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Date: October 12, 2010
To: Victor Valley Community College Board of Trustees
From: Christopher C. O'Hearn, Ph.D. 
Subject: Annual Budget Message

As required by law, Victor Valley Community College District (VVCCD) submits a balanced budget plan for the fiscal year 2010-11 (FY 10-11) that is prepared based upon the Governor's May 2010 Budget Revision Assumptions. The budget assumptions may be revised when the State budget plan is finally approved. At the time of publishing this budget plan for the District, the State budget has not been approved.

To prepare the FY 10-11 budget, several significant practices were implemented that will transform the budget development processes at VVCCD. These practices include connecting planning and budgeting process (AP 1202), development of a two-year budget calendar, budgeting at the component level, and the inclusive and open process in developing the budget plans.

VVCCD continues to face serious budgetary difficulties in the future years as the proposed expenditures exceed revenues. The institution has relied upon one-time revenues and reserves in order to balance the budget. The external and internal pressures on the budget include:

Internal

- Expenditures are greater than income, a trend that has occurred for the past several years and that is projected into the future
- Increasing number of unfunded Full-Time Equivalent Students (FTES)
- Inflationary increases to expenditures including salaries, benefits, and operations

External

- Erosion of State Apportionment based upon decreased FTES enrollment cap
- Deferral of the monthly apportionment payments
- Continued decline of real estate values with associated reduction of property tax revenue

Overall Strategies of 2010-11 Budget Plan

- Remove vacant positions from the budget
- Adjust supplies and services budgets by the amount of approved budget augmentation requests
- Balance the budget utilizing:
 - One-time revenues from Solar Credit Incentives (SCI)
 - Property leases
 - Bridge fund balances



The highlights of the 2010-11 District Budget include: beginning balance for this year is \$9,202,648 (including the 5% required reserve) and the ending balance is projected at \$7,469,748. The proposed apportionment includes approximately \$1 million for 2.21% enrollment cap growth and revenue reduction of approximately \$136,000, for the .038% negative Cost of Living decrease proposed in the Governor's budget. Onetime revenues in the amount of \$1,228,472 generated from leases (\$608,472) and energy credits (\$620,000) are utilized in balancing the budget. The health benefit premiums increased by approximately \$630,000 and 15% additional increase in premiums is expected for the fiscal year 2011-12. The college is debt-free and its Other Post Employment Benefits obligation has been funded.

The instability of the state economy prevents the college from developing long-range plans. The local property values have dropped; the District may not sell the remainder of its Measure JJ capital outlay bonds anytime soon. We have reprioritized the order of construction projects to address infrastructure and facilities needs of the main campus until the sale of the next series of the bonds permits the construction of the Workforce Development Center.

The enrollment growth has been phenomenal. The District anticipates rolling nine hundred FTES credits to the fiscal year 2011-12 and carrying another 420 unfunded FTES credits in the current fiscal year. The rollover credits will be funded in the subsequent years.