VENTURA COUNTY
COMMUNITY COLLEGE DISTRICT

District Council of Administrative Services
(DCAS)

February 20, 2019 – 9:00 a.m.
District Administrative Center, Thomas Lakin Board Room

AGENDA

- Approval of Meeting Notes – January 17, 2019
- Irrevocable Trust Workgroup Update (Dr. Bush)
- Revenue Projections
- Unbudgeted FY19 Revenue
- FY20 Budget Calendar/Timeline
- FY20 Budget Assumptions
- FY20 Allocation Model
- FY20 Infrastructure Funding Model

- Other Business

Next meeting(s):
9:00 a.m., March 21, 2019

IRREVOCABLE TRUST RECOMMENDATION

The Futuris Public Entity Investment Trust was established during fiscal year 2010-2011 (FY 11) by the Ventura County Community College District for the purposes of investment and disbursement of funds, irrevocably designated for the payment of premiums for eligible district employees, retirees and their dependents for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits. As of June 30, 2018, the trust had a market value of $21,110,529 and has net earnings of $6,660,529 since inception.

The VCCCD and other public agencies are required to conduct an actuarial study every two years to estimate the costs of contractually mandated post-employment benefits or "OPEB." An actuarial study for post-employment benefits was performed in October 2016 which estimated the OPEB costs using the accounting standards and requirements stated in GASB 45. In October 2016, the District's actuarial accrued liability for OPEB costs was estimated at approximately $210.3 million. The accounting standards under GASB 45, for postemployment benefits other than pensions, was superseded by GASB 75. With a measurement date of June 30, 2017, the total OPEB liability was approximately $194.7 million under GASB 75.

In the 2018-2019 Adoption Budget, the estimated expenditure for OPEB is $15.7 million. The District currently utilizes a 'pay as you go' methodology for retiree health premiums, with all premium increases being absorbed in the current year operating budget. The District assesses employer expense rates that range from 6% to 17.5% on each payroll dollar depending on employee type and funding source to accrue the amount required to pay for OPEB. These fringe benefit rates are assessed to all eligible employees' salaries in all funds, including categorical, grants and contracts. Using this methodology, the expenditure for post-retirement benefits is projected to be approximately $15.7 million for all funds, which is transferred to the District Retiree Health Benefits Fund. Health benefit premiums for retirees are then paid directly from the Retiree Health Benefits Fund.

In preparation for the FY 19 District Budget, DCAS recommended not to make any further general fund contributions to the irrevocable trust. A subcommittee of DCAS was formed in FY 18 for the purpose of evaluating and recommending a long-term plan for the use of the district's irrevocable trust to address OPEB liabilities.

According to the District's 2016 actuarial report, the projected retiree claims and expenses for FY 19 is $14,327,365, and will increase every year until FY 32, at which time the annual expense is projected to reach $18,026,362. The annual expense will then begin to decrease for 57 years, until FY 89 when the liability is expected to be zero.

Eventually, the retiree liability and irrevocable trust will reach equilibrium and the annual required contribution can be transferred to the trust. Rather than waiting until equilibrium is reached, the work group recommends accessing the Trust funds in FY 22 to pay for

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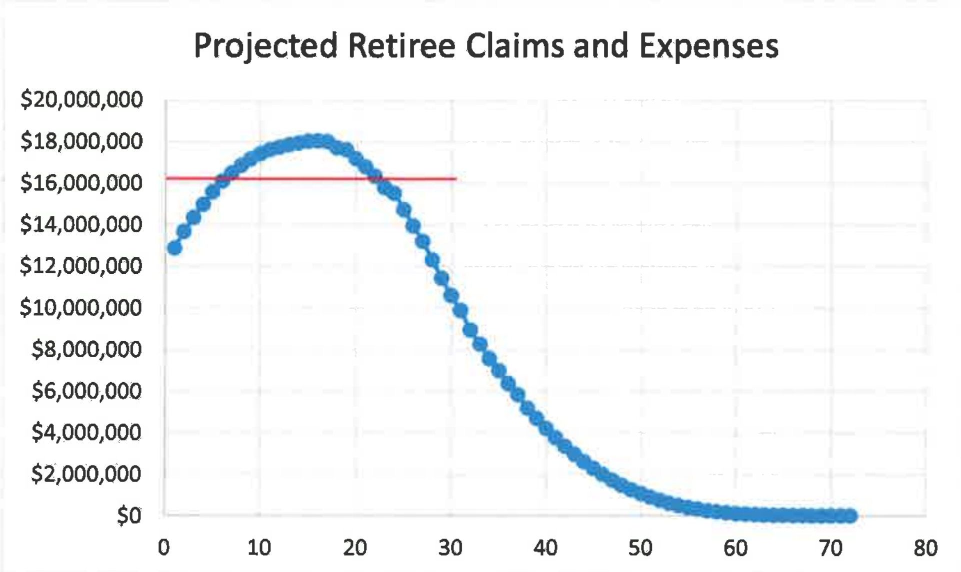
the increases in annual contributions resulting in a level budgetary impact through FY 41, at which time the annual required contribution would decrease. Annual increases in OPEB expenses will not affect the general fund budget beginning in FY22.



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			2018-19			2019-20		
		Estimated State COLA	2.71%			3.46%		
			FTES	Rate	Total	FTES	Rate	Total
Base Allocation		Basic Allocation			$ 13,059,207			$ 13,511,056
	Credit FTES	3-Year Average Credit [	25,415	$ 3,727	$ 94,720,848	25,090	$ 3,856	$ 96,746,276
		Special Admit	749	$ 5,457	$ 4,089,148	749	$ 5,646	$ 4,230,633
		Incarcerated Credit	6	$ 5,457	$ 32,742	6	$ 5,646	$ 33,875
		Subtotal	26,170		$ 98,842,738	25,845		$ 101,010,784
	Non-Credit FTES	Traditional Non Credit	112	$ 3,347	$ 375,500	112	$ 3,463	$ 388,492
		CDCP	2	$ 5,457	$ 9,222	2	$ 5,646	$ 9,541
		Incarcerated Non-Credit	-	$ 3,347	$ -	-	$ 3,463	$ -
		Subtotal	114		$ 384,722	114		$ 398,034
		Total	**26,284**		$ 112,286,667	**25,959**		$ 114,919,873
			Headcount	Rate		Headcount	Rate	
Supplemental Allocation		Pell Grant Recipients	9,788	$ 919	$ 8,995,172	9,788	$ 951	$ 9,306,405
		State Nonresident Fee Waiver	1,172	$ 919	$ 1,077,068	1,172	$ 951	$ 1,114,335
		California Promise Grant Recipients	22,003	$ 919	$ 20,220,757	22,003	$ 951	$ 20,920,395
		Total	**32,963**		$ 30,292,997	**32,963**		$ 31,341,135
			Outcomes	Rate		Outcomes	Rate	
Student Success Allocation	All Students	Associate Degrees	4,106	$ 1,320	$ 5,419,920	4,106	$ 1,366	$ 5,607,449
		Associate Degrees for Transfer	2,161	$ 1,760	$ 3,803,360	2,161	$ 1,821	$ 3,934,956
		Credit Certificates	3,724	$ 880	$ 3,277,120	3,724	$ 910	$ 3,390,508
		Nine or More CTE Units	3,942	$ 440	$ 1,734,480	3,942	$ 455	$ 1,794,493
		Transfer	4,439	$ 660	$ 2,929,740	4,439	$ 683	$ 3,031,109
		Transfer Level Math and English	1,186	$ 880	$ 1,043,680	1,186	$ 910	$ 1,079,791
		Achieved Regional Living Wage	2,766	$ 440	$ 1,217,040	2,766	$ 455	$ 1,259,150
		Subtotal	22,324		$ 19,425,340	22,324		$ 20,097,457
	Pell Grant Recipients Bonus	Associate Degrees	2,088	$ 500	$ 1,042,956	2,088	$ 517	$ 1,079,042
		Associate Degrees for Transfer	1,011	$ 666	$ 673,326	1,011	$ 689	$ 696,623
		Credit Certificates	1,832	$ 333	$ 610,056	1,832	$ 345	$ 631,164
		Nine or More CTE Units	1,774	$ 167	$ 295,371	1,774	$ 172	$ 305,591
		Transfer	1,518	$ 250	$ 379,121	1,518	$ 258	$ 392,238
		Transfer Level Math and English	410	$ 333	$ 136,530	410	$ 345	$ 141,254
		Achieved Regional Living Wage	664	$ 167	$ 110,556	664	$ 172	$ 114,381
		Subtotal	9,297		$ 3,247,916	9,297		$ 3,360,293
	California Promise Grant Recipients Bonus	Associate Degrees	2,915	$ 333	$ 970,695	2,915	$ 345	$ 1,004,281
		Associate Degrees for Transfer	1,451	$ 444	$ 644,244	1,451	$ 459	$ 666,535
		Credit Certificates	2,587	$ 222	$ 574,314	2,587	$ 230	$ 594,185
		Nine or More CTE Units	2,671	$ 111	$ 296,481	2,671	$ 115	$ 306,739
		Transfer	2,456	$ 167	$ 408,924	2,456	$ 172	$ 423,073
		Transfer Level Math and English	605	$ 222	$ 134,310	605	$ 230	$ 138,957
		Achieved Regional Living Wage	1,495	$ 111	$ 165,945	1,495	$ 115	$ 171,687
		Subtotal	14,180		$ 3,194,913	14,180		$ 3,305,457
		Total	**45,801**		$ 25,868,169	**45,801**		$ 26,763,207
		TCR with SCFF			$ 168,447,833			$ 173,024,215

[A] Calculation of 3 Year Rolling Average of Credit FTES

2015-2016	26,405
2016-2017	25,335
2017-2018	26,549
2018-2019	24,361
2019-2020	24,361

[B] Other FTES information are based on annualized 2018-2019 P1 information

[C] Headcounts for 2017-2018 from Data on Demand

[D] Outcomes for 2017-2018 from Data on Demand with the exception of Transfer and Living Wage, which are from 2016-2017.

			2019-20 MC $	2019-20 OC $	2019-20 VC $	MC counts	OC counts	VC counts	Duplicates	
Base Allocation		Basic Allocation	$ 4,595,196	$ 3,938,738	$ 4,595,196					
	Credit FTES	3-Year Average Cred	$ 43,191,044	$ 18,899,175	$ 34,656,057	11,201	4,901	8,988	-	
		Special Admit	$ 1,638,866	$ 677,328	$ 1,914,438	290	120	339	-	
		Incarcerated Credit	$ -	$ -	$ 33,875	-	-	6	-	
		Subtotal								
	Non-Credit FTES	Traditional Non Credit	$ 69,256	$ -	$ 319,236	20	-	92	-	
		CDCP	$ -	$ -	$ 9,541	-	-	2	-	
		Incarcerated Non-Credit	$ -	$ -	$ -	-	-	-	-	
		Subtotal								
		Total								
Supplemental Allocation		Pell Grant Recipients	$ 2,959,832	$ 2,878,064	$ 3,484,672	3,113	3,027	3,665	(17)	Pell students attend multiple colleges.
		State Nonresident Fee Waiver	$ 367,959	$ 339,435	$ 413,597	387	357	435	(7)	AB540 students attend multiple colleges.
		California Promise Grant Recipients	$ 7,575,954	$ 7,200,389	$ 10,396,970	7,968	7,573	10,935	(4,473)	BOGFW students attend multiple colleges.
		Total								
Student Success Allocation	All Students	Associate Degrees	$ 2,598,874	$ 925,926	$ 2,082,650	1,903	678	1,525	-	
		Associate Degrees for Transfer	$ 2,168,687	$ 571,761	$ 1,194,508	1,191	314	656	-	
		Credit Certificates	$ 1,358,388	$ 616,373	$ 1,415,747	1,492	677	1,555	-	
		Nine or More CTE Units	$ 732,911	$ 438,836	$ 644,597	1,610	964	1,416	(48)	Students obtain CTE units at multiple colleges.
		Transfer	not available			not available				
		Transfer Level Math and English	$ 565,388	$ 133,836	$ 380,567	621	147	418	-	
		Achieved Regional Living Wage	not available			not available				
		Subtotal								
	Pell Grant Recipients Bonus	Associate Degrees	$ 363,815	$ 261,492	$ 453,735	704	506	878	-	
		Associate Degrees for Transfer	$ 281,130	$ 161,925	$ 253,568	408	235	368	-	
		Credit Certificates	$ 177,429	$ 164,337	$ 289,398	515	477	840	-	
		Nine or More CTE Units	$ 91,298	$ 96,466	$ 121,788	530	560	707	(23)	Students obtain CTE units at multiple colleges.
		Transfer	not available			not available				
		Transfer Level Math and English	$ 52,023	$ 33,763	$ 55,468	151	98	161	-	
		Achieved Regional Living Wage	not available			not available				
		Subtotal								
	California Promise Grant Recipients Bonus	Associate Degrees	$ 371,739	$ 211,536	$ 421,006	1,079	614	1,222	-	
		Associate Degrees for Transfer	$ 289,398	$ 135,053	$ 242,084	630	294	527	-	
		Credit Certificates	$ 182,137	$ 137,579	$ 274,469	793	599	1,195	-	
		Nine or More CTE Units	$ 98,993	$ 87,394	$ 123,798	862	761	1,078	(30)	Students obtain CTE units at multiple colleges.
		Transfer	not available			not available				
		Transfer Level Math and English	$ 51,908	$ 29,170	$ 57,880	226	127	252	-	
		Achieved Regional Living Wage	not available			not available				
		Subtotal								
		Total								

TCR with SCFF	$ 69,782,225	$ 37,938,575	$ 63,834,846	$ 171,555,646
	41%	22%	37%	SCFF
	42%	22%	36%	VCCCD FY19 Budget Allocation Model after DWS, Utilities, & DAC and before campus carryover
	1%	0%	-1%	

[A] Calculation of 3 Yr Rolling Average of Credit FTES	MC	OC	VC	
2015-2016	11,267	5,225	9,913	-
2016-2017	10,934	4,960	9,441	-
2017-2018	11,341	5,266	9,942	-
2018-2019	11,131	4,719	8,510	-
2019-2020	11,131	4,719	8,510	-

VCCCD Budget Development
Parallel Process for FY 2019-20 and FY 2020–21

Year	Month	Traditional Budget Development	Student Centered Funding Formula (SCFF) Budget Development Proposed DCAS Discussion Timeline
Timeline for FY 2019-20 Budget			

2018	Oct	District Council on Administrative Services (DCAS) reviews General Fund Allocation Model and Infrastructure Funding Model to consider the need for modifications.	• Districtwide Resource Budget Allocation Model
			  ○ Revenue Component
			  ○

	Nov/Dec	Vice Chancellor and District Budget Officer estimate revenue and inflationary costs in upcoming and subsequent budget years to identify gaps. Vice Chancellor provides analysis of projected revenues and increases in costs to DCAS for revenue and deliberation of targeted FTES, expenditure reductions or increases, and consideration of managed use or increase of reserves.
		
		Colleges and district office receive preliminary allocations for the upcoming fiscal year based on the budget allocation models and begin preliminary budget plans.
			• Discuss and update proposed timeline for Allocation Model Review
			  • Revenue component: to be updated for FY20
			  • Districtwide Support & College Allocation Components: to be updated for FY21
			• Discuss Infrastructure Funding Model
			  ○ Revenue Categories
			  ○ Expenditure Categories
			  ○ Allocation Basis and Rates
			  ○ Carryover Component
			
			•

January: Governor's Proposed Budget			
2019	Jan	Vice Chancellor and district/college budget officers review Governor's Initial Budget Proposal and refine budget projections. Provide an update to DCAS.	<u>Revenue Component</u> • Distribute and discuss Student Centered Funding Formula White Paper with emphasis on three scenarios for base, supplemental and student success allocations as well as core opportunities and challenges to consider • Review and discuss five-year history of metrics related to funding coupled with projections through 2020-21, by colleges and district • Discuss non-apportionment revenue • Continue to discuss *Infrastructure Funding Model* (revise draft)

VCCCD Budget Development
Parallel Process for FY 2019-20 and FY 2020–21

Year	Month	Traditional Budget Development	Student Centered Funding Formula (SCFF) Budget Development Proposed DCAS Discussion Timeline
	Feb	Board of Trustees reviews the Governor's Initial Budget Proposal and district budget projections and provides strategic direction. Vice Chancellor and district/college officers draft budget assumptions and submit to DCAS for consideration and recommendation to Board.	• Revenue Component: Continue developing and discussing multiple what-if scenarios by colleges and district • Finalize *Infrastructure Funding Model* narrative draft • Discuss/Revise *Budget Criteria & Assumptions* narrative draft • Discuss/Review *Budget Allocation Model* narrative draft
March Board Meeting: Changes to Districtwide Resource Allocation Model reviewed prior to presentation to Board **Beginning of April: Budget Year 2020-21 opened in Banner** **Late-April: Preliminary targets to colleges for Fund 111 Tentative Budget**			
	Mar/Apr	Board of Trustees approve budget assumptions. Colleges and district office receive allocation for tentative budget based on the allocation models and build site-specific tentative budgets. DCAS receives an update.	Continue developing and discussing multiple what-if revenue scenarios for FY20 & FY21 as well as college allocation components of *Budget Allocation Model* for FY21 by colleges and district
Mid-May: Governor's May Revise to Proposed Budget			
	May	Vice Chancellor and district/college budget officers compare Governor's May Revise to district budget projections and make adjustments and provide DCAS with an update. DCAS reviews Tentative Budget and recommends to Board.	Continue developing and discussing multiple what-if revenue scenarios for FY20, ~~& FY21~~ as well as college allocation components of *Budget Allocation Model* for FY21 by colleges and district
June 15: Legislature finalizes State Budget and submits to Governor for signature			
	Jun	Board of Trustees approves the Tentative budget.	
	Jul/Aug	Vice Chancellor and district/college budget officers compare signed State budget to district budget projections and make adjustments. Colleges and district office receive final allocations for the upcoming fiscal year based on the allocation models, analyze year-end results, incorporate these results into local planning processes, and build a site-specific adoption budget. DCAS reviews Adoption Budget and recommends through Board.	Continue developing and discussing multiple allocation model what-if scenarios by colleges and district

VCCCD Budget Development
Parallel Process for FY 2019-20 and FY 2020–21

Year	Month	Traditional Budget Development	Student Centered Funding Formula (SCFF) Budget Development Proposed DCAS Discussion Timeline
	Sep	Board of Trustees approve the Adoption budget.	
Timeline for FY 2020-21 Budget			
	Oct	District Council on Administrative Services (DCAS) reviews General Fund Allocation Model and Infrastructure Funding Model to consider the need for modifications.	• Discuss College Allocation components • Discuss Districtwide Support components
	Nov/Dec	Vice Chancellor and District Budget Officer estimate revenue and inflationary costs in upcoming and subsequent budget years to identify gaps. Vice Chancellor provides analysis of projected revenues and increases in costs to DCAS for revenue and deliberation of targeted FTES, expenditure reductions or increases, and consideration of managed use or increase of reserves. Colleges and district office receive preliminary allocations for the upcoming fiscal year based on the budget allocation models and begin preliminary budget plans.	• Final draft of College Allocation components language presented • Discuss Districtwide Support, Revenue and Carryover components (Budget Allocation Model) • Discuss Revenue Categories (Infrastructure Model)
January: Governor's Proposed Budget			
2020	Jan	Vice Chancellor and district/college budget officers review Governor's Initial Budget Proposal and refine budget projections. Provide an update to DCAS.	• Final draft of Districtwide Support, Revenue and Carryover components (Budget Allocation Model) language presented • Discuss Allocation Basis and Rates, Expenditure Categories and Carryover (Infrastructure Model)
	Feb	Board of Trustees reviews the Governor's Initial Budget Proposal and district budget projections and provides strategic direction. Vice Chancellor and district/college officers draft budget assumptions and submit to DCAS for consideration and recommendation to Board.	• Final draft of Districtwide Resource Budget Allocation Model reviewed prior to presentation to Board • Discuss Allocation Basis and Rates, Expenditure Categories and Carryover (Infrastructure Model) • Final draft of Infrastructure Funding Model reviewed prior to presentation to Board
March Board Meeting: Changes to Districtwide Resource Allocation Model reviewed prior to presentation to Board **Beginning of April: Budget Year 2020-21 opened in Banner** **Late-April: Preliminary targets to colleges for Fund 111 Tentative Budget**			

VCCCD Budget Development
Parallel Process for FY 2019-20 and FY 2020–21

Year	Month	Traditional Budget Development	Student Centered Funding Formula (SCFF) Budget Development Proposed DCAS Discussion Timeline
	Mar/Apr	Board of Trustees approve budget assumptions. Colleges and district office receive allocation for tentative budget based on the allocation models and build site-specific tentative budgets. DCAS receives an update.	
Mid-May: Governor's May Revise to Proposed Budget			
	May	Vice Chancellor and district/college budget officers compare Governor's May Revise to district budget projections and make adjustments and provide DCAS with an update. DCAS reviews Tentative Budget and recommends to Board.	
June 15: Legislature finalizes State Budget and submits to Governor for signature			
	Jun	Board of Trustees approves the Tentative budget.	
	Jul/Aug	Vice Chancellor and district/college budget officers compare signed State budget to district budget projections and make adjustments. Colleges and district office receive final allocations for the upcoming fiscal year based on the allocation models, analyze year-end results, incorporate these results into local planning processes, and build a site-specific adoption budget. DCAS reviews Adoption Budget and recommends through Board.	
	Sep	Board of Trustees approve the Adoption budget.	

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

BUDGET CRITERIA (GUIDING PRINCIPLES) AND ASSUMPTIONS

FISCAL YEAR 2019-20 (FY20)

The District will develop a budget that allocates resources to achieve districtwide strategic goals and objectives. ~~established in the District’s master plan.~~ The Budget Criteria and Assumptions serve~~s~~ as a guide in developing the annual budget by setting forth the guiding principles by which the budget will be built and by providing assumptions which are the basis for the financial projections of revenue and expenditures. The budget is developed through a collaborative district-wide process that involves the Board of Trustees, the Chancellor and his Cabinet, the District Council on Administrative Services (DCAS), and the Chancellor’s Consultation Council. The budget is further developed locally ~~in more specific detail~~ through collaboration at each college.

Guiding Principles

A budget will be developed that:

- Allocates resources to support ~~achieve~~ goals and objectives established by the Board
- Provides resources for continued improvement of student success and learning outcomes
- Provides resources and support for high quality, innovative instructional programs and services to students
- Balances enrollment goals and student access
- Increases and/or maintains sufficient levels of institutional effectiveness while becoming more efficient and cost effective
- Works to maintain technological currency and efficiency by updating and replacing equipment
- Provides resources to address the total cost of ownership and to maintain building and grounds
- Manages reserves and liabilities prudently and responsibility

Assumptions

Budget Assumptions are the basis for the financial projections of revenue and expenditures contained within the budget allocation process. While these Assumptions are based on the most current information available, it is recognized that ever-changing circumstances can alter the economic foundation upon which the Assumptions have been built.

The initial Budget Assumptions presented at this time are preliminary in nature and will be revised whenever significant and reliable information becomes available during the State budget development process. Events such as the “May Revise” of the Governor’s

Budget, state mid- and year-end adjustments (P2 apportionment) in June, and legislative actions to approve a State budget may impact these Assumptions and the development of the Ventura County Community College District's budget. The Governor's January budget proposal continues the Student Centered Funding Formula but adjusts the implementation provisions, pending further data analysis. Thus, the funding percentages for 2019-20, as proposed, would reflect the 2018-19 percentages of 70% Base Allocation; 20% Supplemental Allocation; and 10% Student Success Allocation. The actual funding rates would remain the same as 2018-19, plus a COLA would be applied.

The budget development process, the Tentative Budget, and the Adoption Budget will be based on the assumptions described in this document as modified periodically.

Revenue

Governor Newsom's January Budget proposal reflects a positive financial and economic environment. However, opportunities for continued statewide economic expansion are narrowing. Slower State General Fund revenue growth is expected. However, the 2019-20 State Budget still assumes higher overall revenues for fiscal years 2017-18 through 2019-20, exceeding 2018-19 projections by more than $5.2 billion. Over the three-year period, both personal income tax and corporation tax are expected to exceed earlier estimates; however, the budget assumes that sales and use tax will fall short of projections.

With regard to the Proposition 98 minimum guarantee, funding has declined from the 2018 Budget Act for both 2017-18 and 2018-19 due to lower than anticipated Average Daily Attendance (ADA) and a decline in year-over-year General Fund revenue growth. While the 2018-19 Proposition 98 guarantee is now estimated at $77.9 billion, the Governor proposes a guarantee of $80.7 billion in 2019-20, an increase of $2.8 billion year over year. Also proposed is $26 million to fund student growth at 0.55% and $248.3 million to fund the estimated 3.46% statutory COLA. Unrestricted revenues will be budgeted in accordance with BP and AP 6200.

Educational Services

The Governor's proposals for other community college programs include $358.7 million in Proposition 51 bond funds for 12 new and 15 continuing facilities projects; $40 million to expand the California College Promise program into a second year of free California Community College (CCC) tuition for students; $18 million for the 3.46% COLA on the Adult Education Block Grant Program; $13.5 million for fund the 3.46% COLA for Disabled Student Programs and Services (DSP&S), Extended Opportunity Programs and Services (EOPS), California Work Opportunity and Responsibility to Kids (CalWORKs), and Child Care Tax Bailout programs; and $10 million to provide legal services to undocumented and immigrant students, faculty, and staff in the CCCs on an ongoing basis.

Also included in the Governor's January proposal for 2019-20 is $121.6 million to expand Cal Grants for higher education students (including community college students) that have dependent children plus $9.6 million to fund 4,250 additional competitive Cal Grant awards. The proposed budget funds the strong workforce program at current levels, though it funds part of the program with one-time funds in 2019-20.

The Governor's January proposal did not include any funding augmentations for other categorical programs not referenced above. Thus, the current categorical program budgets will be developed assuming the State's 95% funding guarantee will still be in place, consistent with prior year budget assumptions.

Enrollment Management

The Governor's January proposal gives a 0.55% growth factor to the system, under the current growth formula the District's preliminary estimate for its growth rate is 0.5%. The Tentative Budget will be developed with the assumption that FTES will remain flat in FY20 as compared to FY19's actual operational FTES, which excludes the impact of the shift of 590 FTES. The 70% Base Allocation portion of the SCFF is calculated on a three-year rolling average of District FTES. Whereas, the other two revenue components of the SCFF (Supplemental and Student Success Allocations) are based on student demography and outcomes, respectively. The District does not anticipate any growth FTES.

Salary and Benefits

The cost of personnel makes up a significant portion of the District's budget and continues to increase for salary column/step movement and benefits. Care will be given to review and eliminate vacant positions and redundancies, and create consolidations where possible and necessary to reduce costs and increase efficiencies while recognizing the need for additional support of enrollment growth and student success efforts. For the Tentative Budget, salaries costs will include step and column increases, as well as increases in contributions for pension costs.

At the State level, Governor Newsom's proposed Budget recognizes the growing burden of pension rate increases faced by districts. As a result, $3 billion in one-time funds will be used to buy down CalSTRS employer contribution rates in 2019-20 and beyond and reduce employers' long-term unfunded liability. The statutory CalSTRS employer contributions rates would be reduced in 2019-20 from 18.13% to 17.1% and from 19.1% to 18.1% in 2020-21. For FY20, employer contribution rates for the Public Employee Retirement System (PERS) will be 20.8%. The impact of ~~tentative agreements~~collective bargaining agreements will be budgeted when known. Based on historical rate increases, the District is budgeting a 7.5% increase for faculty health and welfare costs.

Proprietary (Enterprise) and Auxiliary Funds
Food Service and Child Care Center

The enterprise/auxiliary funds account for business operations that are to be managed similar to private enterprise and will be budgeted assuming they are self-supporting.

Infrastructure Funding

The Infrastructure Funding Model represents the methodology for distribution of certain variable revenues such as interest income and miscellaneous revenue to address the infrastructure needs at the colleges. The colleges determine the budgeting of these funds within the allocation categories in accordance with their specific budget development processes and priorities.

Reserves

The District has designated its ending balance into five categories: State Required Minimum Reserve, Revenue Shortfall Contingency Reserve, Budget Carryover, Designated Reserves and Unallocated Ending Balance.

State Required Minimum Reserve
In accordance with the State Chancellor's Office Accounting Advisory FS 05-05: Monitoring and Assessment of Fiscal Condition, the State Chancellor's Office requires a minimum prudent unrestricted general fund balance of 5%. To ensure the District does not drop below this minimum requirement, the Board authorizes the segregation of this amount in a reserve designated for that purpose.

The Revenue Shortfall Contingency Reserve
This reserve is designated to cover any mid-year reductions (including, but not limited to, statewide property tax shortfall, enrollment fee shortfall, general statewide deficit, mid-year "triggers", etc.), thus mitigating the need for mid-year reduction in operating budgets. This reserve was exhausted in FY12 due to trigger cuts, enrollment fee, property tax shortfalls, etc. The District faced these same potential mid-year revenue reductions in FY13 at which time the Board authorized $6 million to be designated as a contingency for revenue shortfalls. The Tentative Budget will continue to include the Board-authorized $5 million designated Revenue Shortfall Contingency for FY20.

Budget Carryover
The Budget Allocation Model allows colleges and the District Administrative Center to carryover 2% of their prior year Unrestricted General Fund Budget.

Designated Reserve
Recognizing the extensive infrastructure and one-time expenditure needs that cannot be met through existing budgets, the Board has approved designating a portion of the Unallocated Ending Balance to address these needs. For FY20, designated reserves include $2.4 million designated for State Teachers Retirement System (STRS) and Energy Efficiency.

The revenue projections for the 2018-19 Adoption Budget were conservative due to the many unknowns of the new SCFF. As the District completed its review and submission in January 2019 of the headcount and student outcomes for 2017-2018 with the CCCCO, additional apportionment revenue is anticipated for 2018-2019. Due to the timing of the allocation of additional apportionment funds, cost centers will be able to carryover funds not to exceed the amount of the late allocation that is separate from the 2% maximum.

Unallocated Ending Balance
Unallocated ending balance is the remaining balance that has not been designated for the other four reserves or uses. This balance is maintained in large part to augment cash to handle the significant cash flow requirements of the District. The Unallocated balance can be expended as approved by the Board.

Compliance

Budgeted expenditures will reflect compliance with all existing collective bargaining agreements, external requirements, laws, including the Education Code, Title 5 regulations, Full Time Faculty Obligation Numbers, FTES targets, the 50% law, and financial accounting standards (such as GASB, including post-retirement health benefit costs), etc.

Allocation

The allocation of resources will be in accordance with the Budget Allocation Model approved by the Board in May 2007 and modified on March 2009, April 2012, ~~and~~ March 2015, March 2017, and March 2018. DCAS is in the process of examining the revenue components that flow into the model in light of the new Student Centered Funding Formula (SCFF) in order to determine if any modifications are necessary. DCAS has established a timeline to complete its review of the allocation components effective with the FY21 budget.

Timeline

The Tentative Budget will be presented to the Board for approval in June 2019 with the Adoption Budget planned for presentation to the Board for approval in September 2019.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICTWIDE RESOURCE BUDGET ALLOCATION MODEL
GENERAL FUND – UNRESTRICTED BUDGET

Fiscal Year 2019-2020

I. Introduction

The Districtwide Resource Budget Allocation Model (Allocation Model) represents the methodology for distribution of Unrestricted General Fund revenues to the District's various operating units. The Allocation Model is complex enough to reflect the needs of a multi-college district and the unique characteristics of the colleges, yet simple enough to be readily understood, easily maintained, and transparent. The Model considers how the District is funded by the State and contains factors to help ensure accountability, predictability, and equity. Further, the elements of the Allocation Model are based on both resources and expenditures.

The Allocation Model addresses the distribution of resources, and is not prescriptive in how funds are to be spent at the various locations (colleges and district office). The District acknowledges differences between its colleges and recognizes the need to direct resources based on plans and objectives to meet the needs of each college's diverse populations and constituencies. The colleges have separate and specific budget development processes that are unique to each college and are reflective of the organizational culture and priorities. It is at this level that the budget must be tied to each college's strategic plans and address accreditation requirements.

Annually, the Allocation Model is reviewed by the District Council of Administrative Services (DCAS) and Cabinet. Modifications and/or revisions to the Allocation Model may be recommended for Board consideration as deemed appropriate for the maintenance of the model's equity and integrity. In light of the changes to the State's funding model with the Student Centered Funding Formula (SCFF), DCAS will be reviewing the components of the District Allocation Model extensively. Any changes to the model would be effective with the 2020-21 budget.

II. Model

The Districtwide Resource Budget Allocation Model utilizes formulas and variables that have been meaningfully studied, readily defined, easily measured, and consistently reported. The following describes the elements of the Allocation Model:

A. Revenue

The Allocation Model is designed for the distribution of all General Fund unrestricted revenue, unless identified to be distributed in a different fashion (such as to fund structural deficits). At this time, only state apportionment, unrestricted lottery, a portion of non-resident tuition, and items related to part-time comp and benefits are included in the Allocation Model. Restoration revenue is not included in the allocation model until the year after it is earned. In years affected by the shift of FTES, revenue will be projected based on operational FTES or state reported FTES subject to the maximum of state funded base. ~~Beginning in fiscal year 2018-19 growth revenue will be allocated in the year it is actually achieved, based on actual growth realized.~~ Restricted revenue sources of funding are allocated by the state directly to a specific college or by a district agreed-upon distribution method.

B. Districtwide Support

Resources are allocated to a set of services and expenditure elements which are recognized as best administered in a centralized fashion.

1. Districtwide Services (DWS)

The Allocation Model provides a pool of resources, referred to as Districtwide Services (DWS), to support expenditures required to meet general districtwide obligations which support the district as a whole and cannot be conveniently or economically assigned to the other operating locations through a cost center. These expenditures include property and liability insurance, legal expenses, governing board expenses, financial and compliance audits, central technology hardware, software and management services, and other activities. These common costs benefit all operating units, but are not the direct result of any individual unit. Components and specific line item budgets will be considered each year by DCAS for inclusion in DWS or movement to another budget location.

2. Utilities

The district accounts for utilities in a central location, so as to mitigate the significant differences in utilization due to building size, construction, age, and climatic conditions affected by college locations. Expenditures represent the districtwide costs for electricity, water, gas, and land line telephone. The budget for utilities is based on historical and projected rates and usage, and presented to DCAS for review and concurrence.

3. District Administrative Center (DAC)

The district recognizes that it is fiscally prudent to provide certain services centrally through the operation of a district office (District Administrative Center – DAC). These services primarily represent those functions that can be most effectively and efficiently administered in a centralized fashion. Typical of such functions are the Chancellor's office, human resources, information technology oversight, payroll, purchasing, accounts payable, and so-forth. Currently, the DAC receives 6.98% of projected revenue. Each year, after review, if it is determined that specific budget items are to be reassigned between DWS and DAC or the colleges and DAC, the percentage of revenue will change accordingly, maintaining the same effective rate.

4. Major Initiatives

This element represents as “set aside” of available revenues to be solicited by the individual colleges for initiating new programs or activities that they otherwise may be unable to fund. This element has not been previously funded and is not currently funded. However, the element will be retained in the Allocation Model for future consideration of funding.

C. College Allocations

The Allocation Model is designed to provide fair and equitable allocations to the colleges by acknowledging areas of differences or unique characteristics between the colleges, as well as similarities. The differences, unique characteristics, and similarities considered include, but are not limited to, areas such as classroom capacity, program mix, full time equivalent students (FTES), and ratio of full time to part time faculty. These elements are considered in one or more of the components of the Allocation Model to ensure an equitable allocation process. The three separate mechanisms below address different equity issues which have been recognized by the colleges.

1. Class Schedule Delivery Allocation

This element of the Allocation Model addresses differences among the colleges related to instructional productivity which is dictated in part by facility limitations, program mix, student preparedness, full-time/part-time faculty ratios, internal organization, and faculty longevity. Using a productivity factor of 525 and actual FTES (resident, non-resident, credit, non-credit, and enhanced non-credit) produced by each college for the period of July 1 through June 30 of the prior year, a Full Time Equivalent Faculty (FTEF) number for the budget year is calculated. The college receives an allocation for the actual cost (salary and benefits) for the full time classroom faculty currently employed. This allocation is adjusted to reflect non-teaching assignments, such as those on approved sabbaticals and load bank leaves, department chair, American Federation of Teachers (AFT), and Academic Senate release time, and planned additional full-time faculty for the budget year. The balance of the allocation is then funded at the average hourly part-time salary and benefit rates for teaching the equivalent of a full-time load. The total of full-time faculty salary and benefit costs and the hourly FTEF is the total Class Schedule Delivery Allocation for each college.

2. Base Allocation (Fixed Allocation)

This element of the Allocation Model addresses the differences among the colleges relative to respective enrollment size. The Base Allocation recognizes that each college is required to provide core services and staff certain positions to support the operation of a comprehensive college. Thus, the Base Allocation represents an “economy of scale” factor and provides differential benefit to the college as a result of their varying sizes. The base allocation is 15% of revenue available for distribution, divided equally among the colleges. Each college receives an equal allocation that recognizes the fixed expenses and core services associated with operating a college, regardless of the size of its enrollment.

3. FTES Allocation

This element of the Allocation Model addresses the method in which the District receives the bulk of its state apportionment through ~~SB361, namely per~~ FTES. The remainder of the available revenue is allocated to the colleges proportionate to the percentage of actual FTES earned at each college in the prior year. Colleges are funded proportionate to their actual FTES (including growth) up to the maximum growth percentage the District was funded. Each college may then carry unfunded FTES (as does the District as a whole), and be entitled to use that excess if and when the District does.

~~Beginning in fiscal year~~ As of 2018-19, non-resident students ~~will be~~ are included in Line 10 of the allocation model; they had previously been excluded. Including non-resident students in the FTES count represents each college's percentage of available funds and more accurately reflects the actual number of students served.

FTES generated through enhanced noncredit will be funded at ~~100%~~ the 2017-18 credit FTES rate plus COLA. Non-enhanced noncredit FTES is adjusted by the ratio of non-enhanced noncredit state funding rate to credit state funding rate (approximately 60%). Therefore, each college's noncredit FTES will be reduced by approximately 40%. Not-for-credit classes (community education) are not included in the Allocation Model since these classes are self-supporting. A portion of the non-resident tuition that is equivalent to the FTES amount paid by the state will remain in the Allocation Model. The amount of non-resident tuition that is in excess of the reimbursed rate will remain at the college that earned it.

The FTES Allocation to each college represents each college's proportionate share of total FTES represented in this element of the Allocation Model.

D. Transition/Implementation Funding

Potential adjustments to the Allocation Model can result in a shift of resources between the colleges. The district recognizes the need to provide stability and may choose to phase-in the effects of these adjustments.

E. Carry-over

The Allocation Model recognizes the incentive in allowing budget locations to maintain their unexpended funds for future needs. In addition to the allocation derived through the mechanism of the model, the colleges and district office are allowed to carry-over any unexpended funds as of June 30 into the new budget year, up to a maximum of 2% of their respective prior year's budget allocation. Any allowable carryover is then added to each college's total allocation to produce the college's budget allocation for development of their operating budgets.

~~For 2018-19 DCAS has recommended to allow amounts in excess of the 2% allowed carryover be transferred to Fund 113 to help the colleges and the DAC with anticipated future expenditure increases. These amounts are one-time budget savings from FY18 that will be available in FY19 and reflected in the Adoption Budget.~~

In 2018-19, the revenue projections for the Adoption Budget were conservative due to the many unknowns of the new SCFF. As the District completed its review and submission in January 2019 of the headcount and student outcomes for 2017-2018 with the CCCCO, additional apportionment revenue is anticipated for 2018-2019. Due to the timing of the allocation of additional apportionment funds, cost centers will be able to carryover funds into FY 2019-20 not to exceed the amount of the late allocation that is separate from the 2% maximum.

III. **Background**

Effective in fiscal year 2003-04, the District set aside the then-existing budget allocation model, which had been used to distribute district resources for the prior six years.

The model was primarily revenue-driven while providing for college base allocations and other fixed costs which did not necessarily equate directly to FTES generation. As such, the model relied both on revenue (FTES) and expenditure elements (dual characteristics) to serve as the mechanisms to produce the colleges and district level budget allocations. The model was, however, primarily FTES driven, with no cap placed on the funding of growth at the colleges, although the district as a whole had a funding cap. As the colleges evolved over time, the shift of resources favored the college(s) growing most rapidly and disadvantaged the college(s) growing more slowly, and the movement happened in an uncontrolled fashion. As a result, the model had been adjusted several times during its six-year period, and was believed to no longer meet the needs of the district and its colleges.

In 2003-04 when the model was set aside, the District distributed resources using the fiscal year 2002-03 allocation as a base, increasing or decreasing it proportionately each subsequent year based on changes in additional available resources from that point forward. That process continued over the next four years. Although this method distributed funds, there was not an agreed-upon budget allocation model. Distribution of new resources did not consider how the colleges had evolved since 2003-04. Further, the allocation of funds did not reflect how funding from the state was received, the uniqueness of the colleges, nor the priorities of the District. In addition, the lack of an agreed-upon allocation model had been cited in the accreditation reports and would have been a major issue if not resolved.

During fiscal year 2006-07 the District Council on Administrative Services (DCAS) and the Cabinet worked simultaneously toward identifying the features of a model that would reflect the unique characteristics of each college, while recognizing how the District is funded by the state, and be perceived as more equitable than the then existing arrangement.

In an attempt to develop a model that would be accepted as fair and equitable, areas of differences or unique characteristics between the colleges, as well as similarities, were identified. A model that considers and reflects these differences would be consistent with the objective of equitability.

The differences, unique characteristics, and similarities identified included, but were not limited to, areas such as:

- Facility constraints/classroom capacity on each campus
  How many rooms hold 25, 35, 100, etc. students?
  How will capacity change over the new few years?

- Program Mix - mix of general education and vocational programs
  Does each college have the same proportion of vocational/career tech to general education classes?
  Does the difference in program costs impact the college's decision on what programs to maintain or develop?

- Students' level of educational preparedness
  Does each college have the same proportion of students who are prepared to take college-level classes?
  Are needs for basic skills classes the same? (Some of the additional requirements/services of these students are to be met through special funding, such as categorical, not necessarily general fund – unrestricted dollars distributed through this model)

- Does each college have the same proportion of senior faculty (salary schedule placement)?

- How do full-time / part-time ratios of faculty compare?

- Are the contractual obligations, such as reassigned time and leaves, disproportionately distributed?

- What are the similarities/differences in core services?

- How does the size of each student body compare? (FTES)

It was imperative that each of these elements were considered in one or more of the components of the budget allocation model to ensure an equitable allocation process.

The Allocation Model was adopted for use in the 2007-08 fiscal year.

IV. **Updates**

Since the adoption of the Districtwide Resource Budget Allocation Model for the 2007-08 fiscal year, and in accordance with the commitment to the Board to regularly review the model components to ensure a more sustainable model, the DCAS reviews the model annually.

In 2008-2009, DCAS recommended modifications to the Class Schedule Delivery Allocation and the FTES Allocation segments of the model. The Board of Trustees approved the recommended changes at its March 2009 Meeting.

In 2010-11, DCAS developed a plan to address the district's capital structural deficits and recommended that specific revenues (lottery, interest income and administration fee revenue) be removed over time from the general budget allocation model and allocated in a different method.

Through FY12, all general fund – unrestricted revenue was distributed through the model, including, but not limited to, state apportionment for FTES, local revenues such as lottery, non-resident tuition, interest income, and miscellaneous, unless agreed to be distributed through a separate allocation method. This aspect of the allocation model was changed with the adoption of the Infrastructure Funding Model, beginning in the 2012-13 fiscal year. At the end of the full transition of revenue to the Infrastructure Funding Model, only state apportionment, non-resident tuition, and items related to part-time comp and benefits were to remain in the Districtwide Resource Budget Allocation Model.

In 2014-2015 DCAS recommended the excess revenue related to FTES generation from international students be taken out of the Allocation Model and be placed in Fund 114. This incentivizes each campus to develop an international student program by allowing the excess revenue to be retained by the home campus. DCAS also recommended a productivity factor of 525 be used for each campus. This change caused a significant shift of $500,000 from Ventura College to Moorpark College. To alleviate possible operational disruptions, the change in the productivity factor will be phased in over four years with all campuses being held harmless in the first year (FY 15-16). In the subsequent three years, Ventura College's allocation will be reduced by $166,666 each year. Further, DCAS recommended the carryover percentage be changed from 1% to 2%. These changes were executed in the 2015-2016 adopted budget. The final reduction was made in the 2017-18 budget year.

In 2015-16, a review of the components of the Infrastructure Funding Model resulted in a change in the treatment of unrestricted lottery revenue. Beginning with the 2016-17 fiscal year, unrestricted lottery will be removed from the Infrastructure Funding Model and included in the Districtwide Resource Budget Allocation Model for the distribution of General Fund unrestricted revenues. The percentage of revenues the District Administrative Center will receive will be adjusted accordingly to maintain the same effective rate prior to the change.

In 2015-16, the District did not fully achieve its FTES goal. However, State regulations provide the flexibility to shift qualifying class sections between fiscal years. The District utilized this option and shifted 685 FTES from 2016-17 to 2015-16. As a result of this transfer, the 2016-17 State reported FTES is 685 FTES less than the actual operational FTES. In years affected by the shift of FTES, revenue will be projected based on operational FTES or state reported FTES subject to the maximum of state funded base. For the 2017-18 budget, state apportionment will be calculated assuming the 2017-18 base FTES is the same as the 2016-17 actual operational FTES, which excludes the impact of the shift of 685 FTES.

In the 2016-17 Adoption Budget, the districtwide support in the Budget Allocation Model provided funding for the District Administrative Center (DAC) at 6.98% of available revenue. Within this allocation, $420,000 was budgeted for the annual lease payment for the Stanley Avenue office. In November 2016, the District closed escrow on a property in Camarillo at Daily Drive for the DAC relocation. With the exception of Vice Chancellor El Fattal, members of DCAS would like a model where the budget savings that result from the elimination of a lease payment for the district office would flow to the colleges and DAC over time. It was agreed that the elimination of a lease payment for the district office would bring the DAC share to 6.7%. DCAS agreed to hold the DAC harmless for FY18 and agreed, with the exception of Vice Chancellor El Fattal, to recommend the phase-in of an adjustment over four years. Due to a lack of unanimity, DCAS will continue discussions toward a recommendation for the FY 19 budget. For the FY 18 Budget, the percentage allocation to the DAC will remain at 6.98%.

In 2017-18, the District once again utilized its option to shift qualifying FTES between fiscal years. 590 FTES were shifted from 2018-19 into 2017-18. As a result, State reported FTES in 2017-18 was 590 more than its operational FTES. This shift not only increased District state apportionment revenue in 2017-18, but it also increased the District's 'hold-harmless' apportionment amount within the SCFF for FY 2018-19 through FY 2020-21. The effect of the shift in 2017-18 was $3 million which fell to the ending fund balance. In 2018-19, the shift also increased the District's state apportionment revenue by $3 million and has flowed through the allocation model with the 2018-19 Adoption Budget. Regarding the DAC percentage allocation for FY19, a recommendation from DCAS was taken to Board in March 2018 to reduce its share to 6.7%. As a result, the percentage allocation to the DAC remains at 6.98%. DCAS ~~has~~ also recommended to allow amounts in excess of the 2% allowed carryover be transferred to Fund 113 to help the colleges and the DAC with anticipated future expenditure increases. These amounts are one-time budget savings from FY18 that will be available in FY19 and reflected in the Adoption Budget.

VENTURA COUNTY COMMUNITY COLLEGE DISTRICT

INFRASTRUCTURE FUNDING MODEL

Fiscal Year 2019-20

I. Introduction

The Infrastructure Funding Model (Infrastructure Model) represents the methodology for distribution of certain variable revenues such as interest income and miscellaneous revenue to address the infrastructure needs at the colleges. These needs include scheduled maintenance, furniture and equipment, library materials and databases, technology refresh, as well as other identifiable infrastructure needs. Although the Infrastructure Model may not fully address all identified funding needs, its intent is to provide each college a dedicated, ongoing (although variable) source of funds to mitigate operating concerns and maintain quality facilities and equipment in order to provide excellent instructional programs.

The funds allocated to the Infrastructure Model are budgeted and accounted for in a separate Infrastructure Fund (113) from the Unrestricted General Fund (111). The colleges determine the budgeting of these funds within the allocation categories in accordance with their specific budget development processes and priorities. These budgets are presented to the Board for approval as part of the overall budget development process.

Annually, the Infrastructure Model is reviewed by the District Council of Administrative Services (DCAS) and Cabinet. Modifications and/or revisions to the Infrastructure Model may be recommended for Board consideration as deemed appropriate for the maintenance of the model's equity and integrity.

II. Model

The following describes the elements of the Infrastructure Model:

A. Revenue Categories

These revenue categories are included as a result of their relative instability to other funding sources and in recognition that a number of districts across the state do not include these resources as a part of their Unrestricted General Fund budget allocation model, but instead allocate them for specific purposes. These revenues will be recorded in the Unrestricted General Fund (Fund 111) with the equivalent amount being transferred out at year end. The Infrastructure Model includes the following specific revenue categories:

- Enrollment fee local revenue
- Interest income

- Any unbudgeted Unrestricted General Fund revenue except apportionment (e.g., growth, shift, ~~and~~ COLA)
- Any net savings between budget and actual expenses from the District Wide Services and Utilities allocations

B. Expenditure Categories

The Infrastructure Model includes specific expenditure categories that are necessary and fundamental to the maintenance of a quality educational institution. The expenditure categories are:

- Scheduled Maintenance and Capital Furniture (including classroom, faculty and administration)
- Library Materials and Databases
- Instructional and Non-instructional Equipment
- Technology Refresh and Replacement (hardware and software)
- Other - to be restricted to one-time and not on-going expenditures, such as new program/process start-up costs, staff innovation, and program specific accreditation (e.g., nursing, dental hygiene, child development)

Funds carried forward from all expenditure categories remain in those categories to be expended in future years.

C. Allocation Basis and Rates

Basis for Allocation of Resources to Identified Categories

Category	Allocation Basis
Scheduled Maintenance and Capital Furniture	Assignable Square Footage
Library Materials and Databases	FTES
Instructional and Non-instructional Equipment	FTES
Technology Refresh and Replacement	Number of Computers
Other	Equal shares (1/3, 1/3, 1/3)

Funding Rate for Each Category

Category	Funding Rate
Scheduled Maintenance and Capital Furniture	$1.60/square foot
Library Materials and Databases	$10.00/FTES
Instructional and Non-instructional Equipment	$30.00/FTES
Technology Refresh and Replacement	$150.00/computer
Other	$150,000/college

During years when the total dollar allocation to the Infrastructure Fund is insufficient to fully fund the Infrastructure Model, based on the then approved funding rates, the funding rates for all categories will be adjusted downward by a coefficient equal to the total of the funds available divided by the calculated full funding amount. For example, if the calculated full funding amount, based upon funding rates and allocation bases is $4 million and the available funds based upon the allocation parameter is only $3 million, then the funding rate for all categories will be computed at 75% (3 million/4 million) of their then approved rate.

The funding rates are determined based on recent experience/estimate of need, previous funding levels used by state, etc. As part of DCAS's annual review of the Infrastructure Model, the allocation bases and funding rates are assessed for appropriateness.

D. Carry-over

The Infrastructure Model recognizes that while infrastructure needs are ongoing, the frequency and amount of expenditures fluctuates. Therefore, colleges are allowed to carry over all unspent balances in these accounts from year to year in order to meet the fluctuating needs.

III. Background

The Infrastructure Model became effective with the adoption of the 2012-2013 fiscal year budget. Prior to that time, the District distributed nearly all its unrestricted general fund resources through a single funding allocation model. Those resources included state apportionment (enrollment fees, property taxes and state appropriation), non-resident tuition and fees, lottery revenue, interest income, and miscellaneous other fees and revenues. Noticeably, neither the State allocation model nor the then current district budget allocation model considered funding based on, or for, college infrastructure (e.g. size of the campus (number of buildings), age of the buildings, number and age of equipment, etc.).

For several years prior to the implementation of the Infrastructure Model, the State had reduced or eliminated funding for Instructional Equipment/Library Materials (IELM), Telecommunications and Technology Infrastructure Program (TTIP), and scheduled maintenance. Faced with its own funding constraints, the District had eliminated the majority of Unrestricted General Fund (Fund 111) support for library books and materials, instructional materials and equipment (IELM), scheduled maintenance, and technology equipment refresh and replacement and relied primarily on restricted (categorical) funding provided by the State for those purposes as well as college carryover of general funds unspent from the prior year. The District's past practice of including variable, and sometimes volatile, funds in its Unrestricted General Fund Budget Allocation Model had further destabilized funding. Additionally, in 2010, the colleges received Accreditation Recommendations from the ACCJC for giving insufficient attention to the "total cost of ownership" in their operating budgets as it related to their facilities and infrastructure.

Over approximately a two-year period, the District Council of Administrative Services (DCAS) diligently studied and discussed the matter extensively. The Infrastructure Model was developed in an effort to provide ongoing funding for each college's infrastructure needs, take direct corrective action to remedy the Accreditation Recommendations from the ACCJC on "total cost of ownership", and further stabilize the District's Unrestricted General Fund Budget Allocation Model, used primarily for instruction, some student services, and general operations. Great care was exercised in developing the Infrastructure Model to ensure the colleges' General Fund operating budgets would be buffered from any long-term impact and that the instructional and student service needs of the District would be preserved and adequately funded to meet the needs of the students.

To minimize the impact of reallocating resources from the Unrestricted General Fund Budget Allocation Model on the colleges' budgets, the implementation of the Infrastructure Model was phased in over several years. The transition process reallocated the funding as follows:

- Year 1 (FY2012-13)
  - Any net increase in General Fund Unrestricted lottery, interest, or enrollment fee local share revenue above budgeted for FY12
  - Any unbudgeted Unrestricted General Fund revenue (with the exception of growth and COLA) received in FY12, such as mandated cost reimbursement for collective bargaining
  - Any net savings between budget and actual expenses from District Wide Services and Utilities for FY12

- Year 2 (FY2013-14)
  - Those items included in Year 1 (2012-13) reallocation, and
  - Enrollment fee local revenue
  - Interest income over two years (50%)

- Year 3 (FY2014-15)
  - Those items included in Year 2 (2013-14) reallocation, and
  - Reallocate remaining 50% of interest income
  - Lottery income over five years (20%)
  - If growth funding is received, reallocate an additional 25% of lottery income balance

- Years 4-and beyond
  - Those items included in the prior year, and
  - Reallocate an additional 20% of lottery income each year until fully allocated
  - If growth funding is received, reallocate an additional 25% of lottery income balance

Additionally, only in the first two years of implementation, the colleges were not required to spend their allocation in accordance with the specific categories which generated the allocations, but were restricted to use these funds for only expenses associated with allocation categories in total. For example, in only the first two years, a college may have elected to fully expend its entire annual allocation for scheduled maintenance even though the allocation was derived from all infrastructure funding categories.

IV. Updates

In 2015-16, a review of the components of the Infrastructure Funding Model resulted in a change in the treatment of unrestricted lottery revenue. Beginning with the 2016-17 fiscal year, unrestricted lottery was removed from the Infrastructure Funding Model and included in the Districtwide Resource Budget Allocation Model for the distribution of General Fund unrestricted revenues.

In 2016-17, DCAS discussed how to incorporate the DAC within the Infrastructure Model now that the district had closed escrow on a property in Camarillo at Daily Drive for the DAC relocation. When these discussions occurred it was too early to have accurate figures for the District expenses that would occur as a result of the DAC relocation alongside the extra revenue that would be produced from existing tenant leases. For FY 18 the committee agreed to continue with past practice; DCAS will continue discussions toward a recommendation for the FY 19 budget.