13,796,449	\$ 13,796,449	\$ -	\$ 13,796,449
Reserve, Unrealized Tax Collections (Basic Aid)	13,902,763	-	13,902,763	-	13,902,763

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
TENTATIVE 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
<b>SOURCES OF FUNDS</b>						
BEGINNING FUND BALANCE:	9712 \$	222,000 \$	91,260 \$	313,260 \$		
REVENUES:						
SB361 Revenue						
Basic Aid	Various \$	-	-	-	-	-
Federal Sources	8100-8199	-	-	-	-	-
Other State Sources	8600-8699	-	-	11,200,000	10,875,000	22,075,000
Other Local Sources	8800-8899	1,936,500	462,736	776,000	1,213,000	1,989,000
Total Revenue		1,936,500	462,736	2,399,236	-	-
		11,976,000	12,088,000	11,976,000	12,088,000	24,064,000
FISCAL AGENT PASS-THRU	8970-8979	-	-	-	-	-
RESTRICTED BASIC AID	8980-8989	-	-	-	-	-
INCOMING TRANSFERS	8980-8989	-	-	-	-	-
<b>TOTAL SOURCES OF FUNDS</b>		<b>\$ 2,158,500</b>	<b>\$ 553,996</b>	<b>\$ 2,712,496</b>	<b>\$ 11,976,000</b>	<b>\$ 12,088,000</b>
		<b>\$ 11,976,000</b>	<b>\$ 12,088,000</b>	<b>\$ 24,064,000</b>	<b>\$ 24,064,000</b>	<b>\$ 24,064,000</b>
<b>USES OF FUNDS</b>						
EXPENDITURES:						
Academic Salaries	1000-1999 \$	115,252 \$	84,616 \$	199,868	-	-
Classified Staff Salaries	2000-2999	671,835	173,179	845,014	-	-
Employee Benefits	3000-3999	264,403	123,035	387,438	-	-
Supplies & Materials	4000-4999	105,500	3,000	108,500	-	-
Services & Other Operating	5000-5999	927,882	150,166	1,078,048	-	-
Capital Outlay	6000-6999	73,628	20,000	93,628	-	-
Payments to Students	7500-7699	-	-	-	-	-
Total Expenditures		2,158,500	553,996	2,712,496	-	-
OTHER FINANCING USES:						
Transfers Out	7300-7399 \$	-	-	-	-	-
Basic Aid Transfers Out	7300-7399	-	-	-	-	-
Other Transfers	7400-7499	-	-	-	-	-
Debt Service	7100-7199	-	-	-	-	-
Total Other Sources (Uses)		-	-	-	-	-
<b>TOTAL USES OF FUNDS</b>		<b>2,158,500</b>	<b>553,996</b>	<b>2,712,496</b>	<b>11,976,000</b>	<b>12,088,000</b>
		<b>\$ 11,976,000</b>	<b>\$ 12,088,000</b>	<b>\$ 24,064,000</b>	<b>\$ 24,064,000</b>	<b>\$ 24,064,000</b>
<b>ENDING FUND BALANCE</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## APPENDIX A

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

<b>FUND NUMBER</b>	<b>DESCRIPTION</b>	<b>DEFINITION</b>
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

<b>FUND NUMBER</b>	<b>DESCRIPTION</b>	<b>DEFINITION</b>
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.
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 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 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** 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 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.