



Date: September 13, 2011
To: Victor Valley Community College Board of Trustees
From: Christopher O'Hearn, Ph.D.
Sub: Annual Budget Message

The California Legislature passed a State budget that was signed into law by the governor in July 2011. The State budget imposes reduction to workload and service to students in the academic year 2011-12.

VVCCD followed the planning and budgeting process detailed in its AP 1202 to connect planning and budgeting. Members of the Budget, Finance, and Planning Committee collaborated in analyzing the PRAISE reports to recommend funding for ongoing and new initiatives at the College. The two-year budget planning cycle is proven as a useful tool to maintain planning and budgeting timelines.

The College continues facing serious budgetary difficulties as expenditures exceed revenues. While the fiscal year 2011-12 budget is balanced, the upcoming years' budgets will face large deficits that may require implementation of deep expenditure cuts. The institution is committed to balancing its budget within four years, starting with the current fiscal year.

Fiscal year 2011-12 general fund revenue to the institution is \$49,845,024; the expense budget is \$52,861,335; and \$3,016,311 of the \$11,797,437 current reserves will be used to balance the budget. The institution has developed a balanced budget for the fiscal year 2011-12 based on:

- Reducing expenditures
- Use of one-time revenues
- Use of current reserves

In order to reduce expenditures, the College offered a Supplemental Employee Retirement Plan (SERP) to the eligible faculty and staff. This effort reduces the salary schedule by approximately \$1 million per year. The SERP process, however, increased the benefit expenses since the employees who take advantage of SERP and their replacements must be provided the same level of mandatory, health, and welfare benefits. The actuarial studies also indicate the annual Other Post-Employment Benefits (OPEB) mandatory contribution must increase from \$398,000 to \$687,000.

The College continues to apply one-time revenues to balance the budget including approximately \$700,000 in energy credits from the VVC solar field and over \$225,000 in leases and various revenue generating initiatives. Lottery funds in approximate amount of \$1.1 million were accounted as restricted funds in prior years; these revenues have now been rolled in as a part of the general fund.

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Approximately \$1.1 million in ongoing technology and maintenance/operation expenditures have been rescheduled to redevelopment agency funds. The utility expenses that previously were booked as restricted expenditures and supported from the lottery revenue have been rolled in as general fund expenditures.

This budget projects a total ending balance \$8,781,126 that is comprised of \$2,781,126 in the 5% minimum required reserves and a balance of \$6,000,000 in current reserves (bridge).

The State's financial picture is not improving. The approved State budget includes certain mid-year budget cut triggers that may further reduce the apportionment by approximately \$700,000. This budget has not planned for the anticipated mid-year revenue cut; however, should a reduction in revenue occur, the district plans to draw any needed funds from its current reserves to balance the budget.

The State provides a lump sum allocation based on the size of a community college (small, medium, and large) for general expenses. The basic allocation increases by approximately \$1.1 million as a college is classified by a larger designation. The drastic workload reduction over the past years resulted in adjustment of FTES threshold for basic allocation. The updated threshold for mid-size colleges is 9,375 FTES. Based on a funded workload of 9,029 FTES, the administration anticipates generating approximately 350 unfunded FTES in order to maintain its mid-size college base funding of approximately \$1.1 million revenue through fiscal year 2013-14.