

Business and Fiscal Affairs

AP 6200 BUDGET PREPARATION

References:

Education Code Section 70902(b)(5);
Title 5 Sections 58300 et seq.;
Accreditation Standard III.D

To maintain the fiscal stability of the District, the budget preparation process shall:

- Provide an annual budget that shall be prepared in conformance with the California Community College Budget and Accounting Manual, and in conformance with provisions of the Education Code.
- Provide for responsible stewardship of available resources.
- Provide for safeguarding and managing District assets to ensure ongoing effective operations; maintenance of adequate cash reserves; implementation and maintenance of effective internal controls; determination of sources of revenues prior to making short-term and long-term commitments; establishment of a plan for the repair and replacement of equipment and facilities.
- Provide for an organizational structure that incorporates a clear delineation of fiscal responsibilities and staff accountability.
- Provide that appropriate administrators keep the Board current on the fiscal condition of the District as an integral part of policy and decision-making.
- Provide for development and communication of fiscal policies, objectives and constraints to the board, staff and students.
- Provide for an adequate management information system that gives timely, accurate and reliable fiscal information for planning, decision making and budgetary control.

- Provide for appropriate fiscal policies and procedures and adequate controls to ensure that established fiscal objectives are met.
- Provide a process to evaluate significant changes in the fiscal environment and make necessary, timely, financial and educational adjustments.
- Provide both short term and long term goals and objectives, and broad based input coordinated with District educational planning.

The budget is a financial plan for the operation of the District for the fiscal year, developed in accordance with Board-adopted educational goals and objectives and fiscal standards. The budget addresses:

- Assumptions upon which the budget is based are presented to the Board for review.
- Total amounts budgeted as the proposed expenditure for each major classification of expenditures shall be the maximum expended for that classification for the school year, except as specifically authorized by the Board.
- Transfers made from the reserve or contingencies to any expenditure classification requires written resolution of the Board, and must be approved by a two-thirds vote of the members of the Board.
- Transfers made between expenditure classifications requires written resolution of the Board, and must be approved by a majority of the members of the Board.
- Excess funds must be added to the general reserve of the District, and are not available for appropriation except by resolution of the Board setting forth the need according to major classification.
- The tentative budget shall be presented no later than July 1 [Title 5, Section 58305(a)], and the final budget no later than September 15 [Title 5, Section 58305(c)]. A public hearing on the final budget shall be held on or before September 15 [Title 5, Section 58301].

To achieve and maintain fiscal stability and to dedicate resources to meet the objectives of strategic planning, the District will follow a plan that requires a balanced budget on a year-to-year basis. To achieve each of the standards of the plan, each year the District Council will develop a budget that results in steady progress toward achieving each of the requirements of these Fiscal Standards and which reflects the Board's annual budget priorities to the extent possible. While the development of the annual budget occurs through the shared governance process, the Vice Chancellor, serving as the Chief Business Officer, is responsible for submitting a budget to the Chancellor that complies with the requirements of this plan. The Chancellor is responsible for submitting a balanced final budget to the Board for approval.

The annual District budget shall be prepared in conformance with the California Community College Budget and Accounting Manual, and in conformance with provisions of the Education Code. Revenues and expenses shall be projected as accurately as possible within the budget submitted to the Board. The following standards will be used in the development of the annual operating budget:

Operating Budget Standards

- **Total Salaries and Benefits:** Total salary and benefit costs should not exceed 80 percent of total expenditures. This level is consistent with other California community colleges. Permanent additions to staff levels will be made under the following conditions:
 - Increases in full time faculty personnel required by increased State funding.
 - Clear and imminent academic need where no reasonable alternative exists.
 - Additional staff that will result in an increase in FTES revenue.
 - Inability to obtain part time faculty within an academic discipline.
 - Workload demands resulting from growth and increased volume of work.
 - Enhancements to support services necessary to support development of instructional programs, student retention efforts or increased technology.
- **Compensation:** The goal for total compensation is no less than the number 2 position within the Bay 10.
- **Faculty Positions:** The full time faculty goal is a faculty ratio of 75 percent full time compared to 25 percent part time as stated in AB 1725.
- **Classified Positions:** Classified employee positions are to be evaluated on a year-to-year basis to determine where additional employees are needed to support student success, the instructional and service programs or to enhance the working and learning environment. Support staffing levels are to be considered when evaluating changes to programs.
- **Administration Costs:** Salaries and benefits for administrative employees should be in the range of five to eight percent of expenditures.
- **Maintenance Expenditures:** An allocation of a minimum of one half of one percent of the Unrestricted General Fund revenues in excess of permanent staff costs and services agreements will be made each year to preserve and enhance the District's investment in its facilities. These expenditures will be used to address recurring and on-going maintenance needs. This allocation may be offset or satisfied by funds provided from the Mission-West Valley Land Corporation.

- Savings from Unfilled Positions: The District will conservatively budget for anticipated savings due to unfilled positions.

Revenue Standards

State funded growth revenue is actively pursued. Growth revenue is viewed as an essential element in obtaining the resources necessary to meet the E&FMP goals of providing and increasing community access to each College's educational services. The total growth revenue received by the District will be considered the maximum amount to be allocated in any given fiscal year.

Colleges, as appropriate, will provide community and contract education services to meet the needs of the community and to maximize non-State funding.

Community education courses and contract education courses shall, in general, be self-sufficient or revenue producing.

Categorical and grant revenue provided by State and local agencies for specific support purposes are to be pursued by each College and the District when these services are consistent with the objectives of the E&FMPs and are financially beneficial to the District.

Funding from the Mission-West Valley Land Corporation, the Advancement Foundation and the Colleges Foundation will also be sought to assist in providing funding for specific E&FMP projects.

One-time revenues will be used for one-time expenditures or to temporarily augment department budgets. One-time expenditures will not be used to establish on-going and recurring costs including leases, increases in permanent personnel or other types of expenditures that result in funding beyond the current budget year.

Debt and Capital Lease Obligations Standards

- Long term debt and annual capital lease obligations will not exceed five percent of total unrestricted general fund revenue.
- The cost of retiree health benefits will remain stable due to the establishment of the OPEB Trust Fund through CalPERS. The long term debt will be paid from the Retiree Benefits Fund.
- Long term debt will be issued to obtain capital equipment or facilities for which State funds are unavailable or insufficient to meet the cost of these projects.
- Prior to financing any project, an assessment will be made to define how the project assists in meeting the goals of the E&FMP.

- Long-term debt will not be used to pay for operating fund deficits.
- Capital lease obligations will only be incurred for capital purchases in excess of \$25,000 and will have a lease term of no longer than five years.
- Certificate of Participation issues will not exceed ten years.

As required by law, the Board shall be presented with a quarterly report showing the financial and budgetary conditions of the District. Annual financial reports will be produced in accordance with Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) and the California Community College's Budget and Accounting Manual. The annual financial statements will reflect the business-type activities consistent with GASB.

An internal control structure, that includes documentation of procedures, will be in place to ensure reasonable accuracy of accounting information, to safeguard assets from loss and to ensure operating policies and procedures are being followed.

As required by the Budget and Accounting Manual, expenditures shall be recognized in the accounting period in which the liability is incurred, and shall be limited to the amount budgeted for each major classification of accounts and to the total amount of the budget for each fund.

Capital Budget Standards

- A five-year Capital Construction Plan will be prepared each year. The Plan will be developed based on facility needs identified in the Educational and Facilities Master Plans.
- At least every five years the District will evaluate its need to obtain the service of professionals to develop capital projects.
- A construction management firm will be used as a project manager whenever there is new construction work in excess of \$1 million per project.
- Every five years the Facility Master Plan will be reviewed for possible revision.

Review of Standards

Each year the Board will review the fiscal standards to determine the appropriateness of application of the standards. If the financial situation warrants a deviation from the parameters established in the budget guidelines, the Chancellor will seek authorization by a two-thirds positive vote of the Board to waive certain provisions of this policy for any specific fiscal year.

Also see AP 6250 titled Budget Management and BP 6300 titled Fiscal Management

Date Approved: January 18, 2012

*(Replaces current WVMCCD Policy 6.6.1 and
Procedures 6.5 and 6.6)*