Section II
Budget Development

The West Valley-Mission Community College District is subject to the provisions of the California Code of Regulations and other laws that regulate the operations of public agencies. The California Code of Regulations requires that the governing board of a public agency adopt a Tentative Budget no later than July 1 and a Final Budget no later than September 15 of each year.

The Board of Trustees provides budget guidance to the Chancellor, who in turn works with the College Presidents and the Vice Chancellor to develop a budget consistent with the Board’s guidance. A budget workshop for the Board of Trustees was held on January 22, 2019. A Budget Calendar, Attachment B, is followed to prepare the Tentative and Final Budgets. In development of the budget for the fiscal year, the District uses the goals established by the Board of Trustees.

The District Strategic Plan presents a district-wide framework for planning and decision making. The plan presents a statement of common values, vision and mission, and a shared set of strategic directions for the future. This plan was last updated in March 2011. The Educational and Facilities Master Plan for West Valley College was completed in 2015. Mission College completed its Educational and Facilities Master Plan in FY 2017/18. The elements of these plans are considered when the Chancellor develops his annual goals.

The District is organized into three primary operating entities: West Valley College, Mission College, and District Services. The Colleges operate under the direction of a President. The District Services administrative support functions operate under the direction of a Vice Chancellor. The Presidents; the Vice Chancellor; and the Associate Vice Chancellor of Human Resources report to the Chancellor. An organization chart is included as Attachment C.

The budgets are formatted to show a single fund to track income and out-go for specific purposes. The entire coding scheme is called the Chart of Accounts. The District used a 24 digit string of accounts.

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XXXXXX - XXXXXX – XXXXXX - XXXXXX
Fund – Organization – Account – Program
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**Fund** – The fund field consists of six-characters that define a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources. These
resources are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Organization** – This is a six-character code that identifies a unit of budgetary responsibility and/or departments within an institution. The first digit in the sequence identifies the location.

**Account** – This is a six-character code that identifies objects, such as the general ledger accounts and the operating ledger accounts.

**Program** – This is a six-character code that identifies a function and enables the institution to establish a method for classifying transactions across organizations and accounts. The numbers represent classification of expenditures by activity which reflects the purpose of the expenditures; it shows the aspect of college-district operations benefited by the expenditure. Generally, all activities are classified as either instructional or administrative and support (non-instructional). It is primarily used to classify the expenditures for reporting purposes.
In FY 2018/19, the State Chancellor’s Office adopted the Student Centered Funding Formula (SCFF) which modified the method of calculating apportionment based solely on FTES (SB 361). The SCFF model focuses on the Vision for Success, determining apportionment with three major components: a base allocation (FTES); supplemental allocation (Equity); and Student Success allocation. In an effort to realign the District’s internal Resource Allocation Model (RAM) with the State’s SCFF, the Fiscal Workgroup recommended to the District Council that the District implement a revised RAM to be in
alignment with the State’s SCFF and provide additional transparency. District Council approved the updated RAM on April 29, 2019, to be effective starting with the FY 2019/20 Final Budget.

**UPDATES:**
- Allocation will be based on three components (base allocation, supplemental allocation, and student success allocation).
- Hold harmless for two years. Each College will receive no less than the amount from the old RAM calculation based on SB 361. Hold harmless will expire at the end of FY 2020-21. Funding will come from Community Support funds.

The RAM fully allocates all funds received by the District. The diagram and associated narrative (below) shows how revenues are allocated across the three District units: District Services, Mission College and West Valley College.

**PRINCIPLES OF THE RESOURCE ALLOCATION MODEL:**
- Allocate resources to support the integrated processes of strategic planning, Educational Master Planning, Accreditation and Program Review.
- Be transparent and equitable across the three District units: District Services, Mission College and West Valley College.
- Ensure fiscal solvency.
- Allow each entity to develop, implement, and manage its own budget.
- Adapt to the changing fiscal conditions at all levels.

**RESOURCE FROM RESTRICTED FUNDS:**
Restricted resources are available for the operation and support of the educational programs that are specifically restricted by laws, regulations, donors, or other outside agencies as to their expenditures. Restricted resources are generally from an external source that requires the moneys be used for specific purposes. These resources are treated as a pass through in the RAM model. (Examples of Restricted Funds includes: State, Federal, and Local Grants, Categorical Programs, Capital Projects, Debt Service, Parking, Restricted Lottery Funding, Child Development). The allocations of these resources are based on the restrictions associated with the funds.

**RESOURCE FROM UNRESTRICTED GENERAL FUND:**
Unrestricted resources are available for the general purposes of district operation and support of the institution’s education programs. Estimated resources for the budget are projected based on the best information available at that point in time. Projections of resources for the budget are based on updates from the State. The estimated resident and non-resident FTES goals shall be recommended by the District Enrollment Management Committee and approved by District Council. The available resources will be calculated...
based on these goals. The available resources to be allocated by this model include the beginning fund balance, plus the following:

- The District’s state revenue base is calculated using a statewide allocation formula that is computed from the following four sources:
  - **State apportionment** - The estimated general state apportionment is calculated using a standard formula which takes into account the prior year base revenue, COLA, growth/decline/restoration, and miscellaneous adjustments.
  - **Local property taxes** – Estimates of property taxes to be collected are made prior to the beginning of a fiscal year and are revised throughout the year. If, in any year, a community college District receives sufficient revenue from local property taxes and fees to fully fund their base revenue amount, the District will not receive any apportionment revenue from the State. Therefore, the District will be “self-supporting” or “community supported” and may not be affected by statewide shortfalls. The District will be entitled to keep the excess local property tax.
  - **Resident enrollment fees** – Estimated enrollment fees revenue is calculated using the FTES goals recommended by the District Enrollment Management Committee and approved by District Council.
  - **Educational Protection Account (EPA)** – Based on the Proposition 30 ballot initiative, community college districts will receive a minimum of $100 per full time equivalent student.

- In addition to base revenue, the District receives revenue from a variety of other sources.
  - **Lottery** – Lottery revenues are considered Unrestricted General Funds revenues that “shall be used exclusively for the education of pupils and students” (GC 8880.5). Estimated revenues are calculated using the FTES goals recommended by the District Enrollment Management Committee and approved by District Council. The Board of Trustees shall determine how the lottery funds are allocated. Currently the funding is allocated to Counselor salaries and benefits. The portion of Lottery revenue that is subject to Proposition 20 is restricted revenue and is to be recorded in the Restricted General Fund.
  - **Mandated Costs** – The Commission on State Mandates adopts parameters and guidelines which identify reimbursable mandated activities. They state
that claimants are allowed to claim and be reimbursed for increased costs related to the reimbursable activities identified. The District has an option to submit actual Mandated Costs claim to the state and record the revenue on a cash basis or receive $28 per FTES as a block grant. In utilizing the block grant option, the District is able to include the budget in the next budget cycle. (Examples of State Mandated Cost programs: Collective Bargaining, Enrollment Fee Collection and Waivers, Health Fee Elimination, Mandate Reimbursement Process)

- **Interest** – The District maintains cash balances in various accounts which are usually invested through the County.
- **Misc. Student Fees** – The District collects student fees for certain types of payment and record processing. (Examples: web processing fee, non-sufficient fund fee)
- **Land Corporation** – The Mission West Valley Land Corporation provides twenty 25% of the total lease revenue to the District. Forty percent of the amount allocated to the District is allocated to the Unrestricted General Fund to enhance college programs. The balance is allocated to the Restricted General Fund as follow: 18% to the District and split 50% to each campus. Upon request from the District and approval from Land Corporation, additional one-time funds may be provided to the District to temporarily mitigate shortfalls and allow time for the District to plan for budget reductions.
- **Student Material Fees** – The student material fees have offsetting expenditures and are not a part of the allocation process. (Examples: Art supplies and science materials)

**STEPS FOR ALLOCATING UNRESTRICTED GENERAL FUND RESOURCES:**

**STEP ONE:** Allocation of reserve and assigned/non-spendable fund balance

- The first consideration for allocation is that 5% of the total unrestricted general fund expenditures be set aside (District Administrative Procedure (AP) 6305).
- The prior year contingency reserve ending balance needs to be set aside for unanticipated changes in the new fiscal year.
- Prepaids (Advance payments for multi-year contracts)
- Banked Leave Liability
- Student Material Fees
- Faculty Travel and Conference
STEP TWO: Allocation of Faculty Costs
The second element to be allocated is what the District refers to as the basic allocation: Faculty salaries and benefits. The full-time faculty salaries and benefits allocation comes from the position control file that is maintained by the District Finance Office. The associate faculty salaries and benefits allocation is calculated using the Associate Faculty Funding Model. Title 5 of the California Code of Regulations, Section 51025 requires community college districts to increase their base number of full-time faculty over the prior year in proportion to the amount of growth funds received for credit FTES, subject to the Board of Governors (BOG) determination. If a District experiences a reduction in its base credit FTES, its Faculty Obligation Number (FON) shall be proportionally reduced. The State Chancellor’s Office determines the Faculty Obligation Number each year.

STEP THREE: Allocation of Districtwide Costs
Districtwide fixed costs are costs that are required to be paid regardless of its relationship to the production of FTES. The costs generally support at least two locations. The budget allocation for Districtwide fixed costs shall be approved by District Council twice a year (Tentative and Final Budget).

STEP FOUR: Allocation of District Services Costs
District Services shall not exceed 18% of the total unrestricted general fund expenditures. Based on the strategic planning objectives of the colleges, the resources allocated to District Services can potentially change. These changes shall be approved by District Council. Once the changes have been approved, the District’s baseline departmental budgets will reflect the overall change.

STEP FIVE: Baseline Staffing Allotment
Core funding of $1 million is allocated under the basic allocation distribution which is comparable to the concept of state funding model from SB361. The intent of the allotment is to provide core funding for the baseline staffing.

STEP SIX: Allocation to the Colleges
The remaining general fund resources are allocated to the colleges based on the percent ratio derived from the funded amounts by college utilizing the calculation from the Student Centered Funding Formula. The allocation to the college will be separated in three different components (Base Allocation, Supplemental Allocation, and Success Allocation). Current year P2 State apportionment report will be used to run the simulation for the Tentative Budget. The P3 State apportionment report will be used to run the simulation for the Final Budget. The
funds will be allocated to the individual college departments based on the colleges’ strategic planning, which includes participatory governance process. The three different categories of funding are Fixed Cost, Classified/Administrator Salaries and Benefits, and the Operating Budget.

**STEP SEVEN: Allocation for Non-Resident Tuition**

In order to ensure equity for the split of non-resident tuition revenues, the model will allocate revenues based on the volume of non-resident FTES generated at each college. Prior to allocating the non-resident tuition revenue, the model shall allocate resources for District indirect costs in the same proportion as District’s total budget and the cost of part-time faculty to generate the non-resident FTES. These allocations will be distributed using the resident FTES ratio. The balance of the non-resident tuition resources will be allocated to each college using the ratio from the prior year actual non-resident FTES generated.

**STEP EIGHT: Allocation of Anticipated Expenditures Set-Aside in Fund Balance**

In an effort to provide a better estimate of the ending fund balance, it is necessary to setup budget for anticipated expenditures in the appropriate accounts. All anticipated expenditures that have not been ratified or approved shall be setup in the District contingency accounts. After ratification and Board approval, the budget shall be transferred to the appropriate college and district accounts. The balance in the contingency accounts will revert to the fund balance at year-end.

**REVIEW OF THE ALLOCATION MODEL:**
The effectiveness of the model will be evaluated annually by District and college staff and presented to District Council for discussions and modifications if needed.

**FUND BALANCE:**
Any unexpended funds at the end of the fiscal year will revert to the contingency reserve which cannot exceed three percent of the total General Fund expenditures. Per AP 6305, “The target reserve is a maximum of three percent of the Unrestricted General Fund. The contingency reserve is to be used for unanticipated changes in expenditures or revenues when impending changes in operations would result in significant service reductions. Use of the contingency reserve requires a two-thirds positive vote of the Board.” Amount in excess of the three percent will re-circulate through the RAM model in the next budget year.

Recommended use of contingency reserves and ending fund balances:
- Fund unexpected state apportionment shortfall in the current year.
- Provide one-time funding to cover shortfall in the new budget year, as approved by Board of Trustees.
• Fund one-time costs in the current or new fiscal year, as approved by District Council.
• Carry-over balance for special projects and purchases.
  ➢ 75% of the college fund balance will be transferred to the District’s contingency reserve except for funds required to implement a capital project, major equipment purchase, or special need. Such articulated college fund balance program proposals must be submitted in writing to the Vice Chancellor of Administrative Services no later than October 1. Only programs approved by the Chancellor will be funded from college year-end balances.

SHORTFALL:
• In the likelihood that a shortfall occurs at the colleges due to unexpected circumstances, the college must balance the budget using Non-General Fund dollars that are available. If the campus is unable to garner dollars from other sources, the college may request to borrow the current fiscal year’s contingency reserve to balance the budget. The request must be submitted in writing to the Vice Chancellor of Administrative Services by May 31st. If approval is granted, the loan has to be returned to the contingency reserve within two fiscal years. In a situation where funds in the contingency reserve are insufficient to cover the shortfall, the Vice Chancellor of Administrative Services can recommend a solution to balance the budget.
  • If the shortfall is caused by unexpected State fiscal conditions, the contingency reserve will be used to mitigate the shortfall upon Board approval. A plan to balance the budget shall be recommended by the Vice Chancellor of Administrative Services.

TIMELINE:
Tentative Budget Development  
   November  WSCH efficiency goal  
   April    RAM model simulation for next fiscal year  
Final Budget Development  
   July     RAM model simulation for next fiscal year

BUDGET ADJUSTMENTS

A Tentative Budget is approved no later than July 1st and the Final Budget is approved no later than September 15th of each fiscal year. The budget includes a number of assumptions about local revenues and expenditures related to the operation of the
District. During the course of the year, revenues and expenditures may be more or less than the amounts budgeted.

The District establishes the allocation amounts for expenditures based on projected revenues. Funds are allocated in a manner that is consistent with the annual budget priorities. The adoption of the Final Budget by the Board results in spending authorization as identified in the supporting detail documents of the Final Budget.

The Budget is used to control or limit the expenditure of funds by major expenditure codes defined by the Budget and Accounting Manual. Education Code Section 84040 provides that the Board of Governors periodically assess the financial condition of West Valley-Mission Community College District. This assessment includes a comparison of budget to actual amounts. Once a budget is adopted, the total designated for each major expenditure classification is the maximum expenditure allowed. Pursuant to Title 5 Section 58307, any budget transfers between major classifications, or from reserves, must be authorized by the governing board.

Funds are grouped by the major service or group of service

West Valley-Mission Community College District uses three fund groups to report its operations. The groups are the Governmental Funds Group, the Fiduciary Funds Group, and the Proprietary Funds Group.

This budget provides information about the District’s sources of revenue and details the anticipated revenues by major category. Due to the requirements of fund accounting, this report follows a format that provides information by fund. The majority of the report focuses on the Unrestricted General Fund because it is the primary fund of the District.