

III.D. Financial Resources

Financial resources are sufficient to support student learning programs and services and to improve institutional effectiveness. The distribution of resources supports the development, maintenance, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. Financial resources planning is integrated with institutional planning at both college and district/system levels in multi-college systems.

ACCJC's 2008 Recommendation

In 2008, both Santa Ana College and Santiago Canyon College submitted Self Evaluation Reports for Reaffirmation of Accreditation. The RSCCD Budget Allocation Model, which had been in place for approximately ten years, had been developed when the district became a multi-college district, and it was being evaluated. In January 2009, the Commission issued a recommendation for the district related to budget-planning alignment, which required continued review of the effectiveness of the existing model.

The Budget Allocation and Planning Review Committee (BAPR) (now called the district Fiscal Resources Committee) charged the BAPR workgroup, a technical subgroup of BAPR ([IIID-1](#)), with the task of reviewing the ten-year-old model. In the process, the workgroup requested to evaluate other California community college multi-college budget allocation models. Approximately twenty models were reviewed. Ultimately, the workgroup focused on a revenue allocation model as opposed to an expenditure allocation model. A revenue allocation model allocates revenues (state and local) generated in a budget year to the college campuses in the district based on the state funding model that allocates state apportionment revenues to districts. An expenditure allocation model allocates, by agreed-upon formulas, expenditure appropriations for full-time faculty staffing; adjunct faculty staffing; classified and administrative staffing; associated health and welfare benefit costs; supply and equipment budgets; utility costs; and legal and other services. The BAPR workgroup ultimately recommended a revenue allocation formula in order to provide the greatest amount of flexibility for the colleges.

Senate Bill 361, passed in 2006, changed the formula of earned state apportionment revenues to essentially two elements: 1) Basic Allocations for college/center base funding rates based on FTES size of the college and center; and 2) Full Time Equivalent Students (FTES) based on earned and funded FTES. The BAPR workgroup determined that since this is how primary funding comes from the state, this model should be used for distribution on earned revenues to the colleges. The colleges and centers are the only entities in the district that generate this type of funding ([IIID-2](#)). Revenue earned and funded by the state will be earned and funded at the colleges (SB 361 Budget Allocation Model—[IIID-3](#)).

The budget is the financial plan for the district, and application of this model should be utilized to implement the district's mission, Strategic Plan and the Technology Strategic Plan, as well as the colleges' missions, Educational Master Plans, Facilities Master Plans,

and other planning resources. The annual implementation of the budget allocation model is to be aligned with all of these plans. To ensure that budget allocation is tied to planning, it is the responsibility of District Council to review budget and planning during the fiscal year, and if necessary, recommend adjustments to the budget allocation model to keep the two aligned for the coming year ([IIID-2](#)). The Chancellor and the Board of Trustees are ultimately responsible for the annual budget and the expenditures associated with the budget. The district's Fiscal Resources Committee (FRC) is responsible for recommending the annual budget to the District Council for its recommendation to the Chancellor and Board of Trustees. FRC is also responsible for annual review of the model and can recommend any modifications to the guidelines ([IIID-4](#)).

The goal of the Budget Allocation Model (BAM) is to create a documented revenue allocation process that provides financial stability and encourages fiscal accountability at all levels in times of either increasing or decreasing revenue streams ([IIID-5](#)). It is also intended to be simple, transparent, easily comprehensible, fair, predictable, and consistent, using quantitative, verifiable factors with performance incentives. Under state law, the district is the legal entity and is ultimately responsible for actions, decisions, and legal obligations of the entire organization. The Board of Trustees of the Rancho Santiago Community College District has clear statutory authority and responsibility and ultimately makes all final decisions. Likewise, the Chancellor, under the direction of the Board of Trustees, is responsible for the successful operation, reputation, and fiscal integrity of the entire district. The Board approves all stages of the budget recommended by FRC and prepared by Business Operations and Fiscal Services (BOT approval Tentative Budget 2014-15; [IIID-6](#), item 4.2; public hearing, item 1.9). At the same time, the funding model does not supplant the Chancellor's role, nor does it reduce the responsibility of the District Operations staff to fulfill their fiduciary role of providing appropriate oversight of the operations of the entire district.

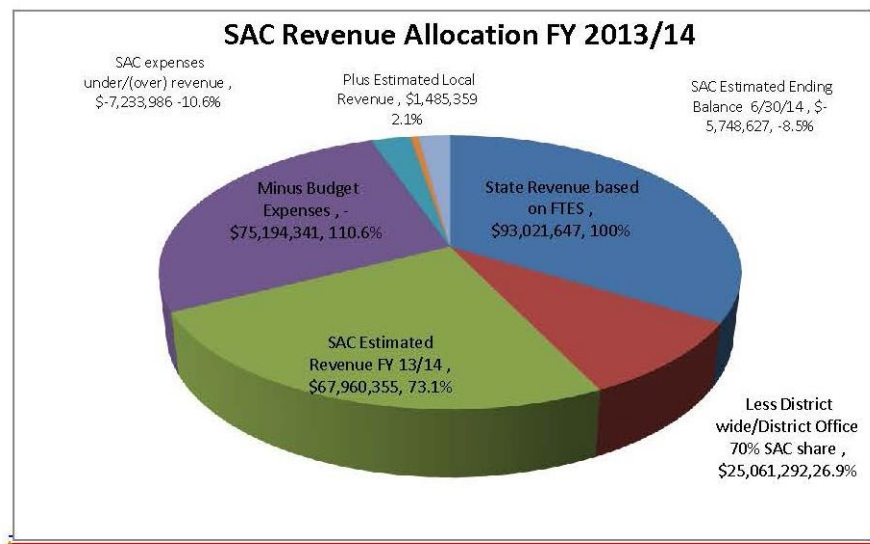
It is important that guidelines, procedures, and responsibility be clear with regard to district compliance with any and all federal and state laws and regulations such as the 50 percent law; full-time/part-time faculty requirements; Faculty Obligation Number (FON); attendance accounting; audit requirements; fiscal and related accounting standards; procurement and contract law; employment relations and collective bargaining; and payroll processing and related reporting requirements. The oversight of these requirements is to be maintained by District Operations, which has a responsibility to provide direction and data to the colleges to assure they have appropriate information for decision making with regard to resource allocation at the local level. This ensures district compliance with legal and regulatory requirements.

All revenue is considered district revenue because the district is the legal entity authorized by the State of California to receive and expend income and to incur expenses. However, the majority of revenue is provided by the taxpayers of California for the sole purpose of providing educational services to the communities and students served by the district. Services such as classes, programs, and student services are, with few exceptions, the responsibility of the colleges. It is the intent of the Revenue Allocation Model to allocate the majority of funds to the colleges in order to provide those educational services. The model intends to provide an opportunity to maximize resource allocation decisions at the local college level. Each college president is responsible for

the successful operation and performance of his/her college as it relates to resource allocation and utilization.

The purpose and function of the District Operations in this structure is to maintain the fiscal and operational integrity of the district and its individual colleges and centers and to facilitate college operations so that their needs are met and fiscal stability is assured. District Operations has responsibility for providing certain centralized functions, both to provide efficient operations as well as to assist in coordination between District Operations and the colleges. Examples of these services include human resources; business operations; fiscal and budgetary oversight; procurement; construction and capital outlay; and information technology. On the broadest level, the goal of this partnership is to encourage and support collaboration between the colleges and District Operations ([IIID-2](#)).

The graph below outlines how revenue was allocated to Santa Ana College for FY 2013-14 according to the new SB 361 Budget Allocation Model



III.D.1. The institution’s mission and goals are the foundation for financial planning.

III.D.1.a. Financial planning is integrated with and supports all institutional planning.

Descriptive Summary

Santa Ana College’s overall budget is established by the FTES target established by the Chancellor’s Office, with the revenue generated at each college allocated to the colleges in accordance with the SB 361 budget model implementation document ([IIID-2](#)). The actual budget fluctuates based on the FTES generated, and in recent years, due to huge deficits in the state budget and fluctuations in enrollment, the district and colleges have had to deal with significant reductions in revenue. The 2012-13 fiscal year was the first year of the SB 361 budget implementation model. FRC was tasked with evaluating this model on a yearly basis to determine if the standards and milestones have been achieved or if there is adequate progress to ensure planning is driving the budget. The tables below

summarize how the state apportionment is allocated under the new SB 361 budget model to the different sites for FY 2012-13 and 2013-14 (pp. 40-42 Adopted Budget Book FY 2012-13).

Table 51. Adopted Budget Book FY 13/14)

RSCCD SB 361 Revenue Allocation simulation for Unrestricted Fund 11 and 13 Based on 11/12 Annual Reported FTES					
* Adopted Budget FY 12/13					
	SAC/CEC	SCC/OEC	DO	DW	Total
Estimated Apportionment Revenue	88,112,847	39,705,067	-	-	127,817,914
Other State Revenue	3,002,918	1,204,183	-	-	4,207,101
Total Estimated Apportionment Revenue	91,115,765	40,909,250	-	-	132,025,015
<i>Less District Wide expenditures</i>					10,491,861
Estimated Revenue	67,451,576	30,394,766	23,686,812		121,533,154
	56%	25%	19%		100%
Budget Expenditures					
SAC/CEC	74,031,140				74,031,140
SCC/OEC		33,698,194			33,698,194
DO			26,841,443		26,841,443
District-Wide Services				10,491,861	10,491,861
Total Expenses	74,031,140	33,698,194	26,841,443	10,491,861	145,062,638
Estimated Expenses Under/(Over) Revenues	-6,579,564	-3,303,428	-3,154,631		-13,037,623
Other Local Revenues	1,473,014	1,668,476	239,250	1,168,508	4,549,248
Estimated Ending Balance for 6/30/13	-5,106,550	-1,634,952	-2,915,381	1,168,508	-8,488,375

* First year of SB361 Budget Model implementation

RSCCD SB 361 Revenue Allocation simulation for Unrestricted Fund 11 and 13 Based on 12/13 Second Period Funded FTES					
Adopted Budget FY 13/14					
	SAC/CEC	SCC/OEC	DO	DW	Total
Estimated Apportionment Revenue	89,442,091	39,010,243	-	-	128,452,334
Other State Revenue	3,579,556	1,467,856	-	-	5,047,412
Total Estimated Apportionment Revenue	93,021,647	40,478,099	-	-	133,499,746
<i>Less District Wide expenditures</i>					10,308,240
<i>Less Net District Office Expenditures</i>					25,590,185
Estimated Revenue	67,960,355	29,640,966	-	-	97,601,321
	70%	30%			100%
Budget Expenditures					
SAC/CEC	75,194,341				75,194,341
SCC/OEC		33,704,335			33,704,335
DO			26,238,350		26,238,350
District-Wide Services				10,308,240	10,308,240
Total Expenses	75,194,341	33,704,335	26,238,350	10,308,240	145,445,266
Estimated Expenses Under/(Over) Revenues	-7,233,986	-4,063,369	-26,238,350	-10,308,240	-37,535,705
Other Local Revenues	1,485,359	1,653,675	230,000	418,165	3,787,199
Estimated Ending Balance for 6/30/14	-5,748,627	-2,409,694			-8,158,321

The following table on page 431 outlines five years of budget information for the Unrestricted and Restricted General Fund. During the deep downturn of the past few years, it has been very difficult to support significant educational improvements and innovations that might include expansions. However, the institution has been able to realize qualitative improvements during this time, by analyzing and changing processes due to the substantial reduction in revenues.

District General Budget (by site) Unrestricted/Restricted Fund 11, 12, 13 (Five Years)										
	2009/10		2010/11		2011/12		* 2012/13		2013/14	
	Adopted Budget	%	Adopted Budget	%	Adopted Budget	%	Adopted Budget	%	Adopted Budget	%
Beginning Balance	16,867,113		32,190,876		47,079,378		44,365,824		39,282,532	
Federal Revenue	14,255,279	8.62%	9,885,271	6.24%	10,111,452	6.32%	12,061,850	7.37%	12,421,946	7.30%
State Revenue	100,956,478	61.02%	90,639,747	57.26%	96,349,361	60.20%	96,721,835	59.14%	93,273,185	54.78%
Local Revenue	50,095,258	30.28%	57,761,835	36.49%	53,570,371	33.47%	54,771,647	33.49%	64,576,601	37.92%
Other Sources	141,595	0.09%	16,500	0.01%	16,500	0.01%	5,000	0.00%	5,000	0.00%
Total Revenues	165,448,610	100%	158,303,353	100%	160,047,684	100%	163,560,332	100%	170,276,732	100%
Expenses by Site										
SAC	98,268,485	53.90%	93,026,320	48.83%	92,814,912	44.81%	91,115,263	43.82%	93,096,063	44.42%
SCC	41,148,830	22.57%	40,971,889	21.51%	40,907,040	19.75%	39,793,545	19.14%	41,400,494	19.76%
DO	25,220,344	13.83%	24,965,893	13.11%	26,409,717	12.75%	31,792,248	15.29%	30,879,326	14.74%
District-wide Expenses	8,652,310	4.75%	9,761,805	5.12%	11,168,694	5.39%	17,682,117	8.50%	17,517,390	8.36%
District-Wide Reserves	9,025,754	4.95%	21,768,322	11.43%	35,826,699	17.30%	27,542,983	13.25%	26,665,991	12.72%
Total Expenses	182,315,723	100%	190,494,229	100%	207,127,062	100%	207,926,156	100%	209,559,264	100%

* First year of SB 361 Budget Model Implementation

Fortunately, in FY 2012-13 and 2013-14, the state funding outlook improved. SAC is striving to rebuild many of its programs that were strained during the downturn. The institution is carefully analyzing the needs of the community and local economy to ascertain that if programs and services are added or reinstated, they respond to the needs of the present community. New evidence at the department level aids to inform these decisions as the institution moves forward. In utilizing program review as a planning tool, the Resource Allocation Request (RAR) process ([IB-43](#)) is utilized to identify resources needed to achieve intended outcomes. Educational improvements are identified, planned for, and funded in accordance with the college's mission, Strategic Plan, and budgeting priorities set forth by the college's Planning and Budget Committee.

The institution ensures that adequate budgeting and financial oversight is provided in order to cover the needs of each area in a manner that takes into account budget performance and appropriate cash flow projections ([IID-7](#)). At the college level, the Vice President of Administrative Services is responsible for the direct oversight of the College Expenditure Budget, with responsibility provided to the SAC management team for oversight of division and department budgets. The Vice President of Administrative Services works closely with District Operations to ensure that proper accounting and financial monitoring take place. Monthly cash flow reporting and quarterly budget performance reports are sent to the Planning and Budget Committee, and regular communication to the campus community provides a transparent and informative environment ([IID-7](#) and [IID-8](#)). SAC has developed a contingency fund of 20 percent of the college's ending balance ([IID-9](#)), or approximately \$700,000 in 2013-14, to ensure

the financial stability of the college as well as to deal with emergency situations that may arise throughout the year.

Budget cuts were made at each college as well as the district in past years in anticipation of expected state budget cuts that did not materialize. In turn, the Budget Stabilization Fund was developed, which would carry the colleges through difficult financial times with as little impact to funded and filled personnel positions. As the state budget for community colleges improved in fiscal years 2012-13 and 2013-14, and as the colleges were transitioning into the SB 361 budget allocation model, the colleges were tasked with the responsibility of funding the current programs and services that they operate as part of their budget plan. The district started FY 2013-14 with a balance of \$22,379,217 in the Budget Stabilization Fund. The Budget Stabilization Fund is to be utilized for one-time needs, not including the five percent reserve, college carry-over amounts (Fund 13), and any restricted balances ([IIID-2](#)).

The SAC Planning and Budget Committee develops the annual budget priorities ([IIID-10](#)) based on the college's mission and its Strategic Plan goals. These priorities are submitted to the President's Cabinet, and College Council, and the Planning and Budget Committee uses these priorities to prepare the annual SAC Budget Assumptions ([IIID-11](#)). The SAC Budget Assumptions also reflect the district's annual budget assumptions, as well as the district's goals. With the implementation of the new SB 361 budget allocation model at SAC, there is much more local analysis and evaluation of SAC's budget assumptions, which helps build the Tentative and Adopted SAC budget ([IIID-12](#)).

The college reviews its mission and goals as part of the annual fiscal planning process. The SAC mission and goals are discussed in the Planning and Budget Committee meetings ([IIID-13](#)) as a guidance tool for the SAC budget priorities, which are established annually by the SAC Planning and Budget Committee.

The annual SAC resource allocation process begins with the development of the SAC budget priorities, established annually by the college Planning and Budget Committee ([IIID-10](#)), which are in alignment with the college mission and the long-term priorities of the institution. The resources are allocated by determining the needs and priorities of the departments, both academic and nonacademic, via the annual Resource Allocation Request process ([IB-43](#)). The departments and divisions determine and prioritize needed improvements in their department planning portfolios/program review documents, which are submitted to the area administrators. The Resource Allocation Process is outlined below. It is tied to the SAC Comprehensive Planning and Budget Calendar ([IIIB-44](#)), which is reviewed and revised annually by the SAC Planning and Budget Committee.

This process links all college resource allocation requests to the department/division goals, the college mission, and to the Planning and Budget Committee's established budgeting priorities. The Resource Allocation Request form outlines the mission and the budget priorities on the document for easy reference.

1. Budget Priorities are determined and approved by SAC Planning and Budget Committee.

2. Administrative Services sends out Resource Allocation Request (RAR) forms. This form contains the mission and the budget priorities for quick reference.
 - The form needs to include items that have been identified and justified in the department program review.
 - The requests need to be prioritized by the program areas, including direct ties to college budget priorities, mission, and intended outcomes.
 - All program area RAR's and supporting evidence need to be submitted to the area vice president for review and prioritization.
 - A copy of the RAR needs to be submitted to Administrative Services by the deadlines established along with supporting evidence.
3. Administrative Services compiles prioritized college-wide Resource Allocation Requests.
 - Develops a spread sheet with area VP priorities included
 - Segregates requests by VP areas
 - Segregates requests by specific request type (personnel, facilities, equipment, technology)
4. Requests are reviewed and prioritized by President's Cabinet.
 - Resource Allocation Requests are presented to Cabinet by area VP's.
 - Cabinet prioritizes RAR's in accordance with college budget priorities, mission and direct tie to department/division-intended outcomes.
 - Tentative SAC budget assumptions are also considered during the prioritization process.
5. Area vice presidents share prioritized list with respective departments/divisions and communicate the location of possible funding. Some requests might be funded in the Tentative Budget, during the Adopted Budget, or possibly later depending on funding availability and state budget information.
6. The Vice President of Administrative Services assigns funding categories and sources of funds to prioritized RAR's and presents the information to Cabinet and the Planning and Budget Committee. Allocation of funds is validated after approval of the Adopted Budget.
7. After Board of Trustees approves the Adopted Budget (September), the RAR list is reviewed to update the last two columns of the RAR form. (Source of funds and request approved: Yes/Deferred)
8. The Planning and Budget Committee, as well as management teams, are provided with the final prioritized RAR list by VP area, and all the resource requests are posted on the Planning and Budget website for campus community review ([IB-18](#)). If there are items that were not approved and the departments can still justify the need, these items could be included in the Resource Allocation Request for the following year's budget process.

Institutional plans have been clearly linked to financial plans by utilizing the SAC Strategic Plan, 2007-2015 ([IIID-14](#)) as a guidance tool for financial decision-making. (The updated Strategic Plan 2014-2016, [IB-2a](#), will be utilized for 2014-15.) The Educational Master Plan (EMP), which contains the Strategic Plan, provides the college with “defined goals and processes that will assist the college in the integration of practice and operations” ([IIIB-6](#), p. 4.4). The EMP integrates the SAC Strategic Plan, the Facilities Master Plan, and the Technology Plan. The EMP also integrates “the planning

that aligns with the mission and [V]ision [T]hemes of the [c]ollege and the allocation of fiscal, physical, and human resources” ([IIIB-6](#), p. 4.4).

Fiscal expenditures can be seen supporting institutional plans in a number of projects and initiatives. As noted in Standard III.B, using Measure E Bond funding and state augmentation, the college constructed the Orange County Sheriff’s Regional Training Academy, the Digital Media Center, and the new soccer and athletic facilities on the SAC campus. Planned construction projects with Measure E Bond funds include the Tessman Planetarium and the Chavez Building renovation project, as well as a student parking lot renovation and expansion ([IIID-15](#)).

SAC’s Strategic Plan ([IB-2](#) and [IB-2a](#)) states the longer term plans. More short-term annual plans are established by participatory governance committees and College Council. The SAC mission and Strategic Plan provide the framework for guiding the development of annual SAC budgeting priorities and budget assumptions. The interconnection between the Strategic Plan and financial expenditures in alignment with that plan are evidenced in the budget assumptions and in the true expenditures of Santa Ana College.

Perhaps most significant is the comprehensive set of strategic planning documents that drive the creation and execution of priority activities at the unit level at SAC: the Department Planning Portfolios and annual program review goals. These portfolios engage unit level leaders in consideration of the college’s overall strategic priorities and the role of the specific department in attaining them. The portfolios advance specific priorities that are linked to budget requests. These requests are then prioritized through the college’s budget allocation process via the Resource Allocation Request form and are approved by the SAC Planning and Budget Committee and the President’s Cabinet ([IIB-111](#), [IIID-16](#), and [IIID-17](#)). Overall, the alignment between institutional planning and expenditures is evidenced in the actualization of the college’s Strategic Plan as well as in a number of related planning documents which provide ongoing and more precise support to these connections.

Examples from the college’s Strategic Plan include emphasis on student academic achievement and completion ([IB-2](#) and [IB-2a](#)). Historical evidence of related planning and budget linkage is prominent in the Enrollment Planning Committee’s work to assess student needs and demand in various areas of college and to expand and align offerings in those areas. The fiscal evidence to support the alignment is contained in the documentation of budget transfers to high demand areas to support expanded offerings for students. Another example is the related planning documents submitted by departments recommending the hiring of additional adjunct faculty, which is based on student need and completion requirements ([IIID-17](#), [IIID-18](#), and [IIID-19](#)).

To further strengthen these areas, the college conducted an analysis of access to critical math and English courses linked to student placement scores. The schedule of classes was then revised to expand and fund additional seats allocated for students in these critical, high-demand academic areas, increasing seats in 2012-2013 and again in 2013-2014 ([IIID-20](#), [IIID-21](#), [IIID-22](#), and [IIID-23](#)). Another example in the co-curricular domain, linked to SAC’s Strategic Plan, was the fragmentation of academic support services. A team of management and faculty leaders collaborated for two years to dialogue about

ways to expand and consolidate academic support resources. This resulted in the transfer of approximately \$171,000 in funding from the Student Services Division to the Dean of Humanities to support staffing for the new SAC Learning Center, which began operating in the 2013-14 academic year ([IIID-24](#) and [IIID-25](#)).

The same strategic documents stimulated the development of numerous applications for supplemental resources from local, state, national, and private sector sources. These supply millions of dollars in apportionment and categorical funding annually. For example, the EOPS program plan uses SAC's Strategic Plan to develop its program plan and utilizes dedicated funding resources to address specific goals that are measured annually and included in the college's overall assessment of student success ([IIID-10](#)). The same is true of supplemental grants obtained from the U.S. Department of Education and private foundations. For example, since 1999, federal GEAR UP funds have provided an \$800,000 enhancement matched by local secondary schools, UC Irvine, the City of Santa Ana, and local businesses and non-profit organizations. The Lumina Foundation's Latino Student Success and Community Partnership for Attainment efforts have supported the development of SAC-specific planning documents linked to the overall Strategic Plan, college funding streams, and specific, measurable goals ([IIID-26](#) and [IIID-27](#)).

As faculty continue to incorporate technology into instruction, and as the college has worked to meet the increasing need for upgraded technology, student access and use of technology has been a priority for the college. The college has installed WiFi access throughout the campus, which enables the entire campus to utilize technology in support of academic instruction, research, and social interaction. The college has funded \$288,584 in FY 2013-14, in accordance with program RAR's and the Strategic Plan, to upgrade computer labs and classrooms with new technology that foster greater interactivity with instructional content and media. The college has also funded technology improvements in student services over the last few years, including degree audit and WebAdvisor.

Campus Perception

During fall 2013, the Institutional Effectiveness and Assessment Committee, then serving as the Accreditation Oversight Committee, distributed a campus-wide survey related to several processes and conditions at the college. A total of 268 campus members answered the questionnaire. Fifty-eight percent of the respondents either "agreed" or "strongly agreed" that the program review is used as part of the planning, budgeting, and resource allocation process. Seventeen percent were "neutral" on the topic, and seventeen percent "didn't know" ([IB-47](#)).

Self Evaluation

Santa Ana College meets this standard. The college has well-established goals and priorities through its educational master planning processes. The Educational Master Plan informs the President's agenda and the Strategic Plan. The college has a process by which priorities among competing needs are identified by the President's Cabinet via the Resource Allocation Request process. They are then communicated to the Planning and Budget Committee and presented to the College Council and the entire campus community so the campus community has knowledge about the needs of the institution.

The Planning and Budget Committee and College Council do not engage in prioritizing the Resource Allocation Requests but do approve the college budget assumptions and general budget priorities. The difficulty of predicting budget augmentations by the state makes the attempt to rank priorities challenging, but if budget augmentations are available, the President's Cabinet uses the SAC Budget Priorities with alignment to the SAC mission, recommended by the Planning and Budget Committee, to make decisions on what resource allocation requests will be funded ([IIIB-44](#)).

The college has responded to the fiscal uncertainties and recent increase in state apportionment through conservative college budgeting while focusing on the college's core mission and goals through the RAR process. The college ensures that budget-related information from all campus departments reach the relevant administrators, i.e., deans, supervisors, and vice presidents via the constituency-based Planning and Budget Committee meetings ([IIID-28](#)). The budgeting process and related meetings are conducted in an open and transparent manner in order to garner input from all constituencies and to maintain an unbiased process to ensure authenticity and fairness. The program review process and cycle, coupled with the RAR and budget development process ([IIIB-44](#)), provides a direct link between planning and budgeting activities and allows for the systematic distribution of resources. All support the development, maintenance, and enhancement of programs and services.

Finally, as the increased tax revenue generated from Proposition 30 begins to taper in 2017-18, the district and colleges must rebuild programs and services in a sustainable manner due to the uncertainty of the new Proposition 98 fund model that has evolved over time ([IIID-7](#)). The RAR process will be driven deeper into the institution by providing even more training at the department level to help the division and departments better understand the connection between departmental planning and budget augmentation requests.

Distance Education

The 2014 update to the SAC Strategic Plan has realigned the SAC Technology Advisory Committee to have a direct report to the SAC Planning and Budget Committee in order to develop a stronger relationship between the technology needs of the college and the availability of fiscal resources in a realistic manner.

Actionable Improvement Plans

The college will continue to improve its planning and budgeting process by assessing the effectiveness of the RAR process in terms of its delivery of focused resources and linkage to the college's Strategic Plan.

The college will continue to further tie the long-term technology needs of the college into long-term financial planning in alignment with planning and budget needs.

III.D.1.b. Institutional planning reflects realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.

Descriptive Summary

The college's planning reflects a realistic assessment of financial resources, especially in light of fiscal austerity. The district and college's operating budget is primarily derived from the state's general funds, which are apportioned by the legislature. Annually, the Planning and Budget Committee works through and recommends general budget priorities, as well as specific priorities. During the recent devastating budget period, budget priorities were established to guide the institution in making cuts to services and programs ([IIID-29](#)). Alignment of financial resources to the college mission and goals is a critical part of college planning, as outlined in the Resource Allocation Process procedures ([IIIB-44](#)). The college's enrollment management strategies also reflect the realistic assessment of financial resources so that a more realistic assessment of class size averages has evolved over the past three years into a more complex reporting and tracking of enrollment related to FTES targets ([IIID-30](#) and [IIID-31](#)).

The college has employed a variety of strategies designed to ensure that various programs and services are self-sustaining. An example of this is in 2013, the general fund budget that was supporting the Student Health Center was analyzed in collaboration with the Vice President of Student Services, the campus budget office, and the Student Health Center staff. It was determined that the revenue produced by the Health Center can adequately fund the services provided by the Health Center, and the general fund revenue was repurposed.

The college has also invested in the International Student program by allocating one-time funds into recruiting efforts overseas. This investment has been successful, and in essence, it drives additional revenue back to the general fund and the program and services that the International Student Office offers ([IIID-32](#) and [IIID-33](#)).

The college has been successful in grant development during this reporting period. Some major grants include:

- Federal Grants such as Federal Assistance Work Study (FWS) and Federal Supplemental Education Opportunity (SEOG); Workforce Investment Act (WIA); and Gear Up
- State Grants such as Basic Skills Initiative grants; DSPS; EOPS; and Matriculation grants
- Local grants such as Lumina and California Endowment Grants

Some of these grants have resulted in establishment of long-term partnerships with outside entities ([IIID-34](#)).

In order to maintain a realistic understanding of available fiscal resources, the Planning and Budget Committee receives monthly updates on the state, district, and local SAC budgets ([IIID-11](#) and [IIID-12](#)). Quarterly cash flow reports, "Quarterly Budget Performance Reports," are presented to the Planning and Budget Committee ([IIID-35](#)),

College Council ([IIIA-51](#), regarding quarterly cash flow reports), and the President's Cabinet ([IIID-36](#)). Weekly updates on budget status are produced by the Vice President of Administrative Services to the President's Cabinet ([IIID-36](#)). Regular budget updates are presented to the Academic Senate ([IIID-37](#)). Regular budget updates are also provided to the SAC Management Team ([IIID-38](#)). Both the tentative and adopted budget summaries come to College Council and the Planning and Budget Committee. Sometimes there are ancillary documents presented to College Council and the Planning and Budget Committee that highlight financial issues and give more detailed information ([IIID-39](#), [IIID-40](#), and [IIID-41](#)). The SAC budget is created based on available revenues and resources and is rolled over from the prior fiscal year with budget augmentations allocated based on actual departmental needs that are listed in department program review documents ([IB-18](#)).

Self Evaluation

Santa Ana College meets this standard. The college has demonstrated that it effectively links institutional planning efforts with a realistic assessment of available financial resources. The budget development process has been very effective during this reporting period, especially in response to the dramatic uncertainties in state appropriations. SAC leadership recognizes the importance of aligning resource allocation to the Strategic Plan, college budget priorities, while developing and maintaining a prudent contingency balance of 20 percent of SAC's ending balance in FY 2013-14. The district and college have been realistic in matching budget assumptions with financial resource availability. The college has been diligent in communicating state, district, and college budget performance and trends to the campus community on a regular basis. SAC has also developed lucrative long-term partnerships through grant awards. Standard III.B demonstrates that the district and college are in the process of ongoing major facilities renovation and construction and have effectively budgeted to meet goals of the RSCCD Comprehensive Master Plan, 2013-2023, inclusive of the Facilities Master Plan ([IIIB-6](#), ch 4).

Actionable Improvement Plans

None.

III.D.1.c. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations.

Descriptive Summary

SAC and the district are addressing this standard in various ways through established participatory governance committees at the district ([IIID-42](#), [IIID-43](#), and [IIID-44](#)) and at SAC ([IB-18](#), [IB-19](#), and [IB-47](#)). Although the budget is developed annually, the long-term commitments of the district are included and acknowledged during discussions in these meetings. The evidence for long-term fiscal planning priorities is set in the SAC Strategic Plan ([IB-2](#)) and the Educational Master Plan ([IIID-14](#)).

The economic position of the district is closely tied to that of the State of California. The district management closely monitors the state budget information and carefully evaluates resources to effectively address both internal and external issues. Through prudent budgeting and planning, the district has maintained a significant reserve to maintain fiscal viability as the state has struggled through structural deficits. The district has also been able to accommodate large apportionment deferrals. When making short-range financial plans, the district considers how these immediate plans will impact long-term fiscal planning and priorities. The district regularly prepares Multi-year Projections, which are discussed at the district Fiscal Resources Committee ([IIID-45](#)).

Both the district and the college maintain annual operating budgets using prudent fiscal practices allowing for contingencies and unanticipated expenses. During the economic downturn beginning in 2008, the district made responsible budget reductions and didn't budget for revenue that was not expected to materialize. As reported in the district CCFS-311 Reports ([IIID-46](#)), the district's unrestricted ending fund balance as of June 30, 2013, was \$37,633,190, and as of June 30, 2012, was \$43,608,426. Within these amounts, \$7,209,150 and \$7,190,256, respectively, were designated as Board Policy Contingency, representing five percent of total unrestricted general fund expenditures, in accordance with the recommended prudent reserve level by the California Community Colleges Chancellor's Office. In addition, \$25,035,466 was earmarked as the Budget Stabilization Fund as of June 30, 2013, and \$29,867,597 as of June 30, 2012, to address unanticipated state budget reductions and to stabilize the district budget without the need for mid-year budget reductions. The district is strategically spending down the ending fund balance as a stabilization mechanism during the transition to the SB 361 Budget Allocation Model, while strategically investing in class sections for the opportunity to earn growth funding.

In fiscal year 2013-14, SAC has also established a contingency reserve of 20 percent of the college's ending balance to address unanticipated fiscal emergencies on campus ([IIID-9](#)). If unspent at the end of the fiscal year, the contingency reserve will be accounted for in the college's ending balance and will be used as carryover funds for the following fiscal year. A SAC contingency reserve is also a component of the FY 2014-15 budget assumptions.

The district's plans for payments of long-term liabilities and obligations exist in the annual budget and the budget assumptions ([IIID-2](#), p. 103). The Educational Master Plan ([IIID-14](#)) also states that the college will live up to all of its financial obligations, including all fixed costs, which includes insurance payments, payroll obligations, and health benefits, among others. The college works with the district as well to make sure that all obligations are met.

The district recognizes its financial obligations and seeks to fund all current and long-term financial obligations fully, following generally accepted accounting principles. The district has maintained and funded a self-insurance fund for Workers' Compensation ([IIID-2](#), p. 72) and property and liability exposures ([IIID-2](#), p. 69), as well as a Retiree Health Benefits Fund ([IIID-2](#), p. 76) for many years. The college budgets for and contributes to both funds annually. In addition, the district also recognizes the importance of funding building scheduled maintenance and has budgeted for and contributed to the Capital Outlay Fund ([IIID-2](#), p. 56) each year for this purpose ([IIID-2](#)). After the

transition to the SB 361 Budget Allocation Model, the district began setting aside reserves in order to meet many of its long-term obligations. Funds are also set aside at the district level in order to meet some of these joint obligations and to take care of some of the residual obligations during the transition to the new budget model. The other Post-Employment Retirement Benefit obligations (OPEB) are held in accounts at the district.

Based upon the district's most recent actuarial study ([IIID-47](#)), as of February 1, 2012, the district's actuarially determined unfunded liability was estimated at \$92,397,836. As of June 30, 2013, \$36,635,945 has been accumulated and set aside in a separate fund to address this obligation. Based on the 2013-14 board-approved Budget Assumptions ([IIID-2](#)), the district contributes one percent of total salaries plus an additional \$500,000 toward the Annual Required Contribution (ARC). In addition, in both 2011-12 and 2012-13, the district contributed an amount equal to or exceeding the full ARC of \$8,743,003.

With regard to student obligations, the Financial Aid office monitors financial aid obligations, such as student loan default rates and compliance with federal regulations. Student loan rates are reported in the ACCJC Annual Fiscal Report ([IIID-48](#)).

To date, cash balances have been sufficient to support district operations, including periods when the state does not enact a timely budget and apportionment is deferred. Due to significant state apportionment deferrals to community colleges resulting from the state's recent fiscal crisis, the district has options in place to access cash should the need arise. The district could borrow for cash flow purposes against the Retiree Health Benefits Fund in the event of a fiscal emergency, for purposes of meeting the actual and necessary expenses of the district.

Lastly, every staff member accrues vacation hours based upon union contractual agreements and position types. Starting January 1, 2015, there will be a maximum limit of 432 hours of accrued vacation, which is enforced annually for management employees and must be used. Beginning January 1, 2015, a management employee with excessive vacation accrual will not be allowed to accrue until enough vacation has been used to get under the 432 hours of excess.

Self Evaluation

Santa Ana College meets this standard. Santa Ana College has taken great steps in order to make sure that its short-range financial plans are aligned completely with its long-range financial priorities.

It is only since the transition to the new budget allocation model that Santa Ana College has been responsible for setting aside some of its allocation in order to meet some contractual considerations, as well as to set aside a contingency fund for campus emergencies. The district and college have demonstrated that it effectively plans for payments of long-term liabilities within the framework of its planning processes and the annual operating budget. The district has also secured long-range revenues through its passage of construction bonds in both 2002 and 2012.

Actionable Improvement Plans

The college will continue to adapt to the unique characteristics of the new SB 361 Budget Allocation Model, which allow the college to be more in control of its financial stability and which allow the college to align its priorities to the resources available.

III.D.1.d. The institution clearly defines and follows its guidelines and processes for financial planning and budget development, with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.

Descriptive Summary

At the college, financial planning begins within the departments in establishing needs and priorities through the program review process ([IIIB-44](#)). The plans and priorities are submitted to the dean in an academic area or director in a support services division. All of the needs are prioritized, aggregated, and analyzed. These prioritized needs are submitted to the area vice president for area-level priorities, and then those priorities are submitted to President's Cabinet. At President's Cabinet, each vice president's priorities are analyzed in relation to the institutional priorities/goals of the Strategic Plan, also taking into consideration college budget priorities. Once the information is prioritized and aggregated, the results are brought forth to the Planning and Budget committee for its review and made available college-wide. The results are analyzed and discussed at Planning and Budget committee meetings. Items are analyzed as to their alignment to long-range goals, budget priorities, and financial viability.

On the district level, priorities come from the college to the district for discussion and consideration. The planning aspect is discussed at the Planning and Organizational Effectiveness committee (POE), where priorities are established. This is a new process as of 2013-14 and needs to be reviewed for efficacy ([IIID-49](#)).

At the district level, the process for financial planning and budget development is described in the Adopted Budget document ([IIID-2](#)), which is published annually and in Board Policies and Administrative Regulations related to budget. Included in the Adopted Budget document are the Fiscal Resources Committee (FRC) recommended and board-approved budget assumptions, the entire Budget Allocation Model (BAM), and the district's Sound Fiscal Management Self-Assessment Checklist ([IIID-2](#), p. 125). In addition, the BAPR minutes (now FRC, [IIID-50](#), action item SB 361 Model) and Board of Trustees minutes also document the processes ([IIID-51](#), item 5.2, approval 2012-13 Tentative Budget Assumptions; [IIID-52](#)). These can all be found on the district website for all college constituents to review.

The mechanisms and processes used at the college ensure that constituents participate in the financial planning and budget development process. This is exhibited by the participation and communication of the priorities and needs of each respective department via the Resource Allocation Request process ([IB-43](#)). The academic leader (i.e., department chair) is responsible to communicate this information to the dean. The non-academic leader, (i.e., director/manager) communicates this same information to the responsible overseeing administrator. The Planning and Budget Committee, as well as

College Council, are involved in the development of SAC budget priorities and SAC budget assumptions.

The district Fiscal Resource Committee is the participatory governance-based committee charged with reviewing and evaluating the BAM; monitoring state budget development; recommending budget adjustments; developing assumptions for the tentative and adopted budgets; developing the district budget calendar; assessing effective use of financial resources; and reviewing and evaluating financial management processes. The committee is chaired by the Vice Chancellor of Business Operations and Fiscal Services and includes participation of faculty, classified staff, and management representatives from both colleges and District Operations ([IIID-42](#)).

Campus Perception

During fall 2013, the Institutional Effectiveness and Assessment Committee distributed a campus-wide survey related to several processes and conditions at the college. A total of 268 campus members answered the questionnaire. Related to budget development and participation in the process, forty-one percent of the respondents either “agreed” or “strongly agreed” that the SAC budget process was open, transparent, and includes input from staff. Twenty-five percent were “neutral” on the topic, and sixteen percent “didn’t know” ([IB-47](#)).

Self Evaluation

Santa Ana College meets this standard. The college has demonstrated that it has procedures in place to garner information from all departments across the institution and that there is dialogue at the Planning and Budget Committee meetings to ensure all constituencies are part of the process. The college adheres to well-defined guidelines and processes for financial planning and budget development based upon the mission, goals, and Strategic Plan of the college. These processes are open, and opportunities exist for participation in the process by all college constituents.

Actionable Improvement Plans

The college must continue to obtain input from all departments in the institution, and it must make sure that the priorities set by all the departments are judged fairly with respect to the long-term needs of the institution.

The campus budget office will conduct further training with all constituency groups to ensure the budget development and resource allocation request process is clear and tied to the Strategic Plan.

POE will review the efficacy of the new process for establishing priorities.

III.D.2. To assure the financial integrity of the institution and responsible use of its financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making.

III.D.2.a. Financial documents, including the budget and independent audit, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.

Descriptive Summary

The district and college’s financial documents are a result of the collective work of the institution’s participatory governance process. Resources are then allocated in support of student success. The district’s annual budget is developed utilizing information within the state budget and from documents prepared by the California Community College Chancellor’s Office. The district utilizes its SB361 Budget Allocation Model (BAM) to distribute funds to the colleges, and the colleges determine their respective allocation of resources through their local planning processes. The BAM is a revenue allocation model and therefore distributes revenues rather than dictating expenditure allocations. The college has allocated funds that support institutional goals by making investments in course offerings in order to capture growth/access/restoration; technology; facilities; and targeted personnel hires.

As demonstrated in Standard III.C, the college has created a special funding account for technology as a part of the college’s budget assumptions, which recognizes the importance of technology in considering priorities for funding. As described in Standard III.B, the college has created a Facilities Plan to renovate and add new construction that will be critical in meeting the college’s instructional mission to 2023 and beyond. During this reporting period, the number of full-time English, math, and science faculty was emphasized and will be significantly increased in fiscal year 2014-15 (IIID-17). The table below outlines how SAC allocated resources among the different areas to support student learning programs and services. For the year 2013-14, the allocation to Academic Affairs was 61 percent, the allocation to the School of Continuing Education was 13 percent, the allocation to Student Services was 13 percent, the allocation to Administrative Services was 10 percent, and the allocation to the President’s Office was three percent.

Table 52. SAC Budget Allocation by Area (Three Years)

SANTA ANA COLLEGE		FY 2013/14				FY 2012/13				FY 2011/12 *			
AREA	DESCRIPTION	Allocated Budget	% Alloc.	Actuals 3/25/14	% Used	Allocated Budget	% Alloc.	Actuals 6/30/13	% Used	Allocated Budget	% Alloc.	Actuals 6/30/12	% Used
Academic Affairs	Salaries and Benefits	41,919,325	56%	28,673,819	68%	41,103,346	55%	40,757,769	99%	40,366,627	52%	40,440,241	100%
Academic Affairs	Non Salary Accounts	3,660,804	5%	1,832,292	50%	3,386,408	5%	3,088,377	91%	3,352,237	4%	3,238,193	97%
	Total Academic Affairs	45,580,129	61%	30,506,111	67%	44,489,754	60%	43,846,146	99%	43,718,864	57%	43,678,434	100%
School of Continuing Ed	Salaries and Benefits	9,354,856	12%	5,998,713	64%	9,313,300	13%	9,162,849	98%	10,470,948	14%	10,218,707	98%
School of Continuing Ed	Non Salary Accounts	616,610	1%	301,995	49%	464,754	1%	436,436	94%	445,562	1%	424,641	95%
	Total SCE	9,971,466	13%	6,300,708	63%	9,778,054	13%	9,599,285	98%	10,916,510	14%	10,643,348	97%
Student Services	Salaries and Benefits	9,871,109	13%	6,453,465	65%	10,070,195	14%	9,792,691	97%	9,820,920	13%	9,596,604	98%
Student Services	Non Salary Accounts	78,109	0%	10,663	14%	202,802	0%	144,065	71%	87,179	0%	51,789	59%
	Total Student Svcs	9,949,218	13%	6,464,128	65%	10,272,997	14%	9,936,756	97%	9,908,099	13%	9,648,393	97%
Administrative Services	Salaries and Benefits	4,216,889	6%	2,556,920	61%	3,944,442	5%	3,723,388	94%	3,962,270	5%	3,714,801	94%
Administrative Services	Non Salary Accounts	3,409,661	5%	2,173,793	64%	3,368,930	5%	2,982,249	89%	3,958,676	5%	2,702,610	68%
	Total Administrative Svcs	7,626,550	10%	4,730,713	62%	7,313,372	10%	6,705,637	92%	7,920,946	10%	6,417,411	81%
President’s Office*	Salaries and Benefits	1,376,424	2%	547,886	40%	1,429,534	2%	773,592	54%	4,459,094	6%	3,150,133	71%
President’s Office	Non Salary Accounts	792,772	1%	(11,744)	-1%	1,122,053	2%	(75,565)	-7%	60,181	0%	60,767	101%
	Total President’s Office	2,169,196	3%	536,142	25%	2,551,587	3%	698,027	27%	4,519,275	6%	3,210,900	71%
	Total	75,296,559	100%	48,537,802	64%	74,405,764	100%	70,785,851	95%	76,983,694	100%	73,598,486	96%

* Auxiliary Svcs and safety expenses budgeted at the campuses in FY 11/12

Financial information is readily available from the district website and throughout the district from a variety of sources. Faculty, staff, students, and administrators have numerous opportunities to be informed. The Fiscal Resources Committee is the main district participatory governance committee that discusses and makes recommendations to District Council regarding these issues. A budget calendar is prepared and agreed to in order to support financial planning and management. Financial and budget information is shared with this committee and posted to the website ([IIID-46](#)). Every month, the Intranet is updated with the latest District-wide Expenditure Report. At each meeting, FRC is provided with state budget updates and various other fiscal reports. The Vice Chancellor of Business Operations and Fiscal Services gives the Board of Trustees regular budget updates as well, and these are also posted on the website for all constituents to access. At the college, regular budget updates are provided at constituency-based participatory governance meetings.

Campus Perception

During fall of 2013, the Institutional Effectiveness and Assessment Committee distributed a campus-wide survey related to several processes and conditions at the College. A total of 268 campus members answered the questionnaire ([IB-47](#)). Forty-one percent of the respondents either “agreed” or “strongly agreed” that appropriate and timely financial information is provided regularly to SAC constituencies. Twenty-six percent were “neutral” on the topic, and sixteen percent “didn’t know.”

The annual independent audit validates that the district and college’s internal accounting practices have followed applicable practices, including generally accepted auditing practices, the *California Community Colleges Budget and Accounting Manual*, Governmental Accounting Standards Board ([GASB](#)), and applicable regulatory compliance. The 2012-2013 Annual External Financial Audit ([IIID-46](#)) was completed with the following comments from the auditors to the district’s Board of Trustees:

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is

sufficient and appropriate to provide a basis for our audit opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the District as of June 30, 2013, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Self Evaluation

Santa Ana College meets this standard. Resource allocations through the budgeting process follow a participatory governance model wherein multiple governance bodies contribute to the overall result. Those participatory bodies include:

- District Executive Management Team (Chancellor’s Cabinet)
- District Council
- District Planning and Organizational Effectiveness Committee (POE)
- District Fiscal Resources Committee (FRC)
- College President’s Cabinet
- College Council
- Academic Senate
- College Management Team

The allocation and use of financial resources at the college level are evidenced above and support student learning programs and services.

Actionable Improvement Plans

None.

III.D.2.b. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Descriptive Summary

Annually, the district undergoes an independent audit for the district as a whole, and audits are conducted individually for each of the foundations, auxiliary operations, and bond program. The audits provide an opinion on the adequacy of financial statements based upon materiality and on internal controls. They also audit several federal and state compliance areas and report on any issue found. The auditors have issued clean opinions and have not identified any deficiencies in internal control over financial reporting that they would consider material weaknesses ([IIID-46](#)). Any identified audit findings are included in the audit, and the district’s responses to the findings are also included. The district has had minimal audit findings and has regularly corrected any issues prior to the following year’s audit. Audit results are used to improve the management of the district and college financial procedures and policies. To ensure appropriate institutional response, the Fiscal Audit Committee of the Board of Trustees oversees the audit process and meets annually with the independent certified public accounting firm to discuss the audit and any findings. Once the audits have been board approved, they are posted to the district website for all constituents.

Self Evaluation

Santa Ana College meets this standard. The district's adopted budgets and district's financial statements are reviewed annually by independent auditors. During this reporting period, the audits have resulted in unqualified reports related to the financial statements. There have been few findings, none related to internal controls. Fiscal budgets and audit reports are shared with the public during Board of Trustees meetings and at the district website (rscsd.edu) for existing and previous fiscal years ([IIID-46](#)). Audit findings are included in the budget report and shared with the public.

Actionable Improvement Plans

None.

III.D.2.c. Appropriate financial information is provided throughout the institution in a timely manner.

Descriptive Summary

The Board of Trustees receives information about fiscal planning and its link to institutional planning on a regular basis. Quarterly investment reports ([IIID-53](#), item 5.4, Quarterly Investment Reports as of 9/30/2013) and 311-Q financial reports ([IIID-46](#)) are presented to the Board of Trustees and posted to the district's website, with state budget updates and projections presented to the Board of Trustees as needed by the Vice Chancellor of Business and Fiscal Operations. The reports presented to the BOT are the connection to institutional planning. They include state funding priorities established by the Governor, and in turn, the Board of Governors. The district responds with strategic planning for the colleges in a manner that can capitalize on state-funded initiatives. When district plans are presented to the BOT ([IIID-54](#), re: Comprehensive Master Plan), the plans may include significant financial data and projections of cost.

Information regarding the budget, fiscal conditions, financial planning, and audit results is provided to the college community in a variety of ways. The campus community is informed by fall and spring semester through written communications produced and disseminated to the entire campus community by the Vice President of Administrative Services ([IIID-8](#) and [IIID-55](#)). SAC institutional leaders are informed about fiscal planning and its alignment to institutional planning through regular updates at College Council from the Planning and Budget Committee ([IIID-56](#)). Weekly updates for the President's Cabinet provided by the Vice President of Administrative Services ([IIID-36](#)) provides updates on SAC financial performance; a forecast of impacts to strategic planning that might be originated from the Board of Governors or the Governor; and any local finance updates that may have an impact on institutional planning. Discussions also take place in President's Cabinet that address the institutional Strategic Plan, instructional planning, and the alignment to budgeting and finance. The information that is discussed, and any recommendations from the Planning and Budget Committee or College Council, is disseminated to faculty through the Academic Senate reporting structure ([IIIA-73](#) and [IIID-57](#)).

For classified employees, the information is disseminated via the classified staff representative in the Planning and Budget Committee and College Council and then to all

classified employees through regular direct communication. In an effort to enhance participatory governance communication, the CSEA E-board created a committee summary form. This information is presented to the membership during monthly CSEA meetings; CSEA minutes reflect this communication (IIID-58). The unapproved minutes are sent to all CSEA representatives via district mail. A CSEA website exists where all minutes and committee reports are posted (IIID-59). All correspondence, minutes, and documents that are produced and discussed in the SAC Planning and Budget Committee are available online for the campus community to view and analyze at their convenience.

The District Budget is available for public inspection prior to being presented to the Board of Trustees. After Board approval, adopted budgets are posted to the RSCCD Fiscal Services website for the general public (RSCCD budget recap for Unrestricted General Fund 11 and Fund 13). Unrestricted fund reports are generated by departments in which revenue and expense accounts are aggregated.

The SAC budget and planning committee presents information for Santa Ana College expenses throughout the year by object code and includes two previous years for comparison purposes (IIID-7). Beginning July 2013, Santa Ana College started to provide monthly cash flow reports to the Planning and Budget Committee. These reports are available in the report repository website in a timely manner for all Datatel users. Cash flow reports aid the colleges to monitor monthly and semester-related expenses. This also helps to better project carryover funds and plan accordingly for the following fiscal year.

Self Evaluation

Santa Ana College meets this standard. The district and the college have demonstrated that financial information is shared in a variety of ways, via in-person and written reports and presentations. The Board of Trustees receives regular financial presentations, and audit reports are made public and are posted in the district website rscd.edu. The college has created cash flow reports that allow the divisions and departments to better track their own budget performance, and the campus budget office has trained end users on how to run the reports. The college has benefited from greater transparency in the process of budget development and from a more active approach in educating the campus community to the ever-changing financial conditions of the state and its impact on the college.

Actionable Improvement Plans

SAC will continue to provide budget training to the different departments and to provide tools for budget planning and monitoring. This will help the college to be more efficient and maintain usable, reliable, and coherent data to be used for decision-making college-wide.

III.D.2.d. All financial resources, including short and long term debt instruments (such as bonds and Certificates of Participation), auxiliary activities, fund-raising efforts, and grants, are used with integrity in a manner consistent with the intended purpose of the funding source.

Descriptive Summary

The SAC Foundation’s mission aligns itself with the college mission, whereby the Foundation’s goal is to maintain, expand, and enhance opportunities for students by linking community, organizations, businesses, funding sources, friends, alumni, and staff. The Foundation provides resources to ensure that no student is denied educational opportunities due to financial restrictions. The Foundation awards more than \$340,000 each year in scholarships to continuing students as well as graduates transferring to a four-year college or university ([IIID-60](#)).

The district’s Resource Development Office has direct oversight of all grant applications, monitoring, and reporting. Grant application requests are also brought to College Council for review and recommendation related to the alignment of the grant to the mission of the college as well as the commitment of the college’s facilities, personnel, and available resources. Budgets are established according to the grant agreement and submitted for Board of Trustees approval. Any changes in the grant budget originated at the college are sent to Resource Development for review and then forwarded to district Fiscal Services for final review and approval ([IIID-61](#)). The district Planning and Organizational Effectiveness (POE) committee also reviews potential grant opportunities for alignment to the district mission ([IIID-62](#)).

The district has sufficient and competent supervisory staff in the Business Operations and Fiscal Services office to regularly evaluate fiscal management processes related to the auxiliary, fundraising, and grant activities. In addition, all allocation decisions and activities occur in accordance with state law, GASB, and the Budget Accounting Manual. The district also conducts internal audits to assess processes and uses the results of those audits to make improvements to financial and information systems.

Both general obligation bond programs (Measure E and Measure Q) possess a Citizen’s Oversight Committee as outlined in the ballot language. The district’s bond measures are overseen by the Citizen’s Oversight Committee, which meets regularly to appraise the district’s application of bond monies to the priority list of projects. Measure E expenditures have been audited annually with clean audit reports. Measure Q bond funds have not been made available for projects up to this point in the reporting period; however, it will be subject to the same strict guidelines and protocols as Measure E.

Self Evaluation

Santa Ana College meets this standard. The SAC Foundation’s mission and activities are in alignment with the college’s mission. The annual independent audits of budgets, procedures, and documentation affirms the district’s continued focus on presenting and reporting financial records with integrity and in accordance with federal and state guidelines.

Actionable Improvement Plans

None.

III.D.2.e. The institution’s internal control systems are evaluated and assessed for validity and effectiveness and the results of this assessment are used for improvement.

Descriptive Summary

The district’s external auditors have issued clean opinions and have not identified any deficiencies in internal control over financial reporting that they would consider material weaknesses. Any identified audit findings are included in the audit, and the district’s responses to the findings are also included. The district has had minimal audit findings during this reporting period and has regularly corrected any issues prior to the following year’s audit. Audit results are used to improve the management of the district financial procedures and policies ([IIID-46](#)).

Self Evaluation

Santa Ana College meets this standard.

Actionable Improvement Plans

None.

III.D.3 The institution has policies and procedures to endure sound financial practices and financial stability.

III.D.3.a. The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and develops contingency plans to meet financial emergencies and unforeseen occurrences.

Descriptive Summary

The district has had a strong ending fund balance for the last five years. This has been a result primarily of the district’s conservative approach with regard to spending and a hiring strategy in which vacant positions left by retirees and resignations have not been fully replaced in all areas. This has helped the district when facing deferred payments from the state. Because of this ending fund balance, the district has been able to meet payroll obligations to all its employees without having to borrow funds from the County of Orange or any other lending institution.

The District’s ending fund balance for the past five years is outlined in Table 53 (Adopted Budget for 2013-14 p.11, [IIID-2](#))

Table 53. RSCCD Ending Fund Balance: FY 2008-2014

FY	Adopted Beginning Fund Balance	Adopted Ending Fund Balance	Actual Ending Fund Balance
2008-09	15,687,397.00	9,219,765.00	16,867,113.00
2009-10	16,867,113.00	9,449,213.00	32,190,876.00
2010-11	32,190,876.00	23,149,207.00	47,079,378.00
2011-12	47,079,378.00	38,167,197.00	44,365,824.00
2012-13	44,365,824.00	36,706,621.00	39,282,532.00
2013-14	39,282,532.00	36,063,954.00	

The district also sets aside a five-percent Board Policy Contingency ([IIID-63](#)), which is included in the ending fund balance. For FY 2013-14, Santa Ana College has set up a contingency account which is 20 percent of its \$3.6 million ending balance. The contingency amount set aside for SAC is \$724,000. These funds will be utilized for facility emergencies and unforeseen occurrences.

The district possesses sufficient insurance to cover potential risk exposure. It has established separate Self-Insurance Funds for two types of self-insurance activity, Workers' Compensation and property and liability insurance ([IIID-2](#), pp. 72 and 69). The district has a Risk Management department to ensure the risk management program meets all legal requirements and provides protection and/or insurance against loss, damage, or disability in accordance with the California Education Code. The district participates in two Joint Powers Agreement (JPA) entities: The Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF). ASCIP arranges for and provides property, liability, and workers' compensation insurance for its member school districts. SELF arranges for and provides for excess liability coverage for approximately 1,100 public educational agencies. The district funds two Internal Service Funds, one for Workers' Compensation and one for property and liability, based on estimates of the amounts needed to pay prior year claims and current year premiums. The combined assets in these two funds as of June 30, 2013 amounted to \$8,032,121.

Through careful planning and fiscal management, over the past five years, the district has maintained a more than adequate fund balance and sufficient cash reserves. The Board of Trustees has a policy of a minimum reserve equal to five percent of the general fund budget ([IIID-63](#)). The district fiscal team continuously reviews financial conditions and state funding levels and provides timely, ongoing assessments of potential risks and opportunities. As of June 30, 2011, the district's Unrestricted General Fund Balance was \$46,510,997. As of June 20, 2012, the balance was \$43,608,426, and as of June 30, 2013, the balance was \$37,633,190.

To date, cash balances have been sufficient to support District Operations, including periods when the state does not enact a timely budget and apportionment is deferred. Due to significant state apportionment deferrals to California community colleges resulting from the state's recent fiscal crisis, the district has options in place to access cash should the need arise. The district could borrow for cash flow purposes against the Retiree Health Benefits Fund in the event of a fiscal emergency for purposes of meeting the

actual and necessary expenses of the district. In addition, the district could borrow from the Orange County Treasurer to obtain a temporary transfer of funds, not exceeding 85 percent of anticipated revenues, to meet current expenditures.

The district analyzes its financial obligations annually and seeks to fund all current and long-term financial obligations fully, following generally accepted accounting principles. The largest district liability is its General Obligation Bonds, and the second largest obligation is the net OPEB obligation. Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax collections ([IIID-46](#)). The district is currently fully funding the Annual Required Contribution (ARC) for the OPEB obligation.

Self Evaluation

Santa Ana College meets this standard. The college has sufficient cash flow and reserves and has taken appropriate steps to meet risk management responsibilities and to plan for financial emergencies. In light of the state's current budget situation, the conservative approach taken by RSCCD allows the district and colleges to continue to operate without negatively impacting employees or funding for essential programs.

Actionable Improvement Plans

None.

III.D.3.b. The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.

Descriptive Summary

To ensure oversight of finances including financial aid, grants, externally funded programs, contractual relationships, foundations, and investments, the college and the district have an annual comprehensive external audit prepared in accordance with generally accepted accounting principles. The auditors give feedback on the financial statements and the adequacy of the accounting procedures and internal controls.

Oversight and management of fiscal resources begins at the district level under the direction of the Vice Chancellor of Business Services and Fiscal Operations in cooperation with the Vice President of Administrative Services at the college. Effective oversight begins with board policy. District Fiscal Services is responsible for interpreting board policy by establishing and monitoring the internal control policies that protect the assets of the district and the colleges. An independent certified public accountant performs the annual audit of all financial records including the auxiliary accounts. District and college-level participatory governance entities such as the District Council and College Council are informed of the financial status of the district and college on a regular basis. College-level oversight is led by the Vice President of Administrative Services and the campus budget office, working jointly with district Fiscal Services.

The district provides compliance oversight of all financial reports. The SAC Foundation engages in different fundraising activities throughout the year. The funds are managed by

the SAC Foundation Director and reviewed by the Foundation Board of Directors. The Foundation operational budget is approved by the Board of Directors, and quarterly financial reports are provided to the Foundation Board of Directors for information purposes. Checks require two signatures. The President of the college, the Vice President of Administrative Services, and the Vice President of Student Services are all signers on the Foundation bank account. All accounts have a Foundation Account Form, in which the purpose of the account, restrictions and fundraising goals are outlined. This form facilitates the expense approval process by referring to the account intent and creates transparency in the fiscal management of the foundation funds.

The Foundation is audited annually by independent auditors as part of the district's annual external audit. All foundation investments are accounted for and documented by the SAC campus Budget Office to ensure proper internal controls. The district Financial Aid Fund, categorical grants, and district auxiliary funds are included in the annual audit report. The district's Resource Development Office has direct oversight of all the grants application, monitoring, and reporting. Budgets are set up according to the grant proposal and submitted for board approval. Any changes in the grant budget originated at Santa Ana College are sent to Resource Development for review, and then they are forwarded to district Fiscal Services for final review and approval. The POE committee also reviews grants ([IIID-64](#)).

The district has sufficient and competent supervisory staff in the Business Operations and Fiscal Services Office to regularly evaluate fiscal management processes. Each year in a two-year cycle, the office updates a planning portfolio/program review document that addresses its goals, functions, self-study, and recommendations related to its processes and implements changes as necessary ([IIID-68](#)). In addition, the Assistant Vice Chancellor of Fiscal Services and the college vice presidents of administrative services of both colleges meet regularly to discuss fiscal issues and make changes to procedures as necessary. The district also conducts internal audits to assess processes and uses the results of those audits to make improvements to financial and information systems.

In July 2007, the district started the implementation of a new software program, Datatel Colleague. This program integrates fiscal, student services, and human resources modules. This program has been fully implemented, and proper training has been provided to all Datatel users in their respective areas. Internal controls processes have been in place and include setting up proper security access levels in Datatel for users and approvers for processing of purchase orders and class scheduling. Budget changes are initiated at a division level and approved by the appropriate vice president. Immediate year-to-date data is available to users for monitoring and analysis purposes.

Self Evaluation

Santa Ana College meets this standard. The college and the district have multiple levels of oversight to ensure ethical and transparent fiscal management of all finances, including financial aid; grants and externally funded programs; and auxiliary services. There is a mechanism established to monitor student loan defaults and the revenue streams and assets. The college regularly assesses its processes and uses the results of the assessment to revise and improve its processes. Audits are conducted to ensure that ongoing

assessment of the fiscal and financial resource for the college and the district are efficiently managed and in compliance.

Actionable Improvement Plans

None.

III.D.3.c. The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations.

Descriptive Summary

The district analyzes its financial obligations annually and seeks to fund all current and long-term financial obligations fully, following generally accepted accounting principles. The largest district liability is its General Obligation Bonds, with the second largest obligation the net OPEB obligation. Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax collections. The district is currently fully funding the Annual Required Contribution (ARC) for the OPEB obligation. The district also accrues for faculty load bank leave and for vacation payouts. As of June 30, 2013, \$36,635,945 has been accumulated and set aside to in a separate restricted fund to address this obligation. Based on the board-approved budget assumptions, the district contributes one percent of total salaries plus \$500,000 toward the Annual Required Contribution (ARC). In addition, in both 2011-12 and 2012-13, the district contributed an amount equal to or exceeding the full ARC of \$8,743,003 ([IIID-65](#) and [IIID-47](#)).

Self Evaluation

Santa Ana College meets this standard.

Actionable Improvement Plans

None.

III.D.3.d. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is prepared, as required by appropriate accounting standards.

Descriptive Summary

The district's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years ([IIID-46](#)).

Self Evaluation

Santa Ana College meets this standard.

Actionable Improvement Plans

None.

III.D.3.e. On an annual basis, the institution assesses and allocates resources for the repayment of any locally incurred debt instruments that can affect the financial condition of the institution.

Descriptive Summary

The district has a healthy fund balance and therefore has not incurred any debt in the general fund. The only locally incurred debt relates to the district's Measure E General Obligation Bond Funds. The district has a Citizens' Bond Oversight Committee, which oversees the spending of bond funds in compliance with Proposition 39. Independent external auditors conduct an audit annually ([IIID-65](#)). Repayments of the debt are made through the Bond Interest and Redemption Fund with local property tax collections specific to this purpose.

Self Evaluation

Santa Ana College meets this standard.

Actionable Improvement Plans

None.

III.D.3.f. Institutions monitor and manage student loan default rates, revenue streams, and assets to ensure compliance with federal requirements.

Descriptive Summary

Student loan default rates are monitored annually by the college Financial Aid Office. SAC default rate has been slowly increasing over the last few years, but it is an acceptable 18.5 percent. (Less than 20 percent is considered acceptable by the California Community Colleges Chancellor's Office.)

The college is in compliance with federal regulations regarding student loans by fulfilling the requirement to reconcile federal student loans on a monthly basis. Reconciliation documents are kept in the college Financial Aid Office.

Santa Ana College does not offer institutional loans and therefore collects no revenue from loans.

Self Evaluation

Santa Ana College meets this standard.

Actionable Improvement Plans

None.

III.D.3.g. Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution.

Descriptive Summary

All contracts are in place to assist the district with its mission and goals. The district has written policies related to entering into contracts ([IIID-61](#)). The district carries several types of contractual agreements including purchase orders; consulting services such as legal and auditing services; maintenance agreements; lease agreements; construction services (independent contractor); and education affiliation agreements ([IIID-66](#)). Through the use of the district Contract Review Checklist ([IIID-67](#)), administrators ensure in advance that all terms and conditions of the contract, including termination language; indemnification and insurance language; and federal debarment language, are acceptable and meet district standards. All contracts must be reviewed by the appropriate Chancellor's Cabinet member, approved or ratified by the Board of Trustees, and signed by the Vice Chancellor of Business Operations and Fiscal Services. The review process and policies that are in place ensure that all contracts are consistent with the mission and goals of the district and college.

Self Evaluation

Santa Ana College meets this standard. Contractual agreements are subject to various district policies and regulations as evidenced by the Contract Review Checklist. Proper oversight is provided both at the local level as well as the district level to ensure the college maintains its integrity in contractual agreements. Contracts are consistent with the district and college's mission and goals.

Actionable Improvement Plans

None.

III.D.3.h. The institution regularly evaluates its financial management practices and the results of the evaluation are used to improve internal control structures.

Descriptive Summary

An independent audit firm conducts a financial and compliance audit for the district on an annual basis, with a written report produced after the audit. Recommendations are evaluated and incorporated into the financial management process and internal control structures. The audit report highlights any identified material weaknesses in the financial reporting systems. None have been reported the last three fiscal years.

The district has also undertaken a project through district IT, whereby a review of business processes will be undertaken in order to "work smarter, not harder." The first phase is for a consultant to interview college and district staff in order to identify these processes. Examples are the budget transfer process, new hires, and invoice approval. This initial review will be limited to processes within Fiscal Services and Human Resources.

Self Evaluation

Santa Ana College meets this standard and is continuing to make improvements in this area. The district and college have demonstrated that external audits, in combination with self-assessment contained in the program review process, ensure the integrity of the financial management system. The project to focus on financial system efficiencies shows a dedication to continuous improvement in the financial management system.

Actionable Improvement Plans

None.

Standard III.D.4. Financial resource planning is integrated with institutional planning. The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement of the institution.

Descriptive Summary

In accordance with the 2008 ACCJC recommendation to review the Budget Allocation Model utilized at that time, the district has implemented the SB 361 Budget Allocation Model to apportion revenue to the colleges and charge back for district services provided in a centralized manner. As a result, the college has also adopted a new process to address program and budgetary needs. Each discipline/department documents unmet resource needs through program review and the Resource Allocation Request processes, which incorporate a documented alignment to the college mission and goals of the Strategic Plan. This also adds transparency to budgets, promoting cooperative sharing, and use of resources.

Financial planning is closely integrated with planning for full-time faculty equivalents, facilities, and technology. The college's Office of Administrative Services and the district's Fiscal Services Office provide the college community with consistent, reliable revenue projections upon which the budgets are based.

The district uses Datatel Colleague, a system that allows personnel to have authorized access to the budget. The college updates its financial plan, submitting adjustments to district Fiscal Services for budget and expense transfers, and employee status change information as needed throughout the year. The entries in the budget are recorded and maintained in accordance with district policy; the State Education Code; generally-accepted accounting standards; and federal, state, and local funding agency regulations.

Self Evaluation

Santa Ana College meets this standard.

Actionable Improvement Plans

None.