



Date : September 4, 2007

To: The Board of Trustees, Members of the Victor Valley Community College District, and the High Desert Community.

From: Robert M. Silverman, Superintendent/President 

Re: Annual Budget Message

The Victor Valley Community College District's budget for the 2007-2008 fiscal year is complete and balanced. Victor Valley College is faced with a very serious budget challenge this year and into the foreseeable future which must be addressed through careful planning and implementation. This budget plan relies on one time reserve funds to allow the college to build enrollment and increase revenue. The projected reserve/ending balance for 2007-08 is 3.5%. This is not acceptable for the future and we will be making changes that over the next 5 years will build a reserve towards a goal of 10%. This budget, though challenging, accomplishes much in terms of moving the college forward and setting a stable framework to build our future. There is no question that we will need to be conservative and careful but at the same time we will meet the high priority needs of the instructional program, our students, and work to rebuild our enrollments.

### **BACKGROUND**

In the 2003-2004, fiscal year the college was hit by budget cuts at the state level. This came at a time when spending was high and resulted in a number of significant budgetary reductions across the college. In contrast, this year, the state budget is stable and has provided additional funds for our operation. Unfortunately, as we began to achieve a level of fiscal stability, our enrollment declined and the payback for this loss resulted in over \$2 million dollars in base funding reductions in fiscal year 2006-2007 and 2007-2008 as our enrollments dropped from 9,317 in 2004-2005 to 9,047 in 2005-2006 to a projected 8,812 (not final until October) in 2006-2007.

### **OUR PRIORITY – FISCAL INTEGRITY & ACADEMIC EXCELLENCE**

Since the college budget represents a fiscal plan which must address the revenue shortfall, the 2007-2008 budget relies upon cost savings, enrollment growth strategies and the use of one-time only reserve funds to ensure an adequate ending balance. The challenges faced by the college will not be eradicated in a single budget year; therefore, this year's budget must be considered a first step of a five year turn-around strategy. If this plan is not successful, a significant restructuring of the college will be necessary to operate within the fiscal means.

Achieving academic excellence requires a significant investment in the stability of the college's resources including faculty, staff, equipment, instructional supplies, materials, and technology. This five year budget plan maintains a commitment to staffing through a negotiated salary structure that identifies salaries for all full-time staff for the next three years, and a limited number of new full-time faculty and classified hires. Also, we need to maintain a stable offering of instructional course offerings which requires the expansion of technology and instructional equipment to support student learning.

### **COST CONTAINMENT STRATEGIES**

To reduce the cost of college operations, several strategies are being employed and will be expanded over the next three years. These actions include:

- Tighter control over purchasing procedures
- Hiring freeze of vacant positions with limited exceptions
- Long-term planning for expanded savings with alternative energy strategies
- Movement of all staff to a composite rate for medical benefits
- Campus-wide personnel savings

### **ENROLLMENT GROWTH STRATEGIES**

The most critical issue facing the college is to increase the number of students enrolling and being retained within the college. The current trend of decline must be reversed. The college's three year strategy will be to use 2007-2008 to make up the approximately five percent (5%) enrollment lost over the past two years then to grow by six percent (6%) in each of years two and three for a total of seventeen (17%) growth over the next three years.

The following strategies are currently being initiated and will be expanded through the budget plan.

- Increase college recruitment activities in the high schools by hiring two new recruiters.
- Create a new marketing effort for the college including a schedule of classes mailed to each house in the district, more creative ads in newspapers, radio and television, expansion and refinement of our presence on the internet, and the use of pod casts to facilitate communication and instruction.
- Correct the college-wide instability of the technology platform through a review of current operation and increased support staff.
- Initiate a customer service effort for all employees and put the students first.
- Create a one-stop shop for all student services so students can be served more efficiently.
- Expand existing high demand programs while hiring 5 new full-time faculty and develop new programs designed to bring in new students.
- Expand current collaborative efforts and initiate new projects to open new student markets.
- Develop new workforce development efforts to support the local economic development.

### **OTHER REVENUE GENERATING STRATEGIES**

- Expand the Contract Education program
  - Build public/private partnerships
  - Grow alternative revenue (i.e. grants, auxiliary sources)
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### **UNRESTRICTED RESERVE FUNDS**

In order to meet this year's unrestricted expenditure budget, the District will rely heavily on the use of one-time unrestricted reserves. This will hold true for 2008-2009 and 2010-2011 as well. These obligations will be met through the transfer of unrestricted reserves for use in the general fund operations. We will transfer enough of these one-time funds to project an end-of-year balance of 3.5% of the unrestricted general fund expenditures. We realize that this is not acceptable and needs to be part of a short-term (five year) strategy. It is well understood by the college that the use of reserves is not to be relied upon in the long run. One time money is being seen as an investment in our future that will allow us to implement the initiatives necessary to turn this college around. Reserves will only be used to fill the gap until new enrollment can be generated. The college is planning to establish that foundation after five years.

A reserve fund of even 5% in a district this size is not adequate. If there is another economic downturn at the state level we do not want to be in a reactionary position, scrambling to make last minute budget cuts or impose layoffs. We need a reserve fund that can carry us through the better part of a full school year or more. We need a reserve fund which would help us to maintain college operations while sensible plans were made to address fiscal concerns.

### **INTEGRATED PROGRAM REVIEW AND RESOURCE ALLOCATION PROCESS**

We are making progress towards the integration of planning and resource allocation and we are working hard to improve that process. This year most departments completed a streamlined program review that considered goals and objectives in the context of key quality measurements and financial requirements. The work completed at the recent Board meeting to discuss accreditation, mission, vision and values, will go a long way towards helping us to better match resource allocations with strategy.

### **UNFUNDED LIABILITIES**

The college has finished repaying the state for the High Desert COLA penalty and debt service funds have been added back into the budget. We must work on the \$5 million post-employment health benefits obligation and establish a segregated investment vehicle to deposit and manage those funds. The legal requirement is to have the full long-term liability funded. We must also fund our large vacation liability and still retain funds for legal settlements of pending lawsuits.

### **WE CARE ABOUT OUR EMPLOYEES**

Victor Valley College is proud of its excellent employees. This budget includes full funding for the staff step and column salary increases as well as year one of the three- year negotiated agreements with the full-time faculty union and the classified employees union. Funding for a negotiated salary increase with the part-time faculty and our management staff is also part of the budget. Although the funding is very tight, we plan to fund additional five full-time faculty in 2007-2008 and ten classified positions over the life of the plan.

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**IN CONCLUSION**

Victor Valley College is a very valuable resource to the high desert. We use our resources to provide successful educational experiences for our students and to help change their lives for the better. We want to be regarded as the community's first choice for lifelong learning as we start on a new beginning of defining our mission, vision and values. The college is ready for a brand new day, with a renewed commitment to students and our community. Together we will be able to face the future with optimism and hope.

