



TENTATIVE BUDGET

FY 2019-2020



June 25, 2019

THE DISTRICT



Overview: The South Orange County Community College District (SOCCCD) is a multi-campus district encompassing Saddleback College (SC) in Mission Viejo, Irvine Valley College (IVC) 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 three years, SOCCCD student enrollments have declined slightly. Total student headcount for spring 2019 is over 42,000 and resident full time equivalent students (FTES) for FY 2018-2019 is over 26,400 as compared to 27,400 in FY 2016-2017. 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 since cost increases are outpacing revenue increases. 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.

Planning Efforts: District-wide planning and budgeting processes are continually evaluated and improved. 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) implements the recommendations and oversees the strategic planning processes with other major district-wide committees making recommendations on resources, such as District Resources Allocation Council (DRAC), Capital Improvement Committee (CIC), District-wide Technology Committee (DTC), and Basic Aid Allocation Recommendation Committee (BAARC).

State Budget and the Community College System: The Governor released his May Revision on May 9, 2019. The overall allocation for Proposition 98 funding is \$81.1 billion with 10.99% going to community colleges, which is slightly above the traditional share of 10.93%. 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 \$246 million over last year.

There are many proposed changes to the new Student Centered Funding Formula (SCFF). One significant change is to maintain the base allocation calculated on credit FTES (70%), the supplemental allocation calculated on low-income students (20%) and a student success incentive allocation (10%) instead of shifting to 65%, 20%, and 15% for FY 2019-2020. The budget also proposes capping the year-over-year change in student success metric revenue and adding an additional year of the funding guarantee (hold-harmless) through FY 2021-2022.

The passage of Proposition 55 in the 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
- \$230 million for COLA (3.26%)
- \$26 million for apportionment growth (0.55%)
- \$3.15 billion investment in the unfunded STRS liability which will reduce the FY 2019-2020 rate from 18.13% to 16.7%
- \$45.2 million to provide a second year of free tuition under the California College Promise Program
- \$31.2 million for COLA on specific categorical programs
- \$39.6 million for deferred maintenance and instructional equipment with no local match requirement for deferred maintenance (one-time funds)

SOCCCD Budget: The SOCCCD tentative budget for all funds totals over \$999 million, which is comprised of \$509 million in beginning fund balances and \$490 million in revenue. Our total budgeted expenditures is \$811 million and we anticipate spending down our reserves by \$321 million leaving \$188 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, ground lease and other miscellaneous revenue.

Although SOCCCD does not receive state apportionment, proposed changes to the funding formula do have an impact on college operating budgets. This year marks the first year of implementation of the SCFF. The District moved from strictly an enrollment driven model to a bifurcated model focusing on enrollment, low-income students, and student success metrics. While overall the SCFF provides \$1.1 million in revenue above the revenue budgeted under SB361 last year, going from \$160.8 million to \$161.9 million, the District fell into the hold harmless provisions and there is a shift in funding between the colleges.

The Governor's May Revise includes growth funds of 0.55%; however, 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 2019-2020 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 expenditures are 88.2%, which is at the high end of our recommended budget target of 86% - 88%. This indicator demonstrates the need for future budget vigilance. The budget includes the current negotiated salary increases for

all units.

STRS and PERS rates are anticipated to continue to increase significantly over the next several years. STRS rate increases have already been set by the legislature through 2021, although the May Revision includes an investment in the STRS unfunded liability. This is estimated to reduce the STRS employer rate to 16.7% for FY 2019-2020. The PERS rates are set each year by the PERS Board and the FY 2019-2020 rate is 20.733%. The estimated increased costs over the current year are \$2.2 million. This will grow an additional \$3 million by FY 2021-2022. The Board has approved participation in a Pension Stabilization Fund to offset these increased costs and deposits totaling \$39.7 million were made to the trust. The current balance of \$22 million continues to earn interest. The District anticipates that the funds should be sufficient to cover the increased costs through FY 2021-2022.

After following the SCFF funding formula for the colleges through the DRAC model, excess property tax revenues available for basic aid distribution this fiscal year total approximately \$93 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 April 22, 2019 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 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

Declining enrollment, rising expenses, and a number of high cost programs have resulted in an \$8 million structural deficit for Saddleback College that requires significant and immediate action. These issues are exacerbated in the FY 2019-2020 budget by implementation of the State's new SCFF into the DRAC model, which results in a significant reduction in ongoing revenue.

The combination of declining revenue from the SCFF and rising costs is projected to result in the elimination of the college's reserves in FY 2019-2020.

The following are factors that contribute to the college's deficit and projected use of its reserves in FY 2019-2020:

- Several years of budgeted expenditure growth in a period of declining enrollment. In FY 2018-2019, \$104.9 million was budgeted for revenues based on target enrollment significantly above the actual while \$113.6 million was budgeted for expenditures, projecting a deficit of \$8.7 million. Actual expenditures historically are less than budget projections but the gap between revenue and expenses is magnified in FY 2019-20 due to a slight decline in revenue and COLA increases.
- High costs for salaries, benefits, and services.
- Lower revenue under the SCFF. The SCFF is particularly unfavorable for Saddleback College due to the demographics of our students,

which results in a very low Supplemental Allocation and less potential revenue for Success Outcomes. Even with receiving \$2 million in hold harmless funds for FY 2019-2020, our ongoing revenue from SCFF is \$3 million less than last year.

- This reduction in SCFF is mostly offset by increases in interest income, apartment complex revenue, and pension stabilization funds resulting in a total revenue decrease of \$397,381 from FY 2018-2019 to FY 2019-2020.
- Diversity of programs and services, some of which are resource intensive.
- Low funding rates for Emeritus Institute (noncredit) courses, which result in \$3.3 million less revenue compared to non-credit Career Development & College Preparation courses.

While the revenues decreased, costs continue to rise due to salary schedule improvements, step and column increases, pension and health and welfare increases, and increases in other continuing operating costs such as utilities and other services. However, in spite of these cost increases, total expenditures budgeted for FY 2019-2020 are \$112.3 million, \$1.3 million less than the FY 2018-2019 Adopted Budget, due to efforts by the college to cut costs and leverage restricted and basic aid funds to maximize reserves. The college is continuing these efforts but as the budget tightens, opportunities for cuts that avoid negative impacts to students and employees will become increasingly difficult.

The college is focused on the following goals to address the budget deficit over the next three years:

- Grow enrollment by 1%, 2% and 3% by reallocating instructional FTE to high demand courses, increasing outreach activities, converting students from noncredit to credit courses, increasing enrollment of high school students, and focusing specifically on retention and persistence using the Guided Pathways framework.
- Increase SCFF revenue by 3%, 2% and 2% by increasing attention on equitable outcomes by outreach to low income populations and improving student success outcomes through auto-conferral of degrees, early alert and follow-up interventions.
- Reduce expenses by 2% annually by carefully reviewing every open position to determine if it is necessary or if the salary placement or work schedule could be reduced, focusing efforts to improve organizational efficiency both in instruction and support services, analyzing the organizational structure against external benchmarks to establish target staffing ratios, utilizing restricted funds whenever possible, evaluating supply and operational budgets to reduce or eliminate nonessential expenses, deferring non-urgent capital outlay expenditures and leveraging one-time funds.

The college is also working on increasing other operating revenue and improving the alignment of its resource allocation processes with the strategic plan to ensure that resources are used effectively to support the timely completion of all of its students.

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 (BDRPC) 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 2019-2020 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 largely filled the vacancies created through the Supplemental Early Retirement Program in FY 2017-2018 and conducted 14 faculty recruitments during Spring 2019.

Beginning in FY 2019-2020, the district has implemented the state's new SCFF as a part of the DRAC Model. In addition to the previous FTES-based funding calculation, known as the base allocation, the SCFF adds supplemental and student success incentive allocations as factors in determining the total computational revenue for the district/college. This change, coupled with the state Student Equity and Achievement Program funding, will allow the college to focus on serving socio-economically disadvantaged students while providing excellent opportunities for success to students at large. Thanks to the additional categories added to the calculation, the new SCFF is a welcome change to ensure long-term financial stability and sustainability during times of softening enrollments.

Looking Ahead: DRAC will be reviewing the many proposed changes to the SCFF to determine the impact on the DRAC funding model and college allocations. Changes in the final state budget will be incorporated in the final adopted budget.

Chancellor Burke reviewed the budget and confirms that it is balanced as 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 by the Board of Trustees 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 annually 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 state funding formula.

SUMMARY OF GENERAL FUND BUDGET ALLOCATIONS (BEGINNING FUND BALANCE & REVENUES)

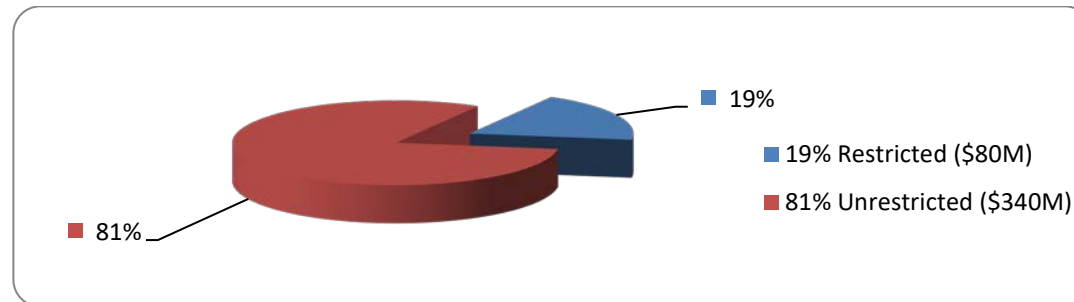
Allocated Area	* Unrestricted	*Restricted	Total
Saddleback College	\$ 112,456,041	\$50,702,286	\$163,158,327
Irvine Valley College	\$ 76,261,987	\$24,602,855	\$100,864,842
District Services	\$ 21,798,956	\$ 4,744,809	\$ 26,543,765
Basic Aid			
Basic Aid Allocation/Transfer**	\$ 93,326,186		\$ 93,326,186
Basic Aid Contingency	\$ 16,670,384		\$ 16,670,384
Other			
District-wide General Expense	\$ 4,466,270		\$ 4,466,270
Part-Time Faculty Parity Funds	\$ 564,523		\$ 564,523
Reserves for Economic Uncertainties	\$ 14,245,375		\$ 14,245,375
TOTALS	<u>\$ 339,789,722</u>	<u>\$ 80,049,950</u>	<u>\$419,839,672</u>

* See pages 26 and 27 (Revenue, expenditures and change in fund balance for each budget location)

**Prior Year Beginning balance of Basic Aid funds (\$1.5M) is in the Capital Outlay Fund.

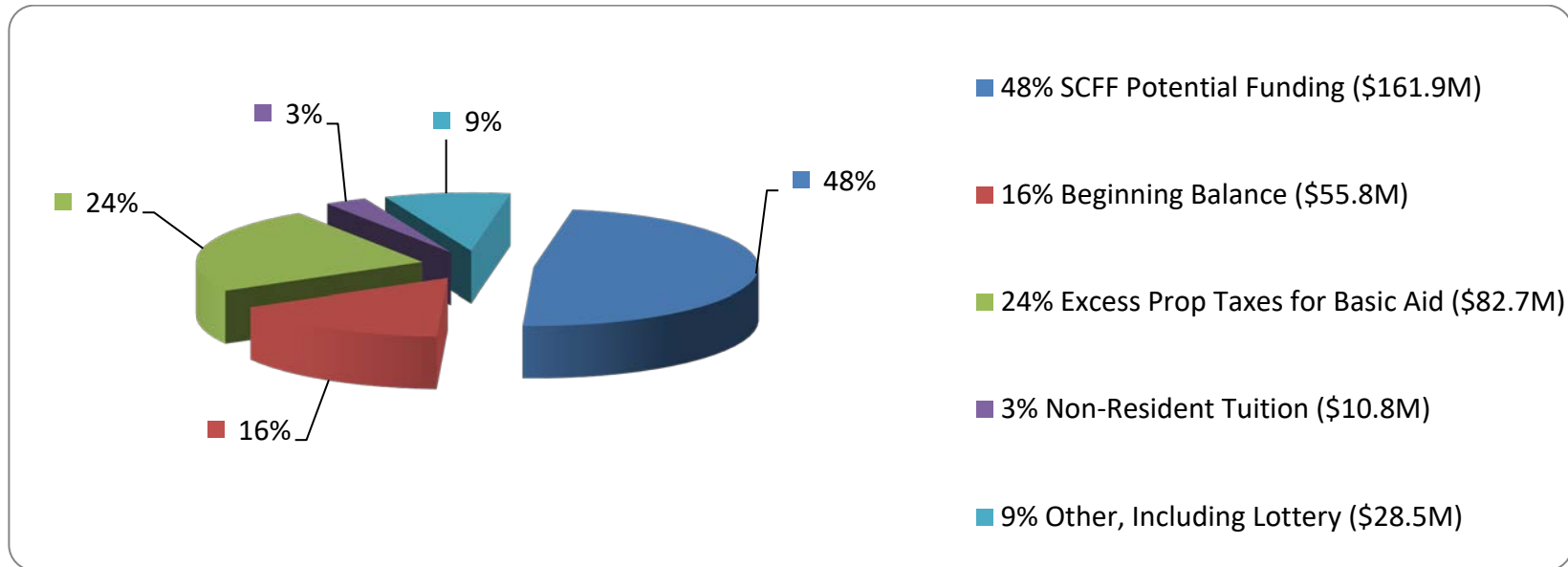
GENERAL FUND REVENUE

The general fund, which totals \$420 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.”

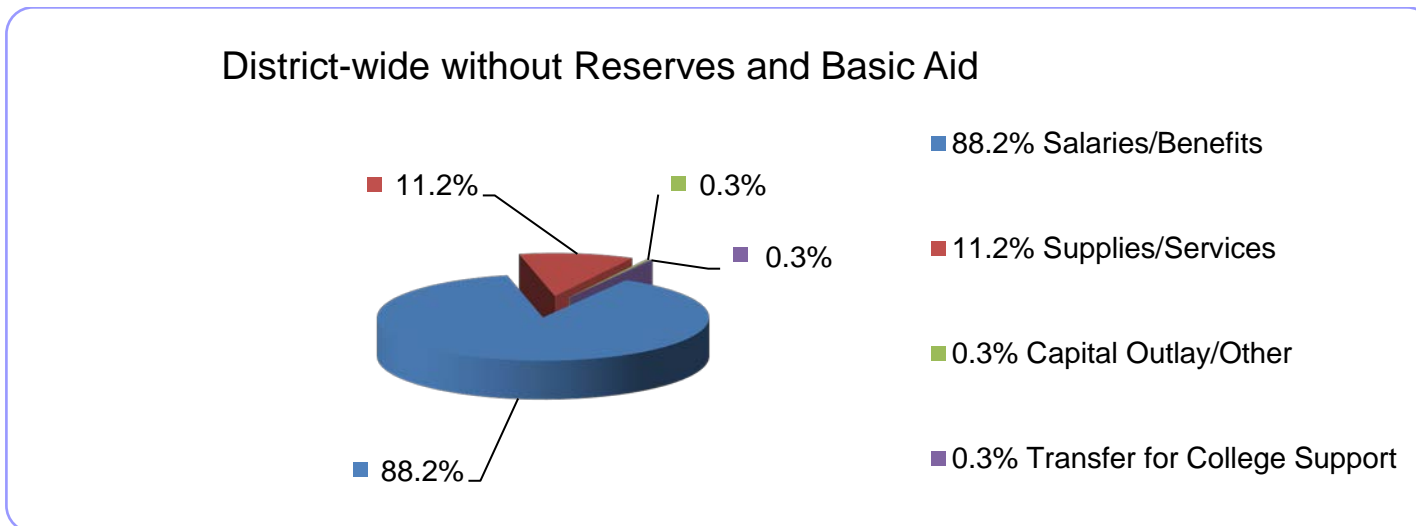
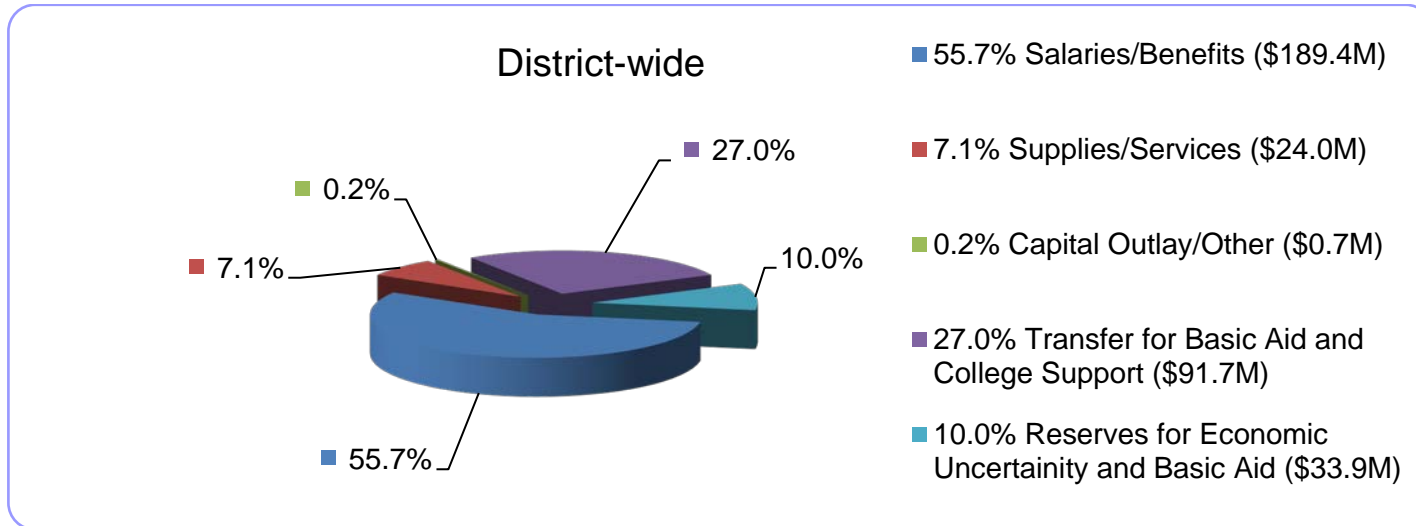


UNRESTRICTED GENERAL FUND REVENUE

The largest segment of the general fund is the *unrestricted portion*, which totals \$340 million and accounts for resources for the general-purpose programs of the District (81% of the activity). This is an increase of \$11 million over last year due primarily to an increase in property taxes. Of the resources, 48% is equivalent to the amount that would be calculated in the SCFF. 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 73 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 2019-2020 Basic Aid (24%), Non-Resident Tuition (3%), and other sources, including transfers, EPA funds, interest, ground leases, and Lottery (9%). The beginning balance, carried forward from the prior year, is 16% of available unrestricted funds.



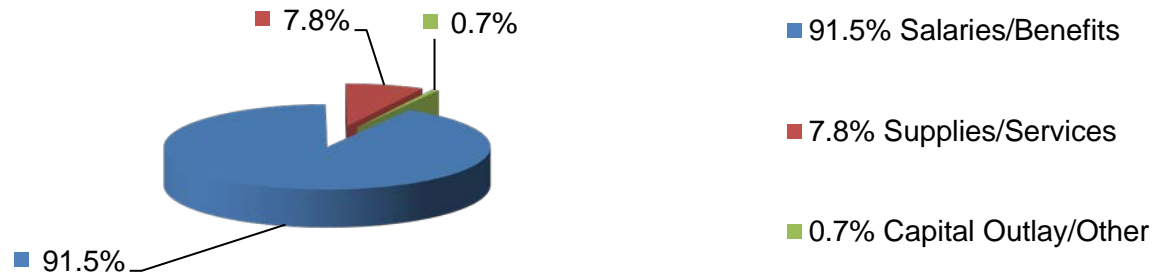
UNRESTRICTED GENERAL FUND OPERATING EXPENDITURES



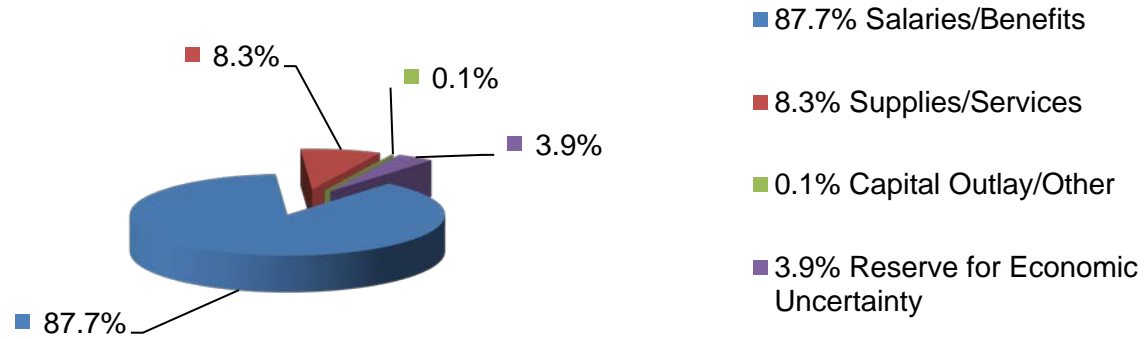
Most of the expenditures in the general fund operating budgets are for employee salaries/benefits as seen below. Saddleback College salaries and benefits equal 91.5% of its operating budget (up from 88.4%) and Irvine Valley College salaries and benefits equal 87.7% of its operating budget (down from 90.4%). District Services salaries and benefits increased from 76.3% to 80.2% of its operating budget. These costs reflect

the existing salary rates and known benefit cost increases.

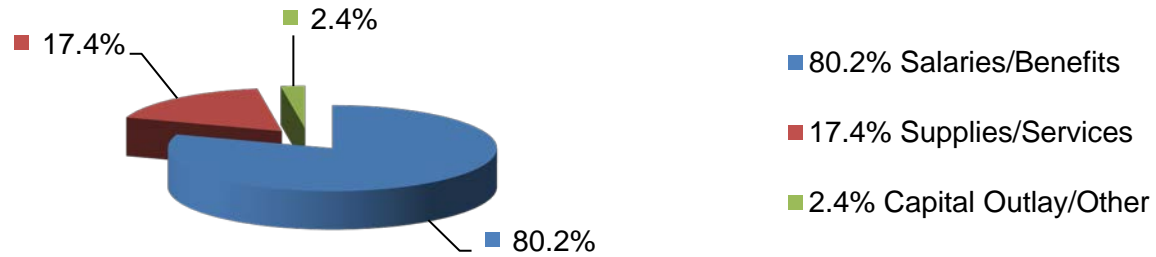
Saddleback College



Irvine Valley College



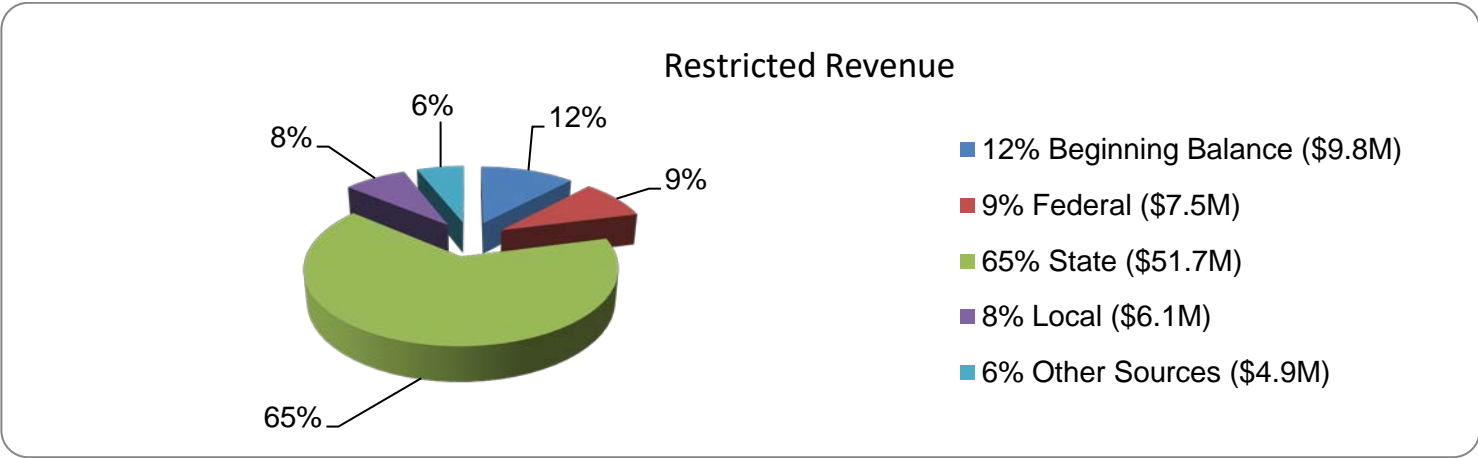
District Services



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 \$80 million (19% of the general fund activity). This accounts for federal, state, and local money that must be spent for a specific purpose by law or agreement. Examples of these programs, which are mostly services targeted for specific population groups, are: Perkins Title I-C, Student Equity and Achievement (SEA) Program, Strong Workforce, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), and Adult Education. The restricted general fund decreased by \$1.3 million from the prior year primarily due to conservative estimates for state funds for categorical programs and carry over balances. 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.



NOTEWORTHY GENERAL FUND ASSUMPTIONS

- Unrestricted General Fund beginning balance is \$55.8 million. This is composed of the prior year reserve for contingency (\$13.8 million), location beginning balances (\$14.7 million), and basic aid funds (\$27.3 million) which are included in the basic aid project budget.
- Current year FTES are down 2% as of P2 reporting. Targets for FY 2019-2020 reflect 0% growth.

Annual FTES (CCFS-320)				
	FY 2016-2017 Annual	FY 2017-2018 Annual	FY 2018-2019 P2	FY 2019-2020 Target
IVC	10,497	10,093	9,882	9,882
SC	16,869	16,883	16,542	16,542
TOTAL	27,366	26,976	26,424	26,424

- Education Protection Act (EPA) funds are budgeted at \$2.7 million, which is consistent with FY 2018-2019. 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.
- Lottery revenue is budgeted at \$4.1 million based on an estimated \$148 per FTES funding. Lottery funds are paid on all FTES, including

non-resident FTES.

- Interest revenue is budgeted at \$3 million based on improved earnings in the county treasury and LAIF.
- Ground lease revenue is budgeted at \$2.8 million, an increase of 3.2% due to the consumer price index escalation.
- The property and liability insurance coverage is budgeted at \$1,000,000, the same as FY 2018-2019.
- Employee movement on salary schedules (steps and columns) and negotiated salary increases are budgeted for all employee groups.
- The tentative budget includes a 6% cost increase for employee benefits including PPO medical insurance, HMO medical insurance, dental insurance, vision insurance and life insurance. Initial renewal information indicates the final increase will be much lower.
- Workers' Compensation insurance is budgeted at 1.7% of salaries, but a lower rate is anticipated for the adopted budget due to positive district experience rates.
- The unemployment insurance rate for FY 2019-2020 remains stable at 0.05% of salaries.
- The Public Employees Retirement System (PERS) employer contribution rate approved by the PERS board is 20.733% of salaries, an increase of 2.671% from FY 2018-2019. Additional increases are anticipated for the next several 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
PERS Annual Rate	11.847%	13.888%	15.531%	18.062%	20.733%	23.600%	24.900%	
PERS Contribution	4,491,723	5,646,703	6,282,896	7,591,018	8,894,817	10,339,455	10,909,002	6,417,279

- The State Teachers Retirement System (STRS) employer contribution rate for FY 2019-2020 is budgeted at 17.13% of salaries, an increase of 0.85% from FY 2018-2019. Based on additional state support included in the May Revision, this rate is expected to go down for the adopted budget. We will continue to see these high rates in the coming 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
STRS Annual Rate	10.730%	12.580%	14.430%	16.280%	17.130%	18.100%	18.100%	
STRS Contribution*	6,692,933	8,553,945	9,765,138	11,422,507	12,343,401	13,399,717	13,399,717	6,706,784

The General Expenses have the following budgeted amounts:

<u>EXPENSE</u>	<u>FY 2019-2020 AMOUNT</u>	<u>CHANGE from FY 2018-2019</u>
District Services Facilities and Maintenance	\$ 300,000	
Discrimination/Harassment Investigation Services	\$ 450,000	\$ 50,000
District-wide IT Maintenance Agreements	\$ 1,130,270	\$ 101,396
District-wide Strategic Planning	\$ 110,000	
Employee Safety Compliance Cost	\$ 60,000	
Faculty Job Fair	\$ 30,000	
Faculty Sabbatical Bond Payments	\$ 18,000	
Financial Audit	\$ 145,000	
Internal Audit	\$ 255,000	\$ 25,000
Labor Contract Negotiations	\$ 100,000	
Legal Advertising	\$ 65,000	\$ 35,000
Legal Fees	\$ 600,000	\$ 100,000
Local Experience Charge – Unemployment Insurance	\$ 45,000	
Offsite Technology Security	\$ 45,000	
Personnel Advertising	\$ 130,000	
Phone System Maintenance Agreement	\$ 225,000	\$ 20,000
Property & Liability Insurance	\$ 1,000,000	
Taxpayer Relief Act Compliance	\$ 58,000	
TOTAL GENERAL EXPENSE ACCOUNTS	<u>\$4,766,270</u>	<u>\$ 331,396</u>
District Services Facilities and Maintenance*	\$ <300,000>	
ADJUSTED GENERAL EXPENSE ACCOUNTS	<u>\$4,466,270</u>	<u>\$ 331,396</u>

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

The FY 2019-2020 Tentative Budget includes inter-fund transfers as follows:

<u>To:</u>	<u>From:</u>					
	<u>General</u>	<u>General</u>	<u>Capital</u>	<u>Basic</u>	<u>Pension</u>	
	<u>Fund SC</u>	<u>Fund DS</u>	<u>Outlay</u>	<u>Aid</u>	<u>Stability</u>	<u>Total</u>
General Fund IVC (a)					\$2,799,000	\$2,799,000

General Fund SC (b)	\$183,885		\$800,000		\$4,499,000	\$5,482,885
General Fund DS (c)					\$840,000	\$840,000
Capital Outlay (d)	\$250,000			\$85,300,966		\$85,550,966
Child Development (e)	\$92,232					\$92,232
Self-Insurance Fund (f)		\$430,000				\$430,000
Retiree Benefits Fund (g)				\$5,700,000		\$5,700,000
Total Transfers	\$526,117	\$430,000	\$800,000	\$91,000,966	\$8,138,000	\$100,895,083

- a) *Transfer from Pension Stability Trust to IVC*
- b) *Transfer SC funds to support Health Center, Return SC excess project funds from Capital Outlay, and Transfer from Pension Stability Trust to SC*
- c) *Transfer from Pension Stability Trust to DS*
- d) *Transfer from SC and Basic Aid for capital outlay projects*
- e) *Transfer from SC to support the child development center*
- f) *Transfer DS funds to support Risk Management Department*
- g) *Basic Aid funds allocated for retiree health benefits liability*

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 2019-2020 Tentative Budget includes a reserve for contingency of 7.5% of unrestricted operating funds, with a total amount of \$14,245,375. The State Chancellor’s Office recommends a minimum district reserve of 5%.

BASIC AID STATUS

A “community supported” or basic aid 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 community supported district in FY 1999-2000 and has received basic aid receipts as follows:

<u>Fiscal Year</u>	<u>Basic Aid Receipts</u>
1999 - 2006	\$161,264,451
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
2018 - 2019	\$ 75,930,378

The District estimates that property tax receipts above state calculated allocation amount for FY 2019-2020 and future years to be as follows:

<u>Fiscal Year</u>	<u>Basic Aid Receipts</u>
2019 - 2020	\$ 82,110,097
2020 - 2021	\$ 83,757,400
2021 - 2022	\$ 85,787,683
2022 - 2023	\$ 87,888,214

The FY 2018-2019 basic aid receipts were increased after final property taxes were posted. Although still conservative, the FY 2019-2020 estimated receipts are also higher due to larger projected property tax revenues.

The assumptions used to estimate basic aid funds for FY 2019-2020 are: SCFF funding COLA is 3.26%, growth is 0.0%, and enrollment fees at \$46 per unit. For the following years, funding formula COLA is estimated at 3.0%, 2.8% and 2.8%, 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 2019-2020, property taxes are budgeted with a 3.5% increase over FY 2018-2019. 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) followed this process for its recommendation for allocating the FY 2019-2020 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 2019-2020 Tentative Budget.

ESTIMATED BASIC AID RESOURCES & PLANNED EXPENDITURES

<u>FY 2019-2020 Resources</u>	<u>Amount</u>
Balance at July 1, 2019	\$ 28,016,485
Receipts FY 2019-2020 (Net of Fees)	\$ 82,110,097
Estimated Property Taxes for Basic Aid	\$110,126,582
Contingency for Unrealized Tax Collections (20%)	(\$16,422,019)
Unallocated Funds	(\$ 248,365)
Total Allocated FY 2019-2020	<u>\$ 93,456,198</u>
<u>Budgeted Expenditures</u>	
FY 2019-2020 Long-Term Obligations and Fixed Expenses	\$ 5,830,000
Funding for Technology and Capital Projects	\$ 87,626,198
Total Approved and Budgeted Projects	<u>\$ 93,456,198</u>
<u>Basic Aid Projects</u>	<u>Project Amount</u>
Closed Projects	\$286,987,471
Prior Approved Open Projects	\$528,149,445
Total Prior Approved Projects	<u>\$815,136,916</u>
Less Expenses and Commitments as of April 2019	\$710,417,849
Net Uncommitted Balance	<u>\$104,719,067</u>
<u>New FY 2019-2020 Project Funding</u>	<u>Project Amount</u>
<u>Long Term Obligations & Fixed Expenses</u>	

SOCCCD - Legislative Advocacy Services*	\$130,000
Retiree Benefits Expenses*	\$5,700,000
<u>Capital Projects/Scheduled Maintenance/Renovation</u>	
DW – ADA Transition Plan Projects*	\$3,000,000
DW – Warehouse Canopy	\$460,000
IVC – Access Controls*	\$2,481,185
IVC - ATEP Building Signage*	\$4,431,121
IVC – B200 Scheduled Maintenance*	\$200,000
IVC – Electronic Vehicle Charging Station	\$400,000
IVC – Fine Arts Building*	\$7,172,680
IVC – Library Renovation*	\$900,000
IVC – Soccer and Practice Fields*	\$10,000,000
IVC – Student Services Center Renovation	\$23,850,000
SC – BMS Controls	\$4,900,000
SC – Gateway Building*	\$6,599,180
SC – Scheduled Maintenance College-wide	\$2,200,000
<u>ATEP Development & Operations</u>	
ATEP Site Development*	\$2,000,000
ATEP Support (security, maintenance and operations support)*	\$796,978
<u>Capital Programs Planning, Technical, Specialty, Legal Consulting</u>	
District-wide Architectural Standards	\$1,500,000
IPP, FPP, 5 Year Plan*	\$1,140,000
Pre-Planning and Investigations*	\$396,140
<u>IT Projects</u>	
Block Registration	\$100,000
Canvas Grade Submission Integration	\$150,000
College Cabling*	\$400,000
College Desktop Refresh*	\$955,156
College Server Refresh*	\$150,000
Classroom Technology and Audio Visual Refresh*	\$4,100,000
Content Management System for Websites	\$200,000
District Data Center HVAC Units	\$350,000
District Innovation Fund*	\$723,758

Employee Email Infrastructure Enhancements	\$160,000
Guided Pathways One-Click Registration	\$285,000
HR/Business Services Integrated Software*	\$1,100,000
Identity Management Assessment and Design	\$150,000
Information Security Initiatives	\$240,000
Infrastructure Strategic Planning	\$190,000
IT Engineering Services Support	\$300,000
MAP Enhancements*	\$385,000
On-premises and Cloud-based Systems Infrastructure Expansion	\$500,000
Storage Area Network – IVC	\$865,200
SIS Architecture Upgrade	\$450,000
Student Activity Tracking, Workflow and Transcript	\$300,000
Student Appointment System	\$278,000
Student Information System Enhancements*	\$1,814,400
Student Recruiting	\$302,400
Wireless Aps and Controllers – IVC	\$100,000
Wireless Upgrade*	\$650,000
Total FY 2019-2020 Funded Projects	<u>\$93,456,198</u>
Cumulative Total - Basic Aid Approved Projects	<u>\$908,593,114</u>

**Reflects an augmentation/adjustment to an existing project*

OTHER FUNDS

Community Education Funds (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 \$92,232 of support from the unrestricted general fund (9% of funding). The child development program is also not charged for administration or operations, and it is currently not self-supporting.

Capital Outlay Fund (Fund #40)

The District maintains the Capital Outlay 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/college funded projects.

Redevelopment Agency (RDA) funds are 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 are distributed each year following the DRAC model allocation.

The following table depicts the Capital Outlay fund expenditures by type and area:

<u>Project Description</u>	<u>District-wide</u>	<u>Saddleback</u>	<u>Irvine Valley</u>	<u>District Svcs</u>	<u>Total</u>
Basic Aid Projects (including college match)	\$54,785,495	\$157,800,045	\$94,153,053		\$306,738,593
Scheduled Maintenance (including college match)		\$40,888	\$193,644		\$234,532
ATEP Property Development	\$1,016,806				\$1,016,806
College Funded Capital Outlay Projects		\$2,740,764	\$2,190,117		\$4,930,881
Future Capital Outlay Projects	\$34,160,808	\$1,609,291		\$1,455,136	\$37,225,235
Redevelopment Funds	<u>\$8,806,648</u>	<u>\$9,104,874</u>	<u>\$6,104,372</u>	<u>\$4,703,766</u>	<u>\$28,719,660</u>
Total Fund 40	\$98,769,757	\$171,295,862	\$102,641,186	\$6,158,902	\$378,865,707

Major Basic Aid Capital Construction Projects: Major projects at Saddleback College include: a) Advanced Technology and Applied Sciences (ATAS) Building – completing design; b) Athletic Stadium - construction; c) Gateway – pre-design; d) PE Renovation – pre-design; e) Data Center Phase II - design; 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 – Parking lot and Battery Installation complete, Solar – out to bid; b) Health Center/Concessions – construction; c) Performing Arts Center Construction Defects – follow up phase, pre-design; d) Fine Arts – pre-design e) Access Control - design; f) B230-Physical Sciences – pre-construction; g) Soccer and Practice Fields – pre-design; h) Student Services Center – pre-design; and i) Lighting and Walkways – pre-construction.

ATEP projects include: a) ATEP Signage project – completing design; b) ATEP Fencing - construction.

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) Facilities Master Plan; e) Design Standards Development; and f) Storm Water Protection Plan.

Major Basic Aid 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 Canvas grade integration, student recruiting, student appointment system, Guided Pathways one-click registration, system infrastructure enhancements, 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.

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. An irrevocable trust was established in FY 2007-2008 to fund the OPEB obligation in accordance with GASB 43 and 45 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 2019 with the completion of a required actuarial study.

An actuarial study is conducted annually 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 \$5,040,000. The District's actuarial accrued liability for past service is estimated at \$111,591,160 and requires \$660,000 to be fully funded. Both of these amounts are funded in the tentative budget.

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 aid funds received and disbursed to students.

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

The ASG organizations are auxiliaries of the District and are used to account for the activities of the SC Associated Student Government (ASG) and the IVC Associated Students (ASIVC).

BUDGET TABLES

The Tentative Budget for FY 2019-2020 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
TENTATIVE BUDGET - FISCAL YEAR 2019-2020**

Revenues, Expenditures and Change in Fund Balance

	General Fund	Community Education Funds	SC Child Development Fund	Capital Outlay Fund	Self-Insurance Fund	Retiree Benefit & OPEB Funds	Pension Stability Trust Fund	Student Financial Aid Fund	Associated Student Government Funds	TOTAL ALL FUNDS
	(01)	(07) & (09)	(12)	(40)	(68)	(71) & (72)	(78)	(84)	(95) & (96)	
BEGINNING FUND BALANCE	9712 \$ 65,635,812	\$ 305,000	\$ 130,000	\$ 287,079,741	\$ 3,120,696	\$ 123,093,000	\$ 29,514,000	\$ -	\$ 310,000	\$ 509,188,249
SOURCES OF FUNDS										
REVENUES:										
SCFF Revenue	Various \$ 161,922,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,922,903
Basic Aid	82,710,097	-	-	-	-	-	-	-	-	82,710,097
Federal Sources	8100-8199 7,534,099	-	-	-	-	-	-	20,030,000	-	27,564,099
Other State Sources	8600-8699 63,369,660	-	-	-	-	-	-	1,740,000	-	65,109,660
Other Local Sources	8800-8899 24,850,407	2,560,324	839,000	6,235,000	25,000	11,050,000	700,000	-	1,058,278	47,318,009
Total Revenue	340,387,166	2,560,324	839,000	6,235,000	25,000	11,050,000	700,000	21,770,000	1,058,278	384,624,768
FISCAL AGENT PASS-THRU	8970-8979 4,694,809	-	-	-	-	-	-	-	-	4,694,809
BASIC AID INCOMING TRANSFERS	8980-8989 -	-	-	85,300,966	-	5,700,000	-	-	-	91,000,966
INCOMING TRANSFERS	8980-8989 9,121,885	-	92,232	250,000	430,000	-	-	-	-	9,894,117
TOTAL SOURCES OF FUNDS	354,203,860	2,560,324	931,232	91,785,966	455,000	16,750,000	700,000	21,770,000	1,058,278	490,214,660
USES OF FUNDS										
EXPENDITURES:										
Academic Salaries	1000-1999 \$ 93,966,699	\$ 172,466	\$ 54,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,193,780
Classified Salaries	2000-2999 60,093,050	815,741	674,735	326,355	292,455	-	-	-	165,371	62,367,707
Employee Benefits	3000-3999 64,549,190	324,265	303,882	156,566	169,412	10,640,000	-	-	60,280	76,203,595
Supplies & Materials	4000-4999 9,067,021	41,000	23,000	1,000	4,000	-	-	-	230,649	9,366,670
Services & Other Operating	5000-5999 48,975,446	1,461,852	5,000	5,795,488	662,829	450,000	100,000	-	706,102	58,156,717
Capital Outlay	6000-6999 7,153,138	50,000	-	370,900,416	2,000	-	-	-	-	378,105,554
Total Expenditures	283,804,544	2,865,324	1,061,232	377,179,825	1,130,696	11,090,000	100,000	-	1,162,402	678,394,023
OTHER FINANCING USES:										
Transfers Out	7300-7399 \$ 956,117	\$ -	\$ -	\$ 800,000	\$ -	\$ -	\$ 8,138,000	\$ -	\$ -	\$ 9,894,117
Basic Aid Transfers Out	7300-7399 91,000,966	-	-	-	-	-	-	-	-	91,000,966
Other Transfers	7400-7499 4,694,809	-	-	-	-	-	-	-	-	4,694,809
Payments to Students	7500-7699 5,467,477	-	-	-	-	-	-	21,770,000	121,876	27,359,353
Total Other Uses	102,119,369	-	-	800,000	-	-	8,138,000	21,770,000	121,876	132,949,245
TOTAL USES OF FUNDS	385,923,913	2,865,324	1,061,232	377,979,825	1,130,696	11,090,000	8,238,000	21,770,000	1,284,278	811,343,268
SURPLUS / (DEFICIT)	\$ (31,720,053)	\$ (305,000)	\$ (130,000)	\$ (286,193,859)	\$ (675,696)	\$ 5,660,000	\$ (7,538,000)	\$ -	\$ (226,000)	\$ (321,128,608)
ENDING BALANCE	\$ 33,915,759	\$ -	\$ -	\$ 885,882	\$ 2,445,000	\$ 128,753,000	\$ 21,976,000	\$ -	\$ 84,000	\$ 188,059,641
COMPONENTS OF ENDING BALANCE										
Reserve, Economic Uncertainties/Fund Bal.	\$ 17,245,375	\$ -	\$ -	\$ 885,882	\$ 2,445,000	\$ 128,753,000	\$ 21,976,000	\$ -	\$ 84,000	\$ 171,389,257
Reserve, Unrealized Tax Collections (Basic Aid)	16,670,384	-	-	-	-	-	-	-	-	16,670,384

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
TENTATIVE BUDGET - FISCAL YEAR 2019-2020
 Revenues, Expenditures and Change in Fund Balance

		Saddleback College			General Fund Irvine Valley College			District Services		
		General Fund Unrestricted	General Fund Restricted	Total	General Fund Unrestricted	General Fund Restricted	Total	General Fund Unrestricted	General Fund Restricted	Total
BEGINNING FUND BALANCE	9712	\$ 8,000,000	\$ 5,400,000	\$ 13,400,000	\$ 3,000,000	\$ 4,390,623	\$ 7,390,623	\$ 3,700,000	\$ -	\$ 3,700,000
SOURCES OF FUNDS										
REVENUES:										
SCFF Revenue	Various	\$ 84,697,363	\$ -	\$ 84,697,363	\$ 55,113,655	\$ -	\$ 55,113,655	\$ 17,258,956	\$ -	\$ 17,258,956
Basic Aid		-	-	-	-	-	-	-	-	-
Federal Sources	8100-8199	-	4,660,095	4,660,095	-	2,874,004	2,874,004	-	-	-
Other State Sources	8600-8699	6,650,770	37,384,326	44,035,096	4,441,684	14,278,357	18,720,041	-	50,000	50,000
Other Local Sources	8800-8899	7,808,908	3,073,980	10,882,888	10,907,648	3,059,871	13,967,519	-	-	-
Total Revenue		99,157,041	45,118,401	144,275,442	70,462,987	20,212,232	90,675,219	17,258,956	50,000	17,308,956
FISCAL AGENT PASS-THRU	8970-8979	-	-	-	-	-	-	-	4,694,809	4,694,809
RESTRICTED BASIC AID	8980-8989	-	-	-	-	-	-	-	-	-
INCOMING TRANSFERS	8980-8989	5,299,000	183,885.00	5,482,885	2,799,000	-	2,799,000	840,000	-	840,000
TOTAL SOURCES OF FUNDS		104,456,041	45,302,286	149,758,327	73,261,987	20,212,232	93,474,219	18,098,956	4,744,809	22,843,765
USES OF FUNDS										
EXPENDITURES:										
Academic Salaries	1000-1999	\$ 51,289,585	\$ 5,959,920	\$ 57,249,505	\$ 31,967,472	\$ 2,479,243	\$ 34,446,715	\$ 1,114,887	\$ -	\$ 1,114,887
Classified Salaries	2000-2999	22,231,403	7,854,278	30,085,681	14,755,364	4,662,053	19,417,417	10,064,818	-	10,064,818
Employee Benefits	3000-3999	29,316,574	4,923,535	34,240,109	20,117,165	3,305,604	23,422,769	6,305,542	-	6,305,542
Supplies & Materials	4000-4999	1,469,393	5,270,976	6,740,369	766,348	1,448,604	2,214,952	75,000	3,000	78,000
Services & Other Operating	5000-5999	7,351,970	21,665,303	29,017,273	5,563,638	5,575,009	11,138,647	3,712,709	47,000	3,759,709
Capital Outlay	6000-6999	520,999	2,184,413	2,705,412	92,000	4,258,726	4,350,726	96,000	-	96,000
Total Expenditures		112,179,924	47,858,425	160,038,349	73,261,987	21,729,239	94,991,226	21,368,956	50,000	21,418,956
OTHER FINANCING USES:										
Transfers Out	7300-7399	\$ 276,117	\$ 250,000	\$ 526,117	\$ -	\$ -	\$ -	\$ 430,000	\$ -	\$ 430,000
Basic Aid Transfers Out	7300-7399	-	-	-	-	-	-	-	-	-
Other Transfers	7400-7499	-	-	-	-	-	-	-	4,694,809	4,694,809
Payments to Students	7500-7699	-	2,593,861	2,593,861	-	2,873,616	2,873,616	-	-	-
Total Other Uses		276,117	2,843,861	3,119,978	-	2,873,616	2,873,616	430,000	4,694,809	5,124,809
TOTAL USES OF FUNDS		112,456,041	50,702,286	163,158,327	73,261,987	24,602,855	97,864,842	21,798,956	4,744,809	26,543,765
SURPLUS / (DEFICIT)		\$ (8,000,000)	\$ (5,400,000)	\$ (13,400,000)	\$ -	\$ (4,390,623)	\$ (4,390,623)	\$ (3,700,000)	\$ -	\$ (3,700,000)
ENDING BALANCE		-	-	-	3,000,000	-	3,000,000	-	-	-
COMPONENTS OF ENDING BALANCE										
Reserve, Economic Uncertainties/Fund Bal.		\$ -	\$ -	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -	\$ -	\$ -
Reserve, Unrealized Tax Collections (Basic Aid)		-	-	-	-	-	-	-	-	-

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

TENTATIVE BUDGET - FISCAL YEAR 2019-2020

Revenues, Expenditures and Change in Fund Balance

		General Fund				
		Basic Aid	Other*	Total General Fund		
		General Fund Unrestricted	General Fund Unrestricted	General Fund Unrestricted	General Fund Restricted	Total
BEGINNING FUND BALANCE	9712	\$ 27,286,473	\$ 13,858,716	\$ 55,845,189	\$ 9,790,623	\$ 65,635,812
SOURCES OF FUNDS						
REVENUES:						
SCFF Revenue	Various	\$ -	\$ 4,852,929	\$ 161,922,903	\$ -	\$ 161,922,903
Basic Aid		82,710,097	-	82,710,097	-	82,710,097
Federal Sources	8100-8199	-	-	-	7,534,099	7,534,099
Other State Sources	8600-8699	-	564,523	11,656,977	51,712,683	63,369,660
Other Local Sources	8800-8899	-	-	18,716,556	6,133,851	24,850,407
Total Revenue		82,710,097	5,417,452	275,006,533	65,380,633	340,387,166
FISCAL AGENT PASS-THRU	8970-8979	-	-	-	4,694,809	4,694,809
RESTRICTED BASIC AID	8980-8989	-	-	-	-	-
INCOMING TRANSFERS	8980-8989	-	-	8,938,000	183,885	9,121,885
TOTAL SOURCES OF FUNDS		82,710,097	5,417,452	283,944,533	70,259,327	354,203,860
USES OF FUNDS						
EXPENDITURES:						
Academic Salaries	1000-1999	\$ 686,448	\$ 469,144	\$ 85,527,536	\$ 8,439,163	\$ 93,966,699
Classified Salaries	2000-2999	204,573	320,561	47,576,719	12,516,331	60,093,050
Employee Benefits	3000-3999	282,114	298,656	56,320,051	8,229,139	64,549,190
Supplies & Materials	4000-4999	8,200	25,500	2,344,441	6,722,580	9,067,021
Services & Other Operating	5000-5999	1,143,885	3,915,932	21,688,134	27,287,312	48,975,446
Capital Outlay	6000-6999	-	1,000	709,999	6,443,139	7,153,138
Total Expenditures		2,325,220	5,030,793	214,166,880	69,637,664	283,804,544
OTHER FINANCING USES:						
Transfers Out	7300-7399	\$ -	\$ -	\$ 706,117	\$ 250,000	\$ 956,117
Basic Aid Transfers Out	7300-7399	91,000,966	-	91,000,966	-	91,000,966
Other Transfers	7400-7499	-	-	-	4,694,809	4,694,809
Payments to Students	7500-7699	-	-	-	5,467,477	5,467,477
Total Other Uses		91,000,966	-	91,707,083	10,412,286	102,119,369
TOTAL USES OF FUNDS		93,326,186	5,030,793	305,873,963	80,049,950	385,923,913
SURPLUS / (DEFICIT)		\$ (10,616,089)	\$ 386,659	\$ (21,929,430)	\$ (9,790,623)	\$ (31,720,053)
ENDING BALANCE		16,670,384	14,245,375	33,915,759	-	33,915,759
COMPONENTS OF ENDING BALANCE						
Reserve, Economic Uncertainties/Fund Bal.		\$ -	\$ 14,245,375	\$ 17,245,375	\$ -	\$ 17,245,375
Reserve, Unrealized Tax Collections (Basic Aid)		16,670,384	-	16,670,384	-	16,670,384

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
TENTATIVE BUDGET - FISCAL YEAR 2019-2020**

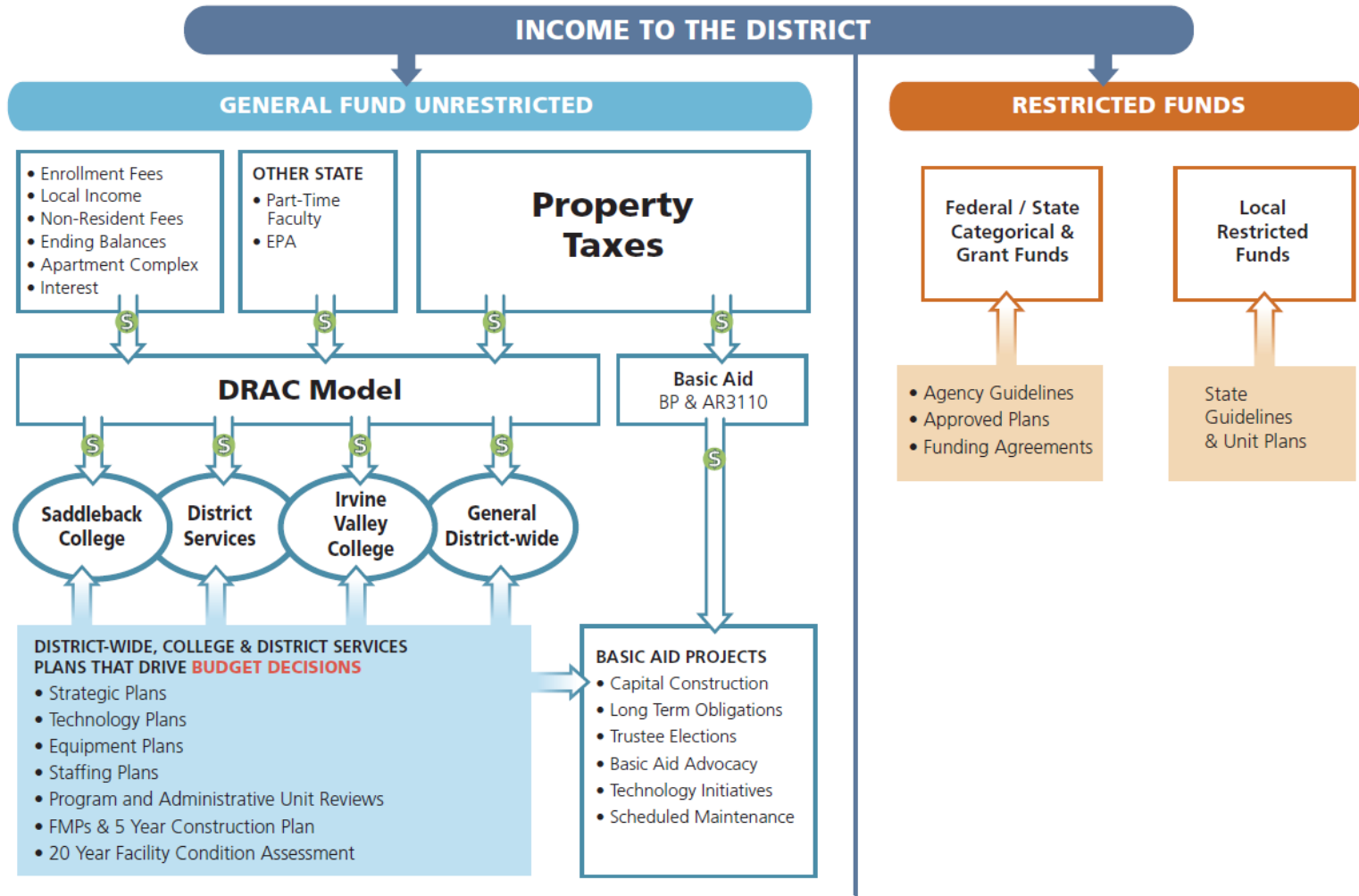
Revenues, Expenditures and Change in Fund Balance

		Community Education Funds			Student Financial Aid Fund			Associated Student Government Funds		
		Saddleback College (09) & (100)	Irvine Valley College (07)	Total	Saddleback College (84)	Irvine Valley College (84)	Total	Saddleback College (95)	Irvine Valley College (96)	Total
BEGINNING FUND BALANCE	9712	\$ 305,000	\$ -	\$ 305,000	\$ -	\$ -	\$ -	\$ 150,000	\$ 160,000	\$ 310,000
SOURCES OF FUNDS										
REVENUES:										
SCFF Revenue	Various	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Basic Aid		-	-	-	-	-	-	-	-	-
Federal Sources	8100-8199	-	-	-	730,000	1,010,000	1,740,000	-	-	-
Other State Sources	8600-8699	-	-	-	10,800,000	9,230,000	20,030,000	-	-	-
Other Local Sources	8800-8899	2,354,500	205,824	2,560,324	-	-	-	378,278	680,000	1,058,278
Total Revenue		2,354,500	205,824	2,560,324	11,530,000	10,240,000	21,770,000	378,278	680,000	1,058,278
FISCAL AGENT PASS-THRU	8970-8979	-	-	-	-	-	-	-	-	-
RESTRICTED BASIC AID	8980-8989	-	-	-	-	-	-	-	-	-
INCOMING TRANSFERS	8980-8989	-	-	-	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS		2,354,500	205,824	2,560,324	11,530,000	10,240,000	21,770,000	378,278	680,000	1,058,278
USES OF FUNDS										
EXPENDITURES:										
Academic Salaries	1000-1999	\$ 155,240	\$ 17,226.00	\$ 172,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Classified Salaries	2000-2999	760,072	55,669.00	815,741	-	-	-	76,265	89,106	165,371
Employee Benefits	3000-3999	272,836	51,429.00	324,265	-	-	-	14,690	45,590	60,280
Supplies & Materials	4000-4999	40,000	1,000.00	41,000	-	-	-	215,349	15,300	230,649
Services & Other Operating	5000-5999	1,381,352	80,500.00	1,461,852	-	-	-	106,098	600,004	706,102
Capital Outlay	6000-6999	50,000	-	50,000	-	-	-	-	-	-
Total Expenditures		2,659,500	205,824	2,865,324	-	-	-	412,402	750,000	1,162,402
OTHER FINANCING USES:										
Transfers Out	7300-7399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Basic Aid Transfers Out	7300-7399	-	-	-	-	-	-	-	-	-
Other Transfers	7400-7499	-	-	-	-	-	-	-	-	-
Payments to Students	7500-7699	-	-	-	11,530,000	10,240,000	21,770,000	115,876	6,000	121,876
Total Other Uses		-	-	-	11,530,000	10,240,000	21,770,000	115,876	6,000	121,876
TOTAL USES OF FUNDS		2,659,500	205,824	2,865,324	11,530,000	10,240,000	21,770,000	528,278	756,000	1,284,278
SURPLUS / (DEFICIT)		\$ (305,000)	\$ -	\$ (305,000)	\$ -	\$ -	\$ -	\$ (150,000)	\$ (76,000)	\$ (226,000)
ENDING BALANCE		-	-	-	-	-	-	-	84,000	84,000
COMPONENTS OF ENDING BALANCE										
Reserve, Economic Uncertainties/Fund Bal.		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,000	\$ 84,000
Reserve, Unrealized Tax Collections (Basic Aid)		-	-	-	-	-	-	-	-	-

APPENDIX A

Resource Allocation Process

Board policies, regulations and budget development guidelines govern income decisions.



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 the state funding formula. 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.
- **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) and other funding such as enrollment fees, non-resident fees, local income, miscellaneous income, and ending balances. Funds are 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 Master and Strategic Plans (EMSP)** capture information from a variety of sources, both internal and external, to facilitate data driven decision-making. The products are long-term plans for continuous quality improvements focusing on strategies for academic excellence within the CCCCCO Vision for Success.
- **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.
- **Facilities Master Plan (FMP)** is the long-term plan for facilities improvements that aligns with the EMSP.
- **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 state funding 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.
- **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, DSPPS, 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. 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.
- **Technology Master Plan** is the long-term plan for technology improvements that aligns with the EMSP.
- **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.
- **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 Condition Assessment** 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. The committee will review this plan annually.