

## BUDGET PREPARATION

The Board is responsible for the control of all the funds of the District and accepts the responsibility to direct the use of these funds in a prudent manner.

Each year, the Chancellor shall direct the staff in the development of the budget and present to the Board a budget, prepared in accordance with Title 5 and the California Community Colleges *Budget and Accounting Manual*. The schedule for presentation and review of budget proposals shall comply with State laws and regulations, and provide adequate time for Board study.

Budget development shall meet the following criteria:

- A. The annual budget shall support planning, both on a district-wide and college basis. Planning documents critical to the development of the budget are the district-wide strategic plan, college strategic plans, educational master and strategic plans, facilities master plan, district-wide technology strategic master plan, and other planning documents.

- B. Reserve for Economic Uncertainties

The District shall establish the following reserves to meet the total reserve levels recommended by both the California Community Colleges Chancellor's Office and the Government Finance Officers Association of two months of regular unrestricted general fund operating expenditures:

1. The general fund reserve for economic uncertainties shall be no less than 7.5 percent of the projected unrestricted revenue. A monthly update will be provided to the Board that reviews current revenue, expenditures, and ending balance projections.
2. A basic aid reserve of no less than 20 percent in accordance with Board Policy 6210 – *Basic Aid Funds Allocation Process*.
3. Each college and District Services shall maintain a general fund reserve for economic uncertainties of no less than 3.5 percent of the projected unrestricted expenditures. A monthly update will be provided to the Board that reviews current revenue, expenditures, and ending balance projections.

Any action proposed by a Board member, the Board as a governing body, a college, or District Services 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 percent district-wide or 3.5 percent for the colleges or District Services shall be accompanied by a plan that indicates how the reserve shall be restored.

C. Deficit Spending

Deficit spending is defined as a budget in which projected expenditures exceed projected revenue for the year. To the extent feasible and within reason, deficit spending should not occur for ongoing expenses such as salary increases. The amount of deficit spending should always be clearly presented in the budget document. Deficit spending shall not result in a reserve balance that is less than 7.5 percent on a district-wide basis or 3.5 percent on a college/District Services basis without including a plan as to how the reserve will be restored going forward.

D. A Budget Calendar is provided to the Board annually that includes dates for presentation of the tentative budget, required public hearing(s), Board study session(s), if any, and approval of the final adopted budget. At the public hearings, interested persons may appear and address the Board regarding the proposed adopted budget or any item in the proposed adopted budget.

E. Budget projections shall address long-term goals and commitments.

F. Following the adoption of the District budget by the Board, the Chancellor shall administer the budget in conformity with all legal requirements and the actions of the Board.

*References:*

*Education Code Section, 70902(b)(5)*

*Title 5, Section 58300 et seq.*

*Accreditation Standard III.D.*

# ADMINISTRATIVE REGULATION 6200

SOUTH ORANGE COUNTY  
COMMUNITY COLLEGE DISTRICT

BUSINESS AND FISCAL AFFAIRS

## BUDGET PREPARATION

The Vice Chancellor of Business Services or designee determines the time and manner in which the final adopted budget shall be prepared and issues instructions to the staff. These instructions shall include a schedule for the preparation of the budget known as the "Budget Calendar."

### TENTATIVE BUDGET

The Vice Chancellor of Business Services presents the tentative budget to the Chancellor, who upon review and approval, presents it annually to the Board no later than July 1.

### PROPOSED ADOPTED BUDGET

The proposed adopted budget is developed from the tentative budget and is made available for public inspection as prescribed in Title 5 of the California Code of Regulations. Dates, times, and locations where the proposed budget may be inspected, and the date, time, and location where the public hearing on the budget will be held, are published in a newspaper of general circulation available in the District at least three days before the proposed budget is available for public inspection.

### PUBLIC HEARING

The Board shall hold a public hearing on the proposed final budget annually on or before September 15 and prior to the adoption of the final budget for the purpose of permitting any resident of the District to appear and object to the proposed budget or any item in the budget.

### ADOPTION OF THE FINAL ADOPTED BUDGET

The Board adopts the final adopted budget. The adopted budget is filed with the California Community College Chancellor's Office on or before September 30 as part of the Annual Financial and Budget Report (Form CCFS-311).

#### *References:*

*Accreditation Standard III.D.*

*Education Code Section 70902(b)(5)*

*Title 5, Section 58300 et seq.*

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## BASIC AID FUNDS ALLOCATION PROCESS

Basic aid refers to local property tax receipts that exceed general purpose revenue entitlement derived from the State of California funding formula. The process for identification and prioritization of basic aid allocations will follow this policy and is recognized to be an annual and dynamic process. Allocation of basic aid funds will be made based on District and college planning documents and supporting data. A reasonable amount of basic aid funds, no less than 20 percent, will not be allocated to ensure the availability of resources for potential unexpected needs of a significant nature.

In accordance with the vision, mission, strategic directions and planning documents of the District and colleges, the Board of Trustees will allocate basic aid funds for the following purposes:

1. Capital construction, facilities renovation, infrastructure projects, scheduled maintenance, and site development. These projects will follow District and college strategic plans, facilities master plans, 20-year Facility Condition Assessment Plan and Five Year Construction Plan;
2. Retiree benefit trust fund, pension stabilization trust fund, and other long-term obligations;
3. Trustee elections, legislative advocacy, major legal fees and judgments; and
4. Major technology initiatives as identified in the District and college technology plans.

Allocations must be used within five years on the specific project for which funding was allocated. The allocations identified in item one (1) and four (4) above will be based on the distribution ratios used in the funding model established in the District Resource Allocation Council (DRAC). If the DRAC ratio cannot be maintained between the colleges in a single year, future allocations will be adjusted to restore the ratio over a five-year period, if needed.

Annually the Board of Trustees shall determine and approve the Basic Aid allocations.

The Chancellor shall establish administrative regulations pertaining to the distribution and use of basic aid funds.

# ADMINISTRATIVE REGULATION 6210

SOUTH ORANGE COUNTY  
COMMUNITY COLLEGE DISTRICT

BUSINESS AND FISCAL AFFAIRS

## BASIC AID FUNDS ALLOCATION PROCESS

Basic Aid refers to local property tax receipts that exceed general purpose revenue entitlement derived from the State of California funding formula. The process for identification and prioritization of basic aid allocations will follow the *Board Policy 6210 Basic Aid Funds Allocation Process*. The allocation recommendations will be for a) capital construction, facilities renovation, infrastructure projects, scheduled maintenance, and site development; b) retiree benefit trust fund, pension stabilization trust fund, and other long term obligations; c) trustee elections, legislative advocacy, and major legal fees and/or judgments; and d) major technology initiatives.

### I. DEFINITIONS

- A. Capital Construction: A large scale construction project that may include specific construction components such as site development, utilities, roads, buildings, mechanical, plumbing, and electrical systems, and equipment projects.
- B. Scheduled Maintenance: Repair or replacement of facility systems at the end of their life cycle with replacement costs greater than or equal to \$400,000 per project.
- C. Deferred Maintenance: Scheduled maintenance that has not been performed within the specified time period.
- D. Major Facilities Renovation: District-managed modification to a building or site that changes the use or modernizes a facility and has associated project costs greater than \$1.5M. College project manager participation is required. District may allow the college to manage the project in unique circumstances with approval from the Vice Chancellor of Business Services.
- E. Small Facilities Renovation: College-managed modification to a building or site that changes the use or modernizes a facility and has associated project costs greater than or equal to \$400,000 and under \$1.5M. College may request District Services oversight, if desired.
- F. New Construction: Construction of new facilities.
- G. Preventive Maintenance: Maintenance that is performed on a routine basis to ensure functionality of facility systems to achieve its predicted life cycle.
- H. Health & Safety Deficiencies: Circumstances where immediate corrective actions are required to return a place or situation to an acceptable state.

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- I. Emergencies: An emergency is defined as an unforeseen event that negatively impacts health and life safety standards so that it poses imminent danger, is extremely time sensitive because it prevents the continuance of instructional course offerings, creates undue hardship for students, or prohibits commencement of a previously approved project, and creates a dire financial hardship that is extremely adverse to the District and/or college. Emergencies will be funded only if the cost is greater than or equal to \$400,000. This cost will be re-evaluated as needed by the District Resources Allocation Council (DRAC), who has the authority to make recommendations for an adjustment of this amount.
- J. Facility Systems: Components essential to the operations and functionality of buildings and/or infrastructure. Examples include mechanical, electrical, plumbing, building envelope, drywall, drop ceilings, etc.
- K. Infrastructure Projects: Capital projects that encompass major site systems such as roadwork, accessible pathways, central plant, electrical, communication, storm drainage, sewer, gas, and water systems.
- L. Site Development: Logistics and analysis of a site, including readying the site for improvements. Examples include planning, design, clearing, title search, and preparing the site for construction.
- M. Maintenance Equipment: Facility system required to maintain building functionality. Fixed equipment attached to the building and required for the building operation. Examples include, HVAC, boiler, transformer, and chiller.
- N. Routine Maintenance: General, everyday type maintenance to include component replacement such as filters for HVAC systems or performing checks and certification of facility systems.
- O. Seismic Projects: Improvements to prevent or mitigate damage caused by an earthquake or earth tremor.
- P. Construction/Design Defects: A physical problem that prevents a facility system from operating as intended due to a construction and/or design problem. If identified during the warranty period, it is normally covered through the extended warranty or bond surety process. It can be identified after the warranty period up to seven (7) years, in which case basic aid funding can be requested; afterwards it is considered the college's operational budget responsibility.
- Q. Completed and Closed Facilities Projects: A facility project is complete and closed upon end of warranty period.

II. ANNUAL CYCLE OR TIMELINE

- A. The basic aid funds allocation process will culminate in a master list of projects to be funded by basic aid that follows the budget cycle. The allocation cycle for basic aid will

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conform to the budget development cycle, with basic aid funds allocations being included within the tentative and adopted budgets and require Board of Trustees' approval.

- B. The allocation cycle will be linked to the property tax schedule. The Vice Chancellor of Business Services will be responsible for determination of projected property tax revenues, using conservative estimates.
- C. Unless there is an emergency situation, this cycle will be followed.
- D. A multi-year funding plan will be developed following the district-wide Facilities Master Plan.

III. RESPONSIBLE ADMINISTRATOR AND DISTRICT-WIDE COMMITTEE

- A. The Vice Chancellor of Business Services or designee will ensure that the process for basic aid funds allocation occurs according to this regulation.

- B. The Vice Chancellor of Business Services is the chairperson of the DRAC.

Following District-wide Planning Council (DWPC) guidelines, DRAC is a district-wide participatory governance committee whose role is to implement *BP-6210 and AR-6210 Basic Aid Funds Allocation Process* and utilize plans developed by other district-wide committees and councils.

IV. THE BASIC AID ALLOCATION RECOMMENDATIONS WILL BE DIRECTLY DRIVEN FROM THE FOLLOWING DISTRICT-WIDE SPECIALIZED PLANS:

- A. The Five(5)-Year Construction Plan.
- B. Twenty (20)-Year Facility Condition Assessment.
- C. College and district-wide Technology Plans.
- D. College and district-wide Facilities Master Plans.
- E. College and district-wide education and strategic plans will be used by the committee to put the other four specific plans into context.

V. DETERMINATION OF BASIC AID ALLOCATION AMOUNTS

- A. The Vice Chancellor of Business Services will be responsible for preparing the income calculations, which includes estimating property tax revenues and enrollment fees (net of costs, e.g., credit card processing fees), utilizing a conservative estimate approach during budget development.
- B. The actual remaining unallocated balance from previous year property taxes for basic aid will be determined and added to the estimated current year property tax amount for basic aid to calculate a total estimated property tax amount available for basic aid.

- C. A contingency for unrealized tax collections will be held in an amount of no less than 20 percent of the total estimated property tax amount available for basic aid.” It will be set-aside as a safeguard to protect the District from property taxes not collected or a downturn in property tax assessments.
  
- D. The contingency for unrealized tax collections amount can only be allocated if there is an emergency situation. It is the intent of this regulation that District Services and the colleges, as good budget practice, plan for emergency situations within their respective budgets. When an emergency situation arises, the following process to request emergency basic aid funds shall be followed:
  - 1. The Chancellor or the Vice Chancellor of Business Services will determine if there is an emergency situation.
    - a. When an emergency is determined, DRAC will convene.
    - b. DRAC will consider recommending a “reprioritization” of other projects that previously were recommended to have an allocation for basic aid applied to this emergency situation.
    - c. This recommendation for reprioritization would have to be a revised recommendation to the Chancellor and ultimately go to the Board of Trustees for ratification.
    - d. Options for re-considering the previously approved priorities are to be considered prior to any recommendation from DRAC to transfer funds from the contingency for unrealized tax collections for the new emergency situation.
    - e. In time sensitive situations, the Chancellor is authorized to declare an emergency and recommend use of basic aid funds. If such a situation is warranted, the DRAC will be immediately notified with the justification and the ratification of the Board of Trustees will be sought. This would only occur if other funds cannot be utilized, or if the DRAC cannot be convened in a timely manner.
    - f. Insurance reimbursement – If the emergency situation qualifies for FEMA, insurance, or other types of claim coverage, then the amount received by the District for this emergency event will be replenished back into the basic aid contingency for unrealized tax collections.
  
- E. Amount Available for and Use of Allocation – No more than 80 percent of the total estimated property tax amount available for basic aid may be recommended by the DRAC for the basic aid funds allocation recommendation.
  - 1. The required amounts necessary to fund long term obligations such as the Retiree Benefit Liability, the Pension Stabilization Fund, and fixed expense commitments such as basic aid advocacy, legal costs and/or judgments, and trustee elections will be calculated and funded first.
    - a. This will be funded first since they are liabilities to the District and are not discretionary.

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- b. The amount required for the Retiree Benefit Liability will be based on the independent actuarial study contracted annually by the District for this purpose and is required by accounting standards.
  - c. Other amounts will be based on fixed and actual expenses needed to fund the respective obligation.
2. The remaining balance will fund a) capital construction, facilities renovation, infrastructure projects, scheduled maintenance, and site development; and b) major technology initiatives. Project management personnel costs directly relating to these projects may be funded for the duration of the project only. Operational personnel costs do not qualify for funding.
    - a. The major portion of basic aid funding is intended for the areas of capital construction, which may include facilities renovation, infrastructure, and site development.
    - b. The college funding allocations will be based on the distribution ratios between the colleges used in the model established in the DRAC process.
  3. Allocations must be encumbered for construction within five years on the specific project for which funding was approved. Allocations set aside for state funding match may be exempt from this timeframe. For capital project budgets that are allocated over a number of years, the time will begin when the project is funded 100 percent.
  4. Any funds remaining in a project after five years will return to the basic aid fund for reallocation in the next year.
  5. Funds remaining in a completed and closed project will return to the basic aid fund for reallocation in the next year.
  6. A rebate (e.g. energy rebate) that was generated from a project funded fully or partially with basic aid funding is authorized to be allocated to the appropriate college or District Services that earned the rebate to encourage rebate submission, energy savings, and other operational savings.
  7. The DRAC has the authority to recommend funding for a project for multiple years.
    - a. The DRAC will take into consideration larger scale projects in which timing, phasing, state funding, and other factors may require a breakdown in funding of the total project costs into different fiscal years.

For instance, it may be recommended that a capital improvement project be funded over several years in several phases: planning and design, construction, and furniture, fixtures and equipment.
  8. Any major technology project for consideration to be funded from basic aid must be included in the district-wide Technology Master Plan or college technology plans.

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- a. A major technology project needs to have a clearly defined description and detailed scope with projected budget based on estimates. If there are phases, the specific phases need to be outlined with budget estimates for each phase.
  - b. In general, on-going maintenance expenses or on-going licenses for technology will not be funded by basic aid except for the Student Information System (SIS) and Enterprise Resource Planning (ERP) system, which will be funded out of basic aid.
    - i. Certain large district-wide capital software procurements such as Software as a Service (SaaS) or large software subscriptions, licenses, and accompanying maintenance agreements recommended by the District-wide Technology Committee (DTC) and approved by DRAC that are either capital in nature and/or greater than \$150,000 may qualify for basic aid funding.
  - c. Changes, enhancements, or addition of substantive features to projects require a separate request.
  - d. A non-specific category for innovative technology-related research and development of five percent of the total annual technology basic aid funding is allowable to be funded from basic aid to encourage the college and District Services Information Technology department staff to explore and test new types of technology advances and solutions. The fund is managed by the Vice Chancellor of Technology and Learning Services and, when funded, will be maintained at the five percent level each year, it will not increase above five percent in any given year.
9. The DRAC is expected to strongly rely upon the existing priorities in the plan documents. However, it also may need to consider the total estimated property tax amount available for basic aid allocation, queuing of projects for state funding consideration, phasing considerations, cash flow, and melding the various plans into one recommended master list of basic aid allocation recommendations.
10. The basic aid funds allocation recommendations will be made to the Chancellor, who will share and confer with the Chancellor's Executive Council before making final recommendation to the Board of Trustees.
- a. The DRAC will provide the Chancellor with a master list of basic aid funds allocation recommendations that includes the project description, recommended amount, and scope.
  - b. If the Chancellor recommends any changes to the DRAC's recommendations, the Chancellor will provide the recommended changes to DRAC with explanations of the change so that it is clearly communicated to DRAC prior to the changes being included in the Tentative or Adopted Budget for Board of Trustees' review and approval.
  - c. If a circumstance should arise in which the DRAC cannot come to a consensus for recommendation for the basic aid allocation, the chair of DRAC will bring the issue

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forward to the Chancellor who will be authorized to make final recommendations to the Board of Trustees.

11. Evaluation of the Basic Aid Funds Allocation Process.

- a. The DRAC will be responsible for annually evaluating the basic aid funds allocation process for effectiveness and adherence to this administrative regulation and corresponding Board Policy and to recommend any proposed improvements.
- b. This assessment will be open and transparent. Assessment results are available to all employees on the District SharePoint site.

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