



**ANTELOPE VALLEY COMMUNITY
COLLEGE DISTRICT**

2009-2010 TENTATIVE BUDGET

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Rendering of Antelope Valley College Theatre Arts Building, Estimated Completion Date - Spring 2011

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SECTION 1

BUDGET NARRATIVE



ANTELOPE VALLEY COLLEGE 2009-2010 TENTATIVE BUDGET NARRATIVE

Introduction

Governor Arnold Schwarzenegger signed the 2009-10 state budget in mid February 2009. Since the 2009-10 was enacted in February, it must be acted on by the Legislature before the Governor's proposed additional cuts take effect. In mid May 2009, the Legislative Analyst's Office (LAO) released its overview of the May Revision and announced a projected budget shortfall of \$24 billion, \$3 billion higher than the Governor's May Revision estimate from the prior week. The LAO's larger shortfall estimate is due primarily to a more pessimistic outlook on the economy.

For community colleges, significant cuts to unrestricted funds, property tax shortfalls, and categorical reductions are inevitable. The bottom line is that the state is facing a daunting budget crisis and the Legislature needs to act quickly to balance the budget. The Governor has announced that he intends to amend his May Revision proposal to include approximately \$5.5 billion in additional cuts. With the failure of the May 19, 2009 ballot measures, another estimated \$5.8 billion would be added to the shortfall, bringing the total shortfalls to \$24 billion. As budget deliberations continue, community colleges are sure to experience a significant reduction in revenues. Regardless of what the final details are, this will continue to be a painful time for community colleges, as increasing enrollment demand will far outpace the resources to serve students.

The following are assumptions for the Tentative Budget for the fiscal year 2009-2010:

- No COLA
- No Growth
- Deficit Funding
- 30% Reduction in revenues across the board for Categorical Programs
- Deficit Spending – Due to 2008-2009 property tax shortfall and potential shortfall for 2009-2010
- Interest expense in the general fund unrestricted for cash borrowing due to the state deferrals of \$540 million
- 10% increase in the Health and Welfare benefit
- Over \$2 million "reserve for contingency" in general fund to help mitigate anticipated revenue cuts
- Positions frozen during 2008-2009 budget year will remain frozen during the 2009-2010 fiscal year

Estimates for Fiscal Year Ending 2008-2009

Estimated total revenues for the general fund (restricted and unrestricted) for 2008-2009 are projected to be \$67,594,641. The Chancellor's Office has recommended

that district's maintain a minimum 5% reserve for unrestricted funds. For fiscal year ending 2008-2009 Antelope Valley College's projected reserve for the unrestricted fund is 8.45%, or about \$4.8 million. The \$4.8 million will support one of the goals as proposed for the District, which is to grow in a fiscally responsible manner and maintain an unrestricted 5% reserve.

The District anticipates overall revenue in fiscal year 2009-2010 to exceed \$117.4 million and expenditures in excess of \$144.6 million. The beginning balances for each fund for 2009-2010 should exceed \$81.9 million. The anticipated ending balance for all funds of the District should exceed \$54.7 million.

For the fiscal year 2008-2009 the District was deficit funded by over \$747K due to the state property tax shortfall. Growth funds were also deficit funded due to the state's constrained growth appropriations. The District estimates that approximately 1,000+ (full-time equivalent students) FTES may go unfunded for the fiscal year. Over cap FTES are due to high enrollments and increased fill rates.

At P1, the District's total funded FTES were 11,608.89 with actual FTES being 12,505.97, or 897.08 over cap. The Chancellor's Office preliminary allowable constrained growth rate for Antelope Valley College in 2008-2009 was 4.08%, or 451 FTES; however, 2008-2009 growth rates have been adjusted regularly to reflect the 2% state growth funding provided in the 2008-2009 Budget Act. The current 3.67% adjustable allowable constrained growth rate for the District replaced the preliminary rate which equates to approximately 406 FTES. It is anticipated that once the Chancellor's Office reviews the second principal apportionment, the college's funded growth will be readjusted to less than 3%. The actual growth funding will be dependent upon actual increase in enrollment and provisions of the Budget Act.

Budget Year

The Tentative Budget for the general fund includes anticipated income of \$65,942,994 and expenditures of \$67,268,629. This is an increase in anticipated expenditures of approximately \$2.35 million over the 08-09 estimated actual expenditures. The Tentative Budget for the general fund includes reserves of about \$5.9 million, with an unrestricted reserve of approximately 7.9%.

Growth revenue is not budgeted in the Tentative Budget. At the October 6, 2008 statewide budget conference for community colleges, the Chancellor's office indicated that growth revenue caps will probably change several times during the fiscal year. Statewide growth appropriation as of September 19, 2008 per the budget agreement is 2% or about \$115 million. The District will be eligible for approximately \$2.5 million in growth income if the state is able to fund the current allowable constrained growth rate of 3.67%, or approximately 406 FTES. We anticipate exceeding the growth rate for the budget year with significant over cap growth.

The state budget provided \$75 million to partially backfill a property tax shortfall for the 2007-08 fiscal year. The total property tax shortfall for 2007-08 was \$92 million. Antelope Valley College received \$646K from the backfill; however, an approximate \$750K is expected to be deducted from the general apportionment. These allocations

were not budgeted due to the anticipated shortfalls for the 2008-2009 fiscal year. If the state funds the growth and property tax shortfalls, budget augmentations for these funds will be presented to the Board of Trustees when the Chancellor's Office certifies the funds and as recommended allocations are made by the Strategic Planning and Budget Council (SPBC). Any additional budget augmentations or reductions will be recommended as funding allocations are finalized.

A new deferral of apportionment payments will be instituted in order to address cash flow concerns at the state level. The District is currently borrowing from the Los Angeles County Office of Education and the county Tax Revenue Anticipation Notes (TRANS) to meet its operational cash flow requirements. Interest expense has been budgeted in the Tentative for the borrowing of cash. The District continues to monitor cash flows on a monthly basis to mitigate the state deferral.

Linking the District's Mission to the Strategic Plan and the Budget

Antelope Valley College Mission Statement:

"To serve the community by placing student success and student-centered learning as our number one priority through higher educational standards and innovative programs and services in a professional, team-driven environment."

The District's Educational Master Plan, which is the strategic plan, provides the broad context for implementing the mission. Implementation of the Educational Master Plan is achieved through the Strategic Planning and Budget Council (SPBC). The Educational Master Plan is augmented by the Facilities Master Plan, Technology Plan, the Human Resources Plan, and the Enrollment Management Plan. District plans are considered "living documents" which undergo periodic review and revision.

The Educational Master Plan, Facilities Master Plan, the Technology Plan, and the Enrollment Management Plan provide the goals from which the district derives its multi-year strategic plan. Augmentations to the general operating budget must be aligned with the college's mission, student learning and operational outcomes, program review and institutional learning outcomes.

The budget building process uses the following general guidelines for prioritizing budget requests. Primary priority is given to identifying the level of necessary ongoing expenditures to sustain the district's current level of operational services. Subsequent priority is given to selecting new initiatives to enhance the mission of the college. The annual review by SPBC of the Educational Master Plan provides direction for the allocation of college resources according to the established goals identified in the District's plans and the program review. The SPBC, a shared governance committee, monitors the college-wide planning process and its effectiveness and makes budget recommendations to the President. The President makes the recommendations to the Board for approval.

SECTION 2

***ANTELOPE VALLEY COLLEGE
BUDGET SUMMARY***