

**REDWOODS COMMUNITY COLLEGE DISTRICT – PRELIMINARY DRAFT
BOARD OF TRUSTEES MEETING**

September 6, 2016
Agenda Item No. 3.2

SUBJECT: APPROVE 2016-17 FINAL BUDGET

RECOMMENDATION

Action is required. The Interim President/Superintendent recommends that the Board of Trustees approve the Final Budget for all funds, as attached, pursuant to BP 6200.

BACKGROUND

The chart below presents a high level summary of the 2016-17 Final Budget for permanent unrestricted general funds. The 2016-17 budget includes State Apportionment revenue for 3950 FTES and \$355,000 in one-time State funds for mandate claims. An estimated \$285,000 transfer to Mendocino College is included in the revenue section instead of transfers as recommended by the District's auditors.

Expenditures have been increased for employee salary steps, health and welfare benefit costs for eligible employees, scheduled increases on District paid pension costs, and increased non-personnel budgets for increased utilities, contracts, and insurance costs. Last year's payroll budget included one-time pay restoration. Removal of that one-time budget helps offset the cost increases when comparing 2015-16 payroll budgets to 2016-17 budgets. Also, 2016-17 is the final payment on the District's certificate of participation (COP) and the final payment is only half of last year's payment.

Budget saving initiatives include reduced spending on temporary personnel, holding certain vacant positions open longer or not refilling positions, a 10% reduction in departmental supplies budgets, and other cost saving measures.

A pension obligation set-aside was funded in 2015-16 with one-time funds and \$25,000 in permanent funding is included in the 2016-17 Final Budget along with a planned one half percent increase to the general fund ending balance.

This report helps the District meet all of the standards in Accreditation Standard IIID *Financial Resources*, specifically, IIID.2.c. *Appropriate financial information is provided throughout the institution in a timely manner.*

BUDGET IMPLICATIONS

The 2016-17 Final Budget will be reported to the State Chancellor's Office by October 10, 2016 or the date in accordance with State Chancellor's Office instructions.

REDWOODS COMMUNITY COLLEGE DISTRICT				
TENTATIVE GENERAL FUNDS BUDGET				
FISCAL YEAR 2016-17				
REVENUES, EXPENDITURES		Unrestricted	2016-17	Unrestricted
AND CHANGE IN FUND BALANCE		2015-16		2016-17
		June 2016 BOT	Adjustments	Final Bgt
		Enrollment Stability		
State COLA Percent			0.00%	
Full-time Equivalent Students (FTES)		3936	14	3950
FTES Growth Percent			0.4%	
REVENUES:				
	Federal Sources	100,598	0	100,598
	State Sources			
	SB 361 State Support	10,384,177	(312,287)	10,071,890
	SB 361 Prop 30 EPA	4,454,436	(514,436)	3,940,000
	CA State Lottery	434,579	10,000	434,579
	Other Revenue (Including One-Time)	3,038,279	(1,944,945)	1,093,334
	Local Sources			
	SB 361 Enrollment Fees	1,191,321	(120,381)	1,070,940
	SB 361 Property Taxes	9,238,849	1,284,387	10,523,236
	Non-Resident Tuition	620,000	100,000	720,000
	Payment to Mendocino College		(285,000)	(285,000)
	Other Revenue	190,000	10,000	190,000
	Total Revenue	29,652,239	(1,772,662)	27,859,577
EXPENDITURES:				
	Academic Salaries	12,209,832	(252,269)	11,957,563
	Other Staff Salaries	5,343,452	(225,423)	5,118,029
	Employee Benefits	6,084,329	709,496	6,793,825
	STRS increase			0
	PERS increase			0
	Health & Welfare @ 6% increase			0
	Temp vacancy svgs and other svgs		(740,875)	(740,875)
	TLU costs for FTES			0
	Supplies & Materials	398,045	24,148	422,193
	Services & Other Operating	3,365,877	333,764	3,699,641
	Capital Outlay & Contingency	459,576	(349,576)	110,000
	Total Expenditures	27,861,111	(500,735)	27,360,376
EXCESS REVENUES (EXPENDITURES)		1,791,128		499,201
OTHER FINANCING SOURCES/(USES):				
	Sale of Land & Buildings			0
	Interfund Transfers In			0
	Intrafund Transfers In		105,000	105,000
	Debt Service			0
	Intrafund Transfers Out			0
	Interfund Transfers Out	(1,419,280)	941,280	(478,000)
	Student Financial Aid	(55,000)		(55,000)
	Other Sources (Uses)			0
	New Pension Liability Set Aside		(25,000)	(25,000)
	Total Other Sources (Uses)	(1,474,280)	1,021,280	(453,000)
BGT SAVINGS/RIF/RETIREMENT INCENTIVE				
FUND BALANCE INCREASE (DECREASE)		316,848		46,201
BEGINNING FUND BALANCE:				
	Beginning Balance	1,639,410		1,881,258
	Reserve for PERS/STRS pension costs	75,000		
	Balancing adjustment			
	Adjusted Beginning Balance	1,714,410		1,881,258
ENDING FUND BALANCE		1,881,258		1,927,459
	Net Fund Balance Percent	6.40%		6.90%
	Excess Reserve Over 5% Minimum	410,738		532,790
	Excess Reserve Over 6% Minimum	116,634		253,857

Redwoods Community College District 2016-17 Final Budget and Multiyear Summary

The 2016-17 Final Budget is being presented to the Board of Trustees for approval at the September 6, 2016 meeting. The Final Budget will be reported to the State Chancellor's Office by October 10 or the date in accordance with State Chancellor's Office instructions. This document includes a three year forecast for the District and the State.

To address fiscal stability at Redwoods Community College District and adhere to Accreditation Standard III, *Resources*, Eligibility Requirements 17, *Financial Resources*, and 18 *Fiscal Accountability*, the District made necessary adjustments to the 2016-17 Final Budget.

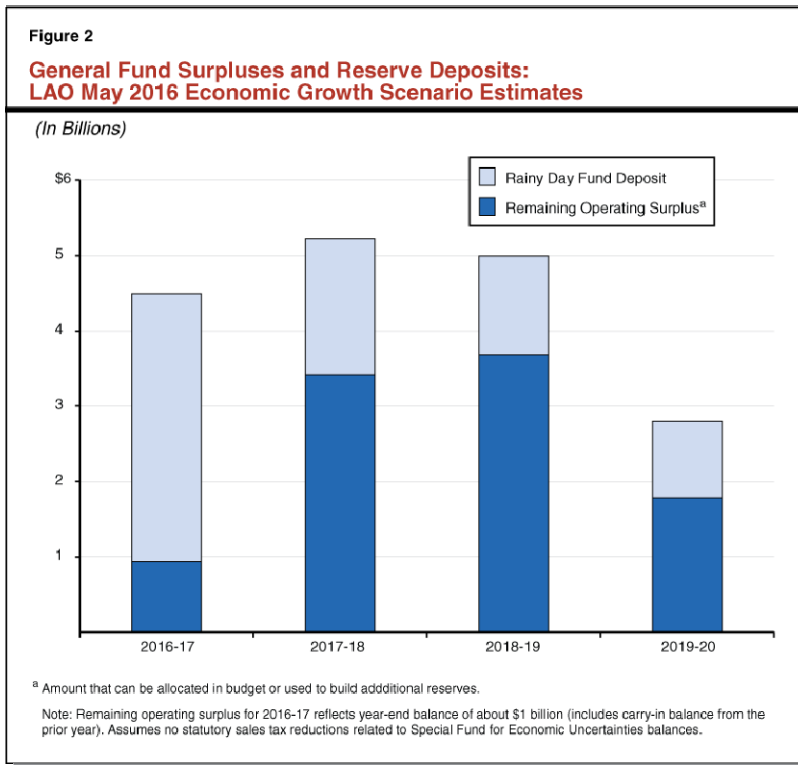
State Forecast

The California Legislative Analyst's Office (LAO) prepared an updated State budget forecast as of May 2016. The latest forecast chart (May 2016) is presented below with last year's forecast on the next page of this report. Last year's forecast showed steady growth in the "General Fund Surpluses and Reserve Deposits" from 2016-17 to 2018-19 and a smaller operating surplus in 2019-20. The LAO's latest forecast shows 2017-18 as the high point for surpluses and 2018-19 and 2019-20 with smaller operating surpluses. The 2019-20 figure contracts by about .7 billion on last year's forecast, while the May 2016 chart shows a much larger reduction of about 2.1 billion in the last bar on the graph.

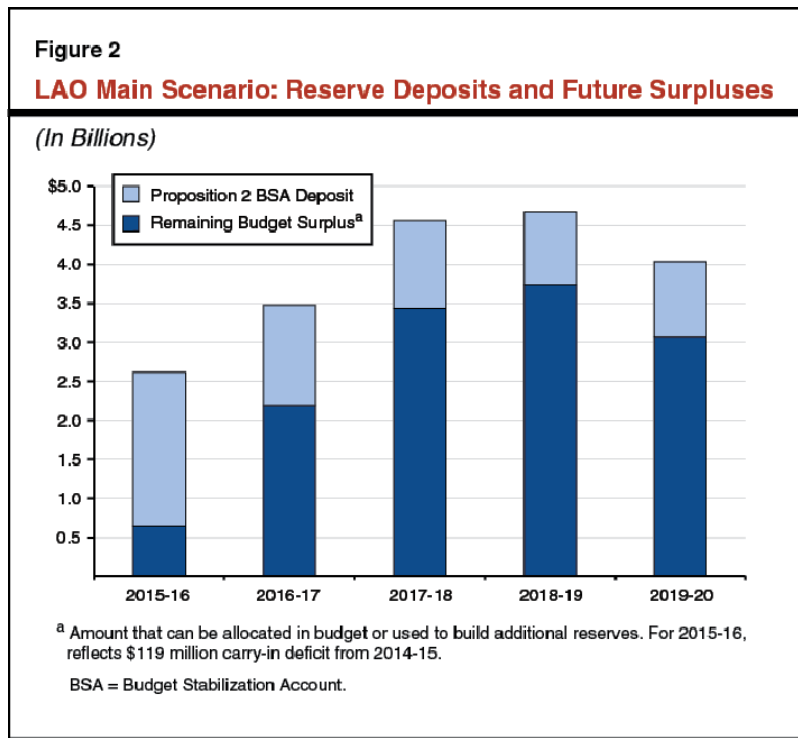
The Legislative Analyst's Office (LAO) May 2016 report notes:

As the figure shows, under our office's May 2016 economic growth scenario assumptions, we estimate the state's budget has the capacity to pay for the Governor's May Revision proposals over the period. After 2016-17, the state would have a few billion dollars available each year to build reserves or make additional commitments. This outlook involves various assumptions. In particular, it assumes the economy and stock prices continue to grow throughout the period and that the state makes no additional budget commitments beyond the Governor's proposals.

Here is the LAO's May 2016 forecast:



Here is last year's LAO's forecast chart from 2015:



While the LAO forecasts surpluses through 2019-20 under both 2015 and 2016 forecasts, their most recent report notes the following about the Governor's Office forecast:

The administration estimates the same set of policies results in operating deficits by 2020.

The LAO notes a primary driver of the administration's more gloomy forecast is higher Health and Human Services (HHS) spending for 2017-18 and onward. They also note:

This is now the main difference in our respective multiyear budget outlooks.

Finally, although the LAO's forecast shows positive ending reserves, they point out that the reserves projection has tightened as compared to their recent forecasts:

Operating Surpluses Have Narrowed Compared to Recent Outlooks. For several years, our office's multiyear outlooks have displayed budgetary surpluses associated with an economic growth scenario. This outlook is not an exception. However, our outlook now shows much smaller operating General Fund surpluses than our assessments in recent years. For example, in the 2013-14 Overview of the May Revision, our office displayed operating surpluses of nearly \$7 billion in the last year of the forecast period. As recently as last November, in our Fiscal Outlook publication, our office displayed operating surpluses of about \$4 billion in 2019-20—about twice the size of the operating surplus described here.

To summarize, the important take-aways from these forecasts are:

- The LAO's main forecast continues to show a balanced State budget through 2019-20, but their most recent May 2016 forecast has softened considerably and significantly lowers the projected operating surplus in 2019-20.
- The Governor's Office forecast is more pessimistic and actually projects problems balancing the State budget by 2019-20.

District Revenue Forecast

For the Redwoods Community College District, we have updated our multiyear forecast. The forecast mirrors the LAO's expected forecast. It assumes that State funding continues to flow to the California Community College system as both base budget augments to help pay for increasing annual pension payments to California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS), step increases, and health and welfare benefits inflation.

The following chart summarizes the Chancellor's Office 2016-17 SB361 Advance Apportionment Report for Redwoods. The top of chart reflects the Chancellor's Office (CO) revenue calculation which assumes restoration of lost enrollments and enrollment growth. Therefore, the CO calculation provides revenue for 4564 FTES. The District's is not expecting to recover all the lost enrollments. Therefore, the bottom of the chart includes a District prepared

estimate to adjust the apportionment revenue budget down to the District’s 2016-17 Full-Time Equivalent Student (FTES) forecast of 3950 FTES.

2016-17 CO SB361 Advance Apportionment	Dollars per FTES	FTES	Apportionment
Credit	\$ 5,004	4449	\$ 22,261,937
Non-Credit	\$ 3,009	90	\$ 271,020
CDCP	\$ 5,004	25	\$ 125,597
Per FTES Funding	<u>\$ 4,965</u>	4564	<u>\$ 22,658,554</u>
Center			\$ 3,601,294
Rural			\$ 1,145,692
DN Center			\$ 600,216
MN Center			\$ 300,108
Total Basic Funding			<u>\$ 5,647,310</u>
Misc revenue adjustment			\$ -
FT Faculty Hiring			\$ 42,430
Base Increase FON			\$ 3,017
Base Increase Non-FON			\$ 356,018
Total Revenue Adjustments			<u>\$ 401,465</u>
Subtotal			\$ 28,707,329
Less Deficit Coefficient			\$ -
Net Apportionment Revenue		4564	<u>\$ 28,707,329</u>
Redwoods FTES Target		3950	
Unrestored FTES	\$ 4,965	-614	\$ (3,047,271)
Reduce Revenue Adjustments			\$ (53,992)
2016-17 Net Apportionment Budget			<u>\$ 25,606,066</u>

The above chart shows that the SB361 Apportionment calculation for Redwoods. For 2016-17, an increase of 100 FTES equates to about \$500 thousand in additional revenue.

The SB361 revenue will be reflected on the schedules at the end of this report and on the Monthly Financial Reports presented to the Board in the “State Sources” in two rows noted as “SB361” and in “Local Sources” in two rows noted as “SB361”. This is because the SB361 model is funded through a combination of State funding augmented by property tax revenue and enrollment fees in Local Sources.

In addition to the permanent or ongoing funding in the summary chart above, the Final Budget also includes some one-time funding. At present these amounts are District estimates as the Chancellor’s Office is expected to release an allocation report shortly. Property tax backfill provides \$31,700,000 in State funds to cover any deficit coefficient that might arise if the estimated property taxes in the SB361 model come in short. If the SB361 property taxes come in “at or above” target, then the Chancellor’s Office will distribute the \$31,700,000 in property tax backfill funding to the community college districts on a per FTES basis. However, any excess funds will be allocated in the 2016-17 Recalculation Enrollment Report (Recalc) which is not

due until after June 30, 2017. The Chancellor’s Office has not yet released an allocation report on the \$105,501,000 in mandate backlog payments. The Chancellor’s Office will distribute these funds on a per FTES basis to all community districts, including those with no outstanding mandate claims.

Therefore, Redwoods will include the estimated \$330 thousand in mandate claims payments in the 2016-17 Final Budget. The potential one-time funds of \$99,172 will not be included in the Final Budget, but could become available at Recalc. Recognizing that the deficit coefficient eventually dropped to \$0 on the 2015-16 Second Principal Apportionment Report (P-2) and that the Chancellor’s Office has property tax backfill funds available, this year’s Final Budget includes \$0 for a deficit coefficient. In previous years, when actual property tax receipts were less than the property tax budget in the SB 361, the deficit coefficient was used by the Chancellor’s Office to pro-rata reduce Apportionment funding to each community college district.

Additional One-Time Funds - ESTIMATES		Redwoods	CO System
Redwoods 2015-16 P-2 FTES	3584		
CO 2015-16 P-2 FTES	1145637		
Redwoods Percent	0.31%		
Mandate Backlog Payments	0.31%	330,055	105,501,000
Property Tax Backfill (If not needed to cover deficit coefficient)	0.31%	99,172	31,700,000

Adding the permanent Apportionment funding for 3950 FTES plus the \$330,055 in one-time mandate backlog payments yields a total SB361 Apportionment budget of \$25,936,121 distributed in the Monthly Financial Report as shown below:

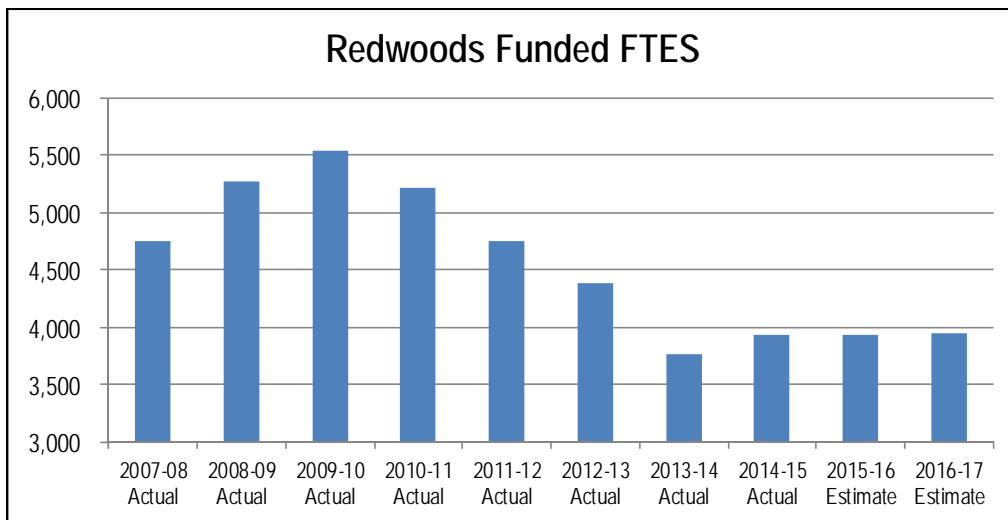
REVENUES:	2016-17 Final Budget SB361 Revenue
Federal Sources	
State Sources (3940 FTES)	
SB 361 State Support	10,071,890
SB 361 Prop 30 EPA	3,940,000
CA State Lottery	
Other Revenue (Including One-Time)	330,055
Local Sources	
SB 361 Enrollment Fees	1,070,940
SB 361 Property Taxes	10,523,236
Non-Resident Tuition	
Other Revenue	
Total Revenue	25,936,121

District Enrollment Forecast - 3950 Funded FTES

For 2016-17, the District’s enrollment forecast is for 3950 Full-Time Equivalent Student (FTES) eligible for apportionment funding. In 2015-16 the District was on enrollment stability, so a missed enrollment target would not reduce 2015-16 funding. However, during 2016-17, the District will not be on enrollment stability and will see revenue cut if enrollments come in below 3950 FTES.

Redwoods will include eligible enrollments from both Summer 2016 and Summer 2017 to help meet this year’s FTES budget. Enrollments which the Chancellor’s Office rules require to be reported during 2016-17 will be reported on CCFS-311 and 320 reports for 2016-17. All flexible enrollments for both summers, which generally include enrollments where the course meetings cross the fiscal year, will be reported in 2016-17. This strategy provides a marginal increase in funding, since portions of two summers are included in a single year. Without enrollment stability, each FTES shortfall below 3950 will cut the District’s general fund apportionment by \$5,000 in 2016-17 and will reduce the 2017-18 enrollment stability floor funding level. Therefore, the multiyear impact of a one FTES shortfall is over \$10,000.

The following chart summarizes the District’s funded enrollments:



When a district’s enrollments drop, Chancellor’s Office rules allow that district three fiscal years to restore the lost enrollments or the enrollment funding is permanently reallocated to other districts. For 2016-17 Redwoods is eligible to restore up to 569 FTES that have been lost over the previous three years for about \$2.8 million. Also, enrollment growth funding is available for an additional 45 FTES for \$223 thousand funding, which brings the total unearned funding to \$3 million.

District Multiyear Budget Forecast

The next chart provides a high level summary of the three year budget forecast. Redwoods’ fund balance must increase by \$574 thousand by 2018-19 in order to meet the 7.90% ending fund balance target. Given only a minimal increase of about 64 FTES from 2015-16 to 2018-19 and perhaps 1% annual COLAs or base budget increases for 2017-18 and 2018-19, Redwoods must

secure additional non-enrollment driven resources. The earliest indication of any augment to apportionment funding will be the Governor’s 2017-18 proposed budget which is scheduled for release in January 2017. The January Governor’s budget will also provide the first indication if the Governor plans to accelerate State mandate claim payments.

2016-17 Final Budget and Multiyear Forecast				
Unrestricted General Fund	2015-16	2016-17	2017-18	2018-19
Funded FTES	3936	3950	3950	4000
Beginning Fund Balance	\$ 1,639,410	\$ 1,881,258	\$ 1,927,459	\$ 2,176,428
Revenue	\$ 29,652,239	\$ 27,859,577	\$ 28,187,638	\$ 28,768,111
Expenditures	\$ 27,861,111	\$ 27,360,376	\$ 28,865,669	\$ 30,189,314
Transfers and Other	\$ (1,474,280)	\$ (453,000)	\$ 927,000	\$ 1,677,000
Net Revenue	\$ 316,848	\$ 46,201	\$ 248,968	\$ 1,677,000
Ending Fund Balance	\$ 1,881,258	\$ 1,927,459	\$ 2,176,428	\$ 2,432,225
Fund Balance Percent	6.40%	6.90%	7.40%	7.90%
Excess Reserve Over 5% Minimum	\$ 410,738	\$ 532,790	\$ 707,744	\$ 896,109
Excess Reserve Over 6% Minimum	\$ 116,634	\$ 253,857	\$ 414,007	\$ 588,886

District 2016-17 Budget Summary

2016-17 revenue includes a base budget increase allocated through the Chancellor’s Office SB361 Apportionment model and estimated one-time funding from the State. The revenue budget is actually lower in 2016-17 because 2015-16’s budget included over \$2 million in one-time funds received from the State. An estimated \$285,000 transfer to Mendocino College is included in the 2016-17 revenue section instead of transfers as recommended by the District’s auditors.

Expenditures include costs for employee salary steps, health and welfare benefit costs for eligible employees, pension cost increases, and other changes to payroll costs. These payroll costs increases are partially offset by moving costs to other funds and savings from positions not refilled or refilled at a lower salary step. Also, one-time pay restoration during 2015-16 has been removed from the 2016-17 payroll budget due to its non-recurring nature. This results in a \$232 thousand net increase to payroll costs. Supplies and materials and services and other operating costs have been augmented by \$358 thousand to cover anticipated increased costs for licenses, utilities, insurance, etc. This is net of a scheduled 10% reduction in most departmental supplies budgets. Also, capital outlay and contingency have been reduced to remove last years’ one-time budget. A new scheduled transfer of \$25,000 is included in the budget to begin permanently funding a set-aside for unfunded pension liabilities. To further reduce expenditures, \$741 thousand in temporary savings is planned from vacant positions held open in the near term, reduced temporary staff and travel, and other miscellaneous savings. If the \$741 thousand cannot be fully covered from savings, then rental income, auxiliary funds and other eligible non-general fund resources will be used. Finally, a transfer of \$105,000 from other funds is scheduled to provide additional general fund support.

Interfund Transfers Out of \$478,000 include:

- About \$50,000 for final debt service payment on COP.
- \$90,000 for Child Development Center.
- \$88,000 for the Shively Farm.
- \$250,000 for the OPEB fund, up from \$225,000 the previous year. This transfer will be increased to \$300,000 over the next two years.

The net result of all of the above budget decisions is to increase the 2016-17 ending fund balance by 0.5% to the 6.90% target.

2017-18 and 2018-19 Budget Forecast Summary

The 2017-18 and 2018-19 forecasts rely heavily on non-enrollment resources to balance. 2017-18 is planned as an enrollment stability year, so enrollment funding will be fixed at whatever FTES Redwoods generates during 2016-17, 3950 FTES. A 50 FTES increase is included in the 2018-19 enrollment forecast. A one percent annual State COLA or base budget increase is included along with small growth in miscellaneous resources. Expenditures are increased by scheduled salary step increases, estimated health and welfare cost increases for eligible employees, and increased pension payments to PERS and STRS.

The net result of these budget adjustments shows that \$3.1 million in non-enrollment driven resources will be required by 2018-19. This will allow the fund balance to grow by one-half percent annually to 7.9% by 2018-19.

Legislative Advocacy and Chancellor's Office Advocacy

As the District moves forward, we have relied on two overarching resources for funding augments: State base budget increases and stable enrollments with the prospect of modest FTES growth. A third initiative involves more legislative advocacy to address small and rural college funding needs.

Two fundamental arguments support providing additional funding to smaller and rural colleges. First, reducing funding at smaller institutions can lead to a downward spiral where eventually only larger population centers are served by a viable community college. The State needs to support high quality, low cost education and training across the entire state and not abandon rural California. Second, the State needs to maintain its community college capacity across California. Reducing funding at smaller, rural colleges leads to closing satellite classrooms, eliminating the ranks of faculty and staff, and shuttering or retasking empty space. As the economy moves to recession, then the same small, rural college will see an influx of students. However, it takes time to re-establish lost teaching capacity which results in turning away students seeking high quality, low cost higher education and retraining. Following are examples of the emerging initiatives:

- Accelerate payments to retire the \$5+ million Redwoods mandate claim receivable with the State.

- Advocate for increased basic district funding for smaller districts. Currently, there are three funding levels: \$6 million/\$4.8 million/\$3.6 million based on district size. While optically, it may appear appropriate to spread each funding category by \$1.2 million, the underlying costs typically do not neatly ramp up and down. Chancellor's Office requirements force inefficiencies upon small districts
- Advocate for increased basic center funding. The largest centers are funded at \$1.2 million annually in basic center funding, while smaller, rural centers such as the Del Norte Center receive only \$600 thousand per year. Advocate to change the Center rules to allow KT to qualify as a small center due to its "very low income" location and predominately minority student body.
- Provide extended stability funding for districts experiencing enrollment losses. This would provide three years of enrollment stability funding to allow a district to develop new enrollment programs and restore FTES.
- Advocate to accelerate broadband expansion to rural areas of California currently experiencing limited and costly internet access. For example, the Klamath-Trinity (KT) site is especially impacted by restricted internet access. Neither the Del Norte Center nor the KT site receives any CENIC services.
- Expand the scope of SB 1460 Community Colleges: Funding San Francisco Community College District to include Redwoods. This bill provided special funding to City College of San Francisco in recognition of the fiscal troubles caused by Accreditation problems. Redwoods was placed on Show Cause during the same time period as City College.
- Ask the Chancellor's Office (CO) to enact modest capacity controls at fast-growing college districts to drive more students to Redwoods and other smaller colleges.
 - Fast growing campuses could more strictly enforce registration deadlines and cap enrollments in programs at capacity where excess capacity exists at other colleges.
 - The Chancellor's Office could impose stronger limits on new center funding when excess capacity exists systemwide.
 - In districts with enrollment growth, the CO might allow colleges with declining enrollments to market directly in that service area, provided the TV/radio spots and other advertising do not disparage the incumbent community college. For example, Redwoods might advertise its Police Academy and associate degrees for transfer (ADTs) in areas of fast growth across California.
 - As the CO builds out its systemwide online initiative, course sections at smaller, rural colleges could simply be listed first on the page when a student searches for a particular course.
- When the Chancellor's Office moves to expand bachelor's degree offerings beyond the current limited set of community colleges, the CO needs to provide support for smaller colleges to expand into bachelor's degree programs.
- Advocate for a basic funding component for categorical funding. The Chancellor's Office often spreads categorical funds on a strictly per-FTES basis which disadvantages smaller districts. To mirror the SB361 Apportionment model's basic funding calculations, these other funds should be allocated with a fixed basic amount to each district and then allocations based on enrollments. For example, Redwoods was allocated \$482,808 in 2016-17 categorical physical plant and instructional equipment funds on the strictly enrollment driven formula. A formula with a fixed basic funding amount of \$400,000 per district which then allocated the remainder on an enrollment driven formula

would increase Redwoods' allocation to \$793,000. Other small districts would benefit as well.

Impact of LAO's Slowdown Scenario

Under the LAO's economic slowdown scenario, the District could see additional revenue, since economic conditions may cause more people to go back to school for further education. However, new student revenue might be offset as the State may not have the means to provide additional base budget increases. The LAO slowdown scenario notes that the State's rainy day funds might only cover the first year of a multiyear State budget deficit.

Employee Notice Requirements

When the budget forecast remains in an unbalanced deficit position by February 1 of any given year, the District may consider issuing formal notice to the College of the Redwoods Faculty Organization (CRFO) of a potential reduction in force pursuant to section 13.3 of the collective bargaining agreement. When the budget forecast remains in an unbalanced deficit position by March 15 of any given year, the District may consider identifying faculty and management positions and issuing formal notice of layoff/reduction in force by March 15, pursuant to California Administrative Code Title 5, sections 87740 and 87743.

Fifty Percent Law Compliance

California Community Colleges, Budget and Accounting Manual, 2000 edition:
The "50 Percent Law," as defined in Education Code Section 84362 and California Code of Regulations Section 59200 et seq., requires California Community College districts to spend each fiscal year 50% of the current expense of education for payment of salaries of classroom instructors. The intent of the statute is to limit class size and contain the relative growth of administrative and noninstructional costs.

The chart shows that the District can meet the Fifty Percent Law requirement for 2016-17. However, in order to comply, it is assumed that expenditures will occur as forecasted in the Final Budget.

Fifty Percent Law Compliance	2013-14 Budget	2014-15 Budget	2015-16 Budget	2016-17 Budget
Salaries of classroom instructors	\$ 13,064,984	\$ 12,592,779	\$ 14,021,104	\$ 14,360,415
Current expense of education	\$ 25,661,112	\$ 25,157,946	\$ 27,376,814	\$ 28,348,118
Percent (Must be 50% or greater)	50.9%	50.1%	51.2%	50.7%
Max expense allowed @ 50%	\$ 26,129,968	\$ 25,185,558	\$ 28,042,208	\$ 28,720,830
Cushion	\$ 468,856	\$ 27,612	\$ 665,395	\$ 372,712

Factors influencing the 50% law budget calculation include changes in District positions and changes to associate faculty budgets related to changes in enrollments. For 2016-17 increased

non-payroll budgets also contributed to the small reduction in the percentage calculation. Compliance with the Fifty Percent Law is based on a year-end calculation of actual expenditures, not budgeted expenditures. Therefore, this calculation should be viewed as a preliminary estimate for discussion only.

Full-Time Equivalent Faculty Obligation Number (FON) Compliance

California Community Colleges, Budget and Accounting Manual, 2012 edition:
The number of full-time faculty positions that are required to be maintained within a district per Title 5 Section 51025. This section requires a community college district to increase the number of full-time faculty over the prior year in proportion to the amount of growth in funded credit FTES. The inverse applies when there are Workload Measure Reduction[s].

The Chancellor's Office Advance Apportionment report includes a Fall 2017 projected Faculty Obligation Number (FON) of 75.2 for Redwoods. Compliance with the FON is based on the lower of the Advance or the Final actual FON calculation. For 2015-16, the Advance FON was 78.7 while the final FON was 60.2. Therefore, it is expected that the 2016-17 final FON will be lower than the 2016-17 Advance FON. At present, the District's position inventory estimates about 73.5 general fund full-time instructors.

Exhibits

Exhibits for unrestricted general funds, general funds, multiyear unrestricted general fund forecast, and all funds are presented on the following exhibits.

Exhibit A: 2016-17 Unrestricted, Restricted, and Total General Fund Budget

Exhibit B: 2016-17, 2017-18, 2018-19 Unrestricted General Fund Multiyear Forecast

Exhibit C: 2016-17 All Funds Budget

Restricted General Funds (Fund 10)

Certain restricted funds receive a funding allocation from the State Chancellor's Office and may be referred to as designated or categorical programs. Other restricted funds include Capital Projects, Enterprise, Associated Students, Student Financial Aid, and the Employee Benefits Trust. Enterprise funds include certain revenue generating auxiliary enterprises. These monies are provided for a specific purpose and generally cannot be used for any other District costs.

The State Chancellor's Office tracks funding for over 20 categorical programs, such as: Calworks, Childcare, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), and Cooperative Agencies Resources for Education (CARE). Many of these categorical programs target specific populations of students for additional support.

Debt Service (Fund 21 & 29)

The Debt Service Funds include the Bond Interest and Redemption Fund (Fund 21) and the Other Debt Service Fund – COPS (Fund 29). At its June 7, 2005 meeting, the Board of Trustees established a Bond Interest and Redemption Fund to account for revenues derived from property taxes levied for the payment of principal and interest on outstanding bonds of the District, for example, Measure Q bonds. Responsibility for the operation of this fund is vested with the Humboldt County Auditor in accordance with State law.

In October 1988, the District formed the College of the Redwoods Financing Corporation (CRFC) for the purpose of issuing \$3 million in certificates of participation (COPs). Proceeds were used for acquisition of land and buildings, for rental of facilities, for remodeling and maintenance projects, and for debt service requirements. This 30-year obligation was refinanced in November 1998 over the remaining 20 years at savings of \$376,258. The interest rate is now 5.3%. The financial statements note a principal balance of \$258,510 as of June 30, 2014 for “Refunding Lease Obligation.” The District has made lease payments of about \$100K per year as assigned by CRFC for the retirement of the outstanding debt. These activities were accounted for in a debt service fund. The final payment is due during 2016-17.

Child Development (Fund 33)

The District operates child development programs on the Eureka Campus for the benefit of children from infants to age five. In addition to Federal and State support, the District charges an hourly rate to parents for its instructional activities.

The unrestricted general fund provides \$90,000 in direct support to this fund and additionally covers overhead costs for administration, operations and maintenance of this program. The Child Development budget will be used to cover costs of providing hands-on student learning opportunities in a working childcare center for Early Childhood Education students.

Student Farm (Shively Farm, Fund 34)

This Fund was established in November 2000 to account for student agricultural production activities that are conducted on a farm in Shively, California. The land, buildings, equipment, and cash were a gift received from the estate of John Bianchi. In fiscal year 2008-09, CalTrans gave the District Foundation \$2.0M to assist with the operational needs of the student farm. An endowment was set up with \$1.5M and the interest earned provides support to the Agriculture instructional programs at the District. Proceeds from the endowment directly benefit the District’s instructional programs, and not the Farm operations.

The remaining \$500 thousand was designated for the benefit of the Farm to help with equipment purchases. The Farm budget will be used to cover costs of providing hands-on student learning opportunities in a working laboratory farm and costs of production of the goods to be sold from the Farm. The unrestricted general fund provides \$50,000 per year in support to this fund.

Other Special Revenue (Fund 39)

Students benefit from the services provided by this fund through access to the student center. The District Board established a special revenue fund to account for the rental income from District owned or leased buildings.

Capital Projects (Fund 41)

This fund provides monies for the various construction and improvement projects occurring across the District. Students benefit from these projects by gaining access to updated facilities, upgraded technology and furniture. The District maintains the Capital Outlay Projects Fund to account for the expenditure of capital outlay and scheduled maintenance projects.

Enterprise (Funds beginning with 5)

Community Education and the student house built by the Construction Technology program are recorded here.

Associated Student Trust (Fund 71)

The Associated Students of the College of the Redwoods uses these monies to provide services for the District's students. Regulations adopted by the Board of Governors of the California Community Colleges require the establishment of a fund to account for moneys held in trust by the District for the organized student body association. This fund was established in November 2000. The budget represents revenue and expenditure estimates of activities managed by student government.

Student Financial Aid Trust (Fund 74)

This fund is for financial aid transactions which benefits students on financial aid. This fund holds monies that do not belong to the District, but rather these funds must ultimately be disbursed to students. The students in turn use these monies to pay their enrollment fees, purchase textbooks, and cover living expenses each semester. Federal Department of Education regulations prohibit the accumulation of a fund balance.

Employee Benefit Trust (Fund 78)

This fund was created to accumulate a pool of monies to cover the estimated cost of providing health and welfare benefits to certain retired employees of the District. The District phased out these benefits for newly hired employees after December 2007.

EXHIBIT A: 2016-17 Unrestricted, Restricted, and Total General Fund Budget

REDWOODS COMMUNITY COLLEGE DISTRICT						
TENTATIVE GENERAL FUNDS BUDGET						
FISCAL YEAR 2016-17						
		Unrestricted	2016-17	Unrestricted	2016-17	All
REVENUES, EXPENDITURES		2015-16	Adjustments	2016-17	Restricted	2016-17
AND CHANGE IN FUND BALANCE		June 2016 BOT		Final Bgt	Adjustments	General Fund
		Enrollment Stability				
State COLA Percent			0.00%			
Full-time Equivalent Students (FTES)		3936	14	3950		
FTES Growth Percent			0.4%			
REVENUES:						
Federal Sources		100,598	0	100,598	1,255,877	1,356,475
State Sources						
SB 361 State Support		10,384,177	(312,287)	10,071,890		10,071,890
SB 361 Prop 30 EPA		4,454,436	(514,436)	3,940,000		3,940,000
CA State Lottery		434,579	10,000	434,579		434,579
Other Revenue (Including One-Time)		3,038,279	(1,944,945)	1,093,334	2,506,006	3,599,340
Local Sources						
SB 361 Enrollment Fees		1,191,321	(120,381)	1,070,940		1,070,940
SB 361 Property Taxes		9,238,849	1,284,387	10,523,236		10,523,236
Non-Resident Tuition		620,000	100,000	720,000		720,000
Payment to Mendocino College			(285,000)	(285,000)		
Other Revenue		190,000	10,000	190,000	302,884	492,884
Total Revenue		29,652,239	(1,772,662)	27,859,577	4,064,767	32,209,344
EXPENDITURES:						
Academic Salaries		12,209,832	(252,269)	11,957,563	704,568	12,662,131
Other Staff Salaries		5,343,452	(225,423)	5,118,029	1,346,911	6,464,940
Employee Benefits		6,084,329	709,496	6,793,825	1,081,928	7,875,753
STRS increase				0		0
PERS increase				0		0
Health & Welfare @ 6% increase				0		0
Temp vacancy svgs and other svgs			(740,875)	(740,875)		(740,875)
TLU costs for FTES				0		0
Supplies & Materials		398,045	24,148	422,193	109,115	531,308
Services & Other Operating		3,365,877	333,764	3,699,641	815,454	4,515,095
Capital Outlay & Contingency		459,576	(349,576)	110,000	182,694	292,694
Total Expenditures		27,861,111	(500,735)	27,360,376	4,240,670	31,601,046
EXCESS REVENUES (EXPENDITURES)		1,791,128		499,201		608,298
OTHER FINANCING SOURCES/(USES):						
Sale of Land & Buildings				0		0
Interfund Transfers In				0		0
Intrafund Transfers In			105,000	105,000		105,000
Debt Service				0		0
Intrafund Transfers Out				0		0
Interfund Transfers Out		(1,419,280)	975,000	(478,000)		(478,000)
Student Financial Aid		(55,000)		(55,000)		(55,000)
Other Sources (Uses)				0		0
New Pension Liability Set Aside			(25,000)	(25,000)		(25,000)
Total Other Sources (Uses)		(1,474,280)	1,055,000	(453,000)	0	(453,000)
BGT SAVINGS/RIF/RETIREMENT INCENTIVE						
FUND BALANCE INCREASE (DECREASE)		316,848		46,201		155,298
BEGINNING FUND BALANCE:						
Beginning Balance		1,639,410		1,881,258	175,000	2,056,258
Reserve for PERS/STRS pension costs		75,000				
Balancing adjustment						
Adjusted Beginning Balance		1,714,410		1,881,258		2,056,258
ENDING FUND BALANCE		1,881,258		1,927,459		2,211,556
Net Fund Balance Percent		6.40%		6.90%		
Excess Reserve Over 5% Minimum		410,738		532,790		
Excess Reserve Over 6% Minimum		116,634		253,857		

EXHIBIT B: 2016-17, 2017-18, 2018-19 Unrestricted General Fund Multiyear Forecast

REDWOODS COMMUNITY COLLEGE DISTRICT							
TENTATIVE GENERAL FUNDS BUDGET							
FISCAL YEAR 2016-17							
	Unrestricted	2016-17	Unrestricted	2017-18	Unrestricted	2017-18	Unrestricted
REVENUES, EXPENDITURES	2015-16		2016-17		2017-18		2018-19
AND CHANGE IN FUND BALANCE	June 2016 BOT	Adjustments	Final Bgt	Adjustments	Forecast	Adjustments	Forecast
	Enrollment Stability				Enrollment Stability		
State COLA Percent		0.00%		1.00%		1.00%	
Full-time Equivalent Students (FTES)	3936	14	3950	0	3950	50	4000
FTES Growth Percent		0.4%		0.0%		1.3%	
REVENUES:							
Federal Sources	100,598	0	100,598	2,000	102,598	2,000	104,598
State Sources							
SB 361 State Support	10,384,177	(312,287)	10,071,890	(285,000)	9,786,890	252,702	10,039,592
SB 361 Prop 30 EPA	4,454,436	(514,436)	3,940,000	256,061	4,196,061	255,771	4,451,832
CA State Lottery	434,579	10,000	434,579	10,000	444,579	10,000	454,579
Other Revenue (Including One-Time)	3,038,279	(1,944,945)	1,093,334		1,093,334		1,093,334
Local Sources							
SB 361 Enrollment Fees	1,191,321	(120,381)	1,070,940		1,070,940		1,070,940
SB 361 Property Taxes	9,238,849	1,284,387	10,523,236		10,523,236		10,523,236
Non-Resident Tuition	620,000	100,000	720,000	50,000	770,000	50,000	820,000
Payment to Mendocino College		(285,000)	(285,000)		0		0
Other Revenue	190,000	10,000	190,000	10,000	200,000	10,000	210,000
Total Revenue	29,652,239	(1,772,662)	27,859,577	43,061	28,187,638	580,473	28,768,111
EXPENDITURES:							
Academic Salaries	12,209,832	(252,269)	11,957,563	199,721	12,157,284	199,721	12,357,005
Other Staff Salaries	5,343,452	(225,423)	5,118,029	173,163	5,291,192	173,163	5,464,355
Employee Benefits	6,084,329	709,496	6,793,825	41,017	6,834,842	41,017	6,875,859
STRS increase			0	180,000	180,000	157,000	337,000
PERS increase			0	320,000	320,000	113,000	433,000
Health & Welfare @ 6% increase			0	283,392	283,392	283,392	566,784
Temp vacancy svgs and other svgs		(740,875)	(740,875)	170,000	(570,875)	30,000	(540,875)
TLU costs for FTES			0		0	126,351	126,351
Supplies & Materials	398,045	24,148	422,193	38,000	460,193	50,000	510,193
Services & Other Operating	3,365,877	333,764	3,699,641	75,000	3,774,641	100,000	3,874,641
Capital Outlay & Contingency	459,576	(349,576)	110,000	25,000	135,000	50,000	185,000
Total Expenditures	27,861,111	(500,735)	27,360,376	1,505,293	28,865,669	1,323,644	30,189,314
EXCESS REVENUES (EXPENDITURES)	1,791,128		499,201		(678,032)		(1,421,203)
OTHER FINANCING SOURCES/(USES):							
Sale of Land & Buildings			0		0		0
Interfund Transfers In			0		0		0
Intrafund Transfers In		105,000	105,000	1,380,000	1,485,000	800,000	2,285,000
Debt Service			0		0		0
Intrafund Transfers Out			0		0		0
Interfund Transfers Out	(1,419,280)	941,280	(478,000)	25,000	(453,000)	(25,000)	(478,000)
Student Financial Aid	(55,000)		(55,000)		(55,000)		(55,000)
Other Sources (Uses)			0		0		0
New Pension Liability Set Aside		(25,000)	(25,000)	(25,000)	(50,000)	(25,000)	(75,000)
Total Other Sources (Uses)	(1,474,280)	1,021,280	(453,000)	1,380,000	927,000	750,000	1,677,000
BGT SAVINGS/RIF/RETIREMENT INCENTIVE							
FUND BALANCE INCREASE (DECREASE)	316,848		46,201		248,968		255,797
BEGINNING FUND BALANCE:							
Beginning Balance	1,639,410		1,881,258		1,927,459		2,176,428
Reserve for PERS/STRS pension costs	75,000						
Balancing adjustment							
Adjusted Beginning Balance	1,714,410		1,881,258		1,927,459		2,176,428
ENDING FUND BALANCE	1,881,258		1,927,459		2,176,428		2,432,225
Net Fund Balance Percent	6.40%		6.90%		7.40%		7.90%
Excess Reserve Over 5% Minimum	410,738		532,790		707,744		896,109
Excess Reserve Over 6% Minimum	116,634		253,857		414,007		588,886

EXHIBIT C: 2016-17 All Funds Budget

REDWOODS COMMUNITY COLLEGE DISTRICT FINAL BUDGET FISCAL YEAR 2016-17												
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	GOVERNMENTAL FUND TYPES							PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPE - TRUST			TOTAL ALL FUNDS <i>(Memo Only)</i>
	General Fund <i>(10)</i>	Debt Serv Fund <i>(21) & (29)</i>	SPECIAL REVENUE FUNDS					Enterprise Funds <i>(5X)</i>	Associated Student Body <i>(71)</i>	Student Financial Aid Trust <i>(74)</i>	Employee Benefit Trust <i>(78)</i>	
			Child Devel- opment <i>(33)</i>	Student Farm <i>(34)</i>	Other Sp Rev Funds <i>(39)</i>	Capital Projects <i>(41)</i>						
REVENUES:												
Federal Sources	8100-8199	\$ 1,356,475	\$ 0	\$ 182,367	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,190,000	\$ 0	\$ 11,728,842
State Sources	8600-8699	18,045,809	0	241,159	100,000	0	35,967,964	0	0	555,000	0	54,909,932
Local Sources	8800-8899	12,807,060	2,155,764	6,000	30,000	595,000	40,000	950,000	60,000	0	278,405	16,922,229
Total Revenue		32,209,344	2,155,764	429,526	130,000	595,000	36,007,964	950,000	60,000	10,745,000	278,405	83,561,003
EXPENDITURES:												
Academic Salaries	1000-1999	12,662,131	0	0	0	0	0	0	0	0	0	12,662,131
Other Staff Salaries	2000-2999	6,464,940	0	278,026	55,809	218,633	100,777	122,726	13,347	0	0	7,254,258
Employee Benefits	3000-3999	7,875,753	0	177,031	31,703	123,987	56,118	62,870	1,987	0	900,000	9,229,449
Other Payroll Adjustments												0
One-Time Items		(740,875)										
Supplies & Materials	4000-4999	531,308	0	48,649	23,500	8,000	0	60,000	9,800	0	0	681,257
Services & Other Operating	5000-5999	4,515,095	0	29,987	12,000	132,000	0	120,000	87,775	7,619	0	4,904,476
Capital Outlay	6000-6999	292,694	0	5,000	100,000	300,000	23,500,000	400,000	3,000	0	0	24,600,694
Total Expenditures		31,601,046	0	538,693	223,012	782,620	23,656,895	765,596	115,909	7,619	900,000	59,332,265
EXCESS REVENUES (EXPENDITURES)		608,298	2,155,764	(109,167)	(93,012)	(187,620)	12,351,069	184,404	(55,909)	10,737,381	(621,595)	24,228,738
OTHER FINANCING SOURCES (USES):												
Interfund Transfers In	8980-8988	105,000	57,689	90,000	88,000	0	(105,000)	0	0	0	250,000	485,689
Debt Service	7100-7199	0	(2,133,681)	0	0	0	0	0	0	0	0	(2,133,681)
Intrafund Transfers Out	7200-7299	0	0	0	0	0	0	0	0	0	0	0
Interfund Transfers Out	7300-7399	(503,000)	0	0	0	0	0	0	0	0	0	(503,000)
Student Financial Aid	7500-7699	(55,000)	0	0	0	0	0	0	0	(10,737,381)	0	(10,792,381)
Total Other Sources (Uses)		(453,000)	(2,075,992)	90,000	88,000	0	(105,000)	0	0	(10,737,381)	250,000	(12,943,373)
FUND BALANCE INCREASE (DECREASE)		155,298	79,772	(19,167)	(5,012)	(187,620)	12,246,069	184,404	(55,909)	0	(371,595)	11,285,366
BEGINNING FUND BALANCE:												
Beginning Balance	9790	2,056,258	2,020,120	111,863	765	218,495	7,299,199	491,362	186,175	5	1,508,701	13,892,943
Prior Year Adjustments	9791-9792	0	0	0	0	0	0	0	0	0	0	0
Adjusted Beginning Balance		2,056,258	2,020,120	111,863	765	218,495	7,299,199	491,362	186,175	5	1,508,701	13,892,943
ENDING FUND BALANCE		\$ 2,211,556	\$ 2,099,892	\$ 92,696	\$ (4,247)	\$ 30,875	\$ 19,545,268	\$ 675,766	\$ 130,266	\$ 5	\$ 1,137,106	\$ 25,178,308