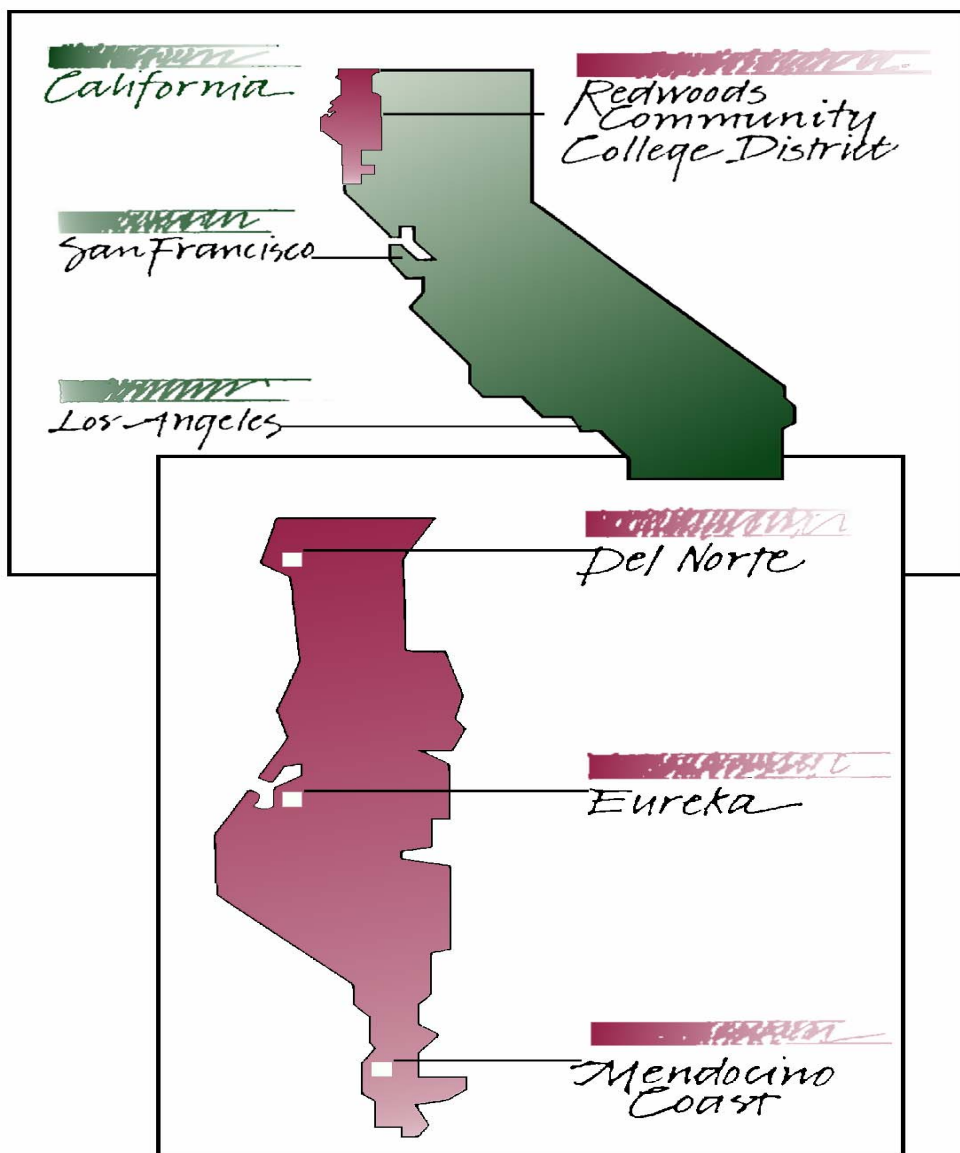


THE DISTRICT

The Redwoods Community College District, founded in 1964, is located in Northern California on the Pacific Coast. It covers a geographic area from 190 miles north of San Francisco to the Oregon border. The main campus is in Eureka, with additional campuses in Crescent City (Del Norte) and in Fort Bragg (Mendocino Coast). In addition, instructional sites have been established to serve the needs of students in the Northern Humboldt and Klamath/Trinity areas. The College offers Associate in Arts and Associate in Science degrees, as well as lower division general education classes, including academic major prerequisites needed to transfer to four-year colleges and universities. Classes are also offered that qualify students for certificates in over 40 vocational fields. The District is a public agency governed by an elected nine-member Board of Trustees, which represent defined geographical areas. The 2004-05 Final Budget is included as Exhibit A.



***DR. KATHLEEN E.
CRABILL***

***PRESIDENT/
SUPERINTENDENT***



***PRESIDENT'S
MESSAGE*** The District serves a number of diverse communities, each of which looks to College of the Redwoods to meet a variety of post-secondary needs. The District is tackling the activities of its strategic plan for 2004-2007. This plan was developed through a broad-based process. Our analysis produced five powerful focal points for the District as a whole, and these are reflected in our strategic plan:

Access Ensuring access is a matter not only of removing roadblocks and/or providing services that facilitate participation but also of adding new programs. These roadblocks fall into four main categories. These categories include the need for flexible scheduling, transportation, childcare/family support, and cultural support.

Increasing access achieves a number of benefits including an increase in enrollment and diversity as well as a focus for marketing, outreach, and curriculum. Increasing access also helps to ensure that the College meets the region's need for education and enhances the preparation of the region's workforce.

Curriculum In this context, curriculum refers to the subject matter that is taught in academic and transfer programs, professional and technical programs, and community and fee-based educational venues. Programming in these areas reflects employment and academic needs and interests of the communities we serve. With respect to the College's curricula, the CR faculty has the responsibility to create, review, and, when necessary, revise curricula so that courses, classes, and full programs of study continue to meet the needs and serve the interests of the regional community.

Economic Vitality Economic Vitality is a part of the mission of College of the Redwoods. It includes the potential to shape and change lives by adding essential opportunities and incentives to individuals and businesses in all segments of our economy. Economic vitality provides a proven method of attracting new business and industry

to our region. Working in this arena, the College has the potential to increase our tax base by advancing a better trained workforce. In addition, by enhancing the economic vitality of the area, the College can help to decrease expenditures for crime, welfare, unemployment, and health care through a better educated, informed, and employed community.

Inclusiveness and Diversity Campus inclusiveness and diversity is a College value reflected in all aspects of our services, programs, activities, and curricula. Involving far more than annual events or a campus diversity statement, campus inclusiveness and diversity centers on raising the awareness and sensitivity of the campus community in the hope that CR reflect and respect the wide-ranging diversity of our region and State populations. A commitment to campus inclusiveness and diversity also involves a commitment to honoring a diversity of good-faith opinions and views. Rather than being a peripheral component of campus life, campus inclusiveness and diversity needs to be woven into the fabric of everyday life at CR.

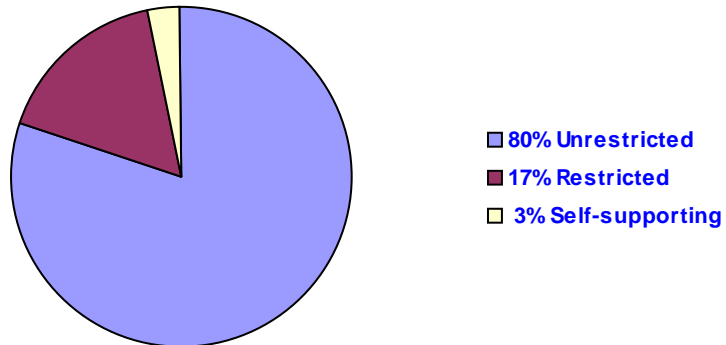
Outreach and Marketing Outreach is the process of taking information, and sometimes programs, to a variety of locations within our service area in order to make community members and potential students aware of what the College has to offer. It involves not only sharing information with our communities but also making people feel that they will be welcome at the College when they arrive. Outreach is also a means of listening to community members and providing the College with on-going feedback about needs that are not being addressed or programs that are particularly effective.

Summary These five focal areas continue to provide us with the opportunity to move the District forward while allowing individual campuses to be locally responsive. To ensure our ability to accomplish this important work, we will align our planning and budget allocation processes.

Serving a large area with diverse needs provides a significant challenge. Our commitment to quality programs and services, the excellence of our faculty and staff, and the care and attention with which we maintain our systems and facilities all will enable us to meet this challenge.

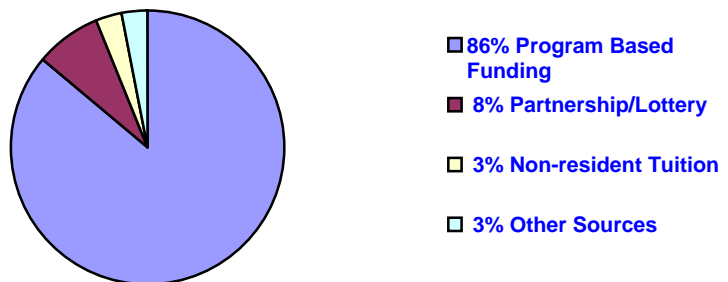
***THE GENERAL
FUND
(FUND #10)***

The General Fund accounts for all activities not required to be recorded in a separate fund and represents 77% of the District's revenues. There are three main segments of the General Fund: unrestricted, restricted, and self-supporting programs (see Exhibit B).

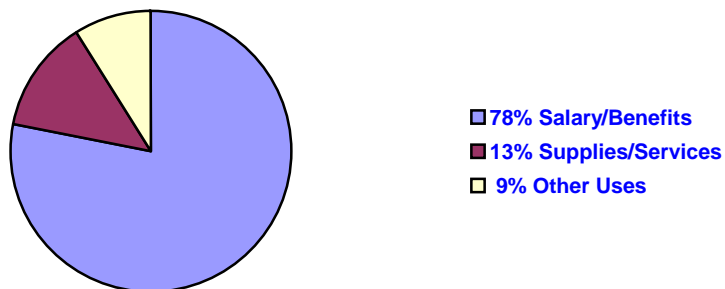


Unrestricted

The largest segment of the fund is the *unrestricted portion*, approximately \$26.6 million (80% of the activity); it accounts for revenues for the general-purpose programs of the District. Of these revenues, 86% comes from a state-developed Program Based Funding formula, which includes State apportionment, local property taxes, and student fees. The total amount received from Program Based Funding is determined by the State Budget Act and is distributed to the 72 community college districts by formulas developed by the California Community College Chancellor's Office. The Program Based Funding formula can recognize changes in the cost-of-living (COLA) and student enrollment growth and/or decline (see Exhibit C). The State apportionment is the balancing amount that makes up the difference between the Program Based Funding calculation less local property taxes and student enrollment fees. Therefore, variances in local property taxes and student fees do not affect overall revenue; the State merely adjusts its apportionment up or down accordingly. The remaining part of the unrestricted revenue comes from Partnership/Lottery funds (8%), non-resident tuition (3%), and other sources (3%).



Most of the expenditures and other outgo in the unrestricted portion are for employee salaries and benefits (78%); the remainder is spent on supplies and services (13%), and various other uses (9%).



Restricted The next largest segment is the restricted (categorical aid) portion, approximately \$5.7 million (17% of the General Fund activity); it accounts for Federal, State, and local money that must be spent for a specific purpose by law. Examples of these programs, which mostly are services targeted for specific population groups, are: Vocational-Technical Education Act (VTEA), Matriculation, Staff Diversity, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), and Cooperative Agencies Resources for Education (CARE).

Self-supporting The last segment is the self-supporting portion, approximately \$.8 million (3% of the General Fund activity); it accounts for revenues and expenses for local programs that generate sufficient resources to pay for related expenses. Although budgets are used as a control device, spending is dependent on the ability of the programs to generate sufficient revenue to support their operations. The Board reauthorizes unspent revenues for expenditure in the following year. Examples of these programs are contract education, special events, and other fee generating activities.

2003-04 State Budget Act At the time of publication of the District budget for 2003-04, the State has passed its budget, however, the California Community College Chancellor's Office has not published its initial allocation of State funds. Revenue estimates contained in the District budget are based on historic allocation methodologies. Revisions will be made as more information becomes available.

An economy recovering from recession, contentious State politics, and the postponement of significant expenditure reductions in this year's State budget have combined to create an atmosphere of uncertainty concerning State support for Community Colleges. Not long after the 2002-03 State budget was signed, the Governor called for significant mid-year cuts to State funded programs including disproportionately large reductions for Community Colleges. A similar situation could occur for 2003-04. While no provisions are

made in the projection of revenues for this contingency, the District will proceed cautiously in expending funds during the first six months of the fiscal year.

Apportionment Deficits A reduction in funding for Community Colleges' regular programs occurred in 2002-03 as a result of the 2002-03 State budget act provision not being sufficient to pay 100% of the State's portion of the Program Based Funding calculation for each district. It is projected that a similar situation will occur for 2003-04. The District's apportionment deficit reduction for 2002-03 was \$348,901 and is expected to be \$538,685 for 2003-04.

Major General Fund Assumptions The following describes the assumptions that were used to prepare the Final Budget.

Revenues Program Based Funding
COLA – no cost-of-living adjustment is included.
Growth – 75 full-time equivalent students.

Other On-going State Support
Scheduled Maintenance – no approved projects for 2003-04.
Instructional Equipment Allowance – included at \$80,097.

Forest Reserve and Lottery
Forest Reserve is expected to continue at a reduced level from the prior year.
Lottery has been projected at \$125 per FTES.

Non-Resident Tuition
Included at 100% of prior year receipts.

Categorically Funded Programs
Reductions in on-going revenues for most state funded programs according to budget act provisions.

Expenditures and Other Outgo Staffing
Staffing for regular academic employees is included at a level close to the prior fiscal year with reductions in part-time instructional staff to reflect reductions in class offerings.

Full-time equivalent students	5,800
Full-time equivalent classroom faculty	170
Student/Faculty Ratio	34

Staffing for administrative and other support staff is included at a level consistent with the prior budget year, except for vacant positions being held open temporarily as a precautionary measure.

Salary Schedules

Staff Movement – The cost of step and column movement is included.

Salary Increases – Salary budgets are sufficient to pay wage increases according to board policy and existing agreements with employee groups.

Employee Benefits

Statutory benefit rates are expected to remain unchanged or have minor increases except the employer's contribution to the Public Employees Retirement System that has been increased from 2.894% to 10.420%.

Discretionary benefit levels and rates are unchanged from the prior budget year with the exception of the following:

Medical rates increased by 14%

Dental rates increased by 7%

Vision rates increased by 7%

Utilities and Insurance

The budget contains substantial cost increases for natural gas. Property and liability insurance plan rates have increased by 17%.

Department Discretionary Funds

In addition to funding the approved permanent positions, each operating unit has been provided operating funds to use at its discretion to purchase supplies, services, equipment, and other necessary resources to complete its mission. In response to mid-year state budget cuts, amounts provided in 2002-03 were reduced by 25%. These reduced authorization levels are provided for 2003-04.

Strategic Initiative Funds

A limited amount of funds are provided and other funds have been redirected in the budget this year to fund projects based on proposals addressing the District's strategic planning activities.

Interfund Transfers to Other Funds

Transfers are provided to a debt service fund for the retirement of long-term debt, a capital projects fund for construction/major repairs/acquisitions, and special revenue funds in support of the operations of those funds.

Transfers for capital outlay purposes are in support of District projects described in Exhibit D.

Fiscal Stability and Fund Balance Based on the above assumptions, budgeted expenditures exceed estimated revenues, resulting in a 1.7% reserve for economic uncertainties. A continual review will be conducted during the year of potential revenues with corresponding adjustments in spending levels, with the goal of building the reserves in excess of 3% by the end of the year.

This reserve is an important safeguard for financial stability. It provides working capital to ensure that the District can pay its obligations timely regardless of the timing of revenue collections. Reserves can also assist in maintaining solvency when faced with unexpected financial needs such as State apportionment shortfalls, unexpected repairs, and unanticipated enrollment declines.

OTHER FUNDS

Other Debt Service Fund - COPS (Fund #29) 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. 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 District makes lease payments as assigned by CRFC for the retirement of the outstanding debt.

These activities are accounted for in a debt service fund. Semi-annual payments totaling \$102,830 are required for 2003-04. Funds are provided by an annual interfund transfer from General Fund unrestricted revenues.

Child Development Fund (Fund #33) The District operates child development programs on the Eureka Campus for the benefit of children from infants to age 5. In addition to Federal and State support of approximately \$300,832 and interest income, the District charges an hourly rate to parents for its instructional activities. The program is not charged for administration, operations, or maintenance costs.

Student Farm Fund (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 farmland, buildings, equipment, and cash were a gift received from the estate of John Bianchi.

Special Revenue Fund (Fund #39) The District Board established a special revenue fund to account for the rental income from District owned buildings and the sale of student built homes from the construction technology classes.

Rented facilities include a residence, residence halls, a food works complex, and a student center on the Eureka campus. Rentals are expected to generate \$534,050 in revenues to cover the cost of ownership. A reserve account has been established in this fund for repairs and replacement of equipment and furnishings.

Students typically design, estimate, and construct one house each fiscal year through the District's instructional programs. For 2003-04 students will be participating in a community project that will expand the Evergreen Lodge in Eureka. Cumulated unspent profits are projected to reach \$183,209 by the end of 2003-04. The long-term goal is to accumulate sufficient funds to finance the student-constructed houses without temporary cash flow advances from the General Fund.

***Capital Outlay
Projects Fund
(Fund #41)*** The District maintains the Capital Outlay Projects Fund to account for the expenditure of capital outlay and scheduled maintenance projects. This fund is further divided by funding source into subfunds for State apportionments for new construction, State scheduled maintenance, State hazardous materials, local redevelopment agencies, and District funded projects. Exhibit D is a report of projects currently planned.

***Associated Student
Trust Fund
(Fund #71)*** 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 the student government on the Eureka campus.

***Student Financial Aid
Trust Fund
(Fund #74)*** Costs for assisting students in qualifying for and receiving Federal and California State funded grants in aid are accounted for in the General Fund. A separate checking account has been set up in the Student Financial Aid Trust Fund to deposit receipts of grant funds held in trust for disbursement to students. The District participates in Federal PELL, SEOG, BIA, Stafford Loans, and State Cal Grants.

***Employee Benefit
Trust Fund
(Fund #78)*** The District holds trust funds to pay for medical expenses for specified employees and retirees of the District. The District pays \$10 per month per employee for members of the Faculty Organization for the medical hardware needs of these employees, both active and retired.

In addition, the District pays health care costs for retirees according to Board adopted policies and contract agreements with employee groups. In 2001, an actuary estimated that the funding percentage of the debt obligation for prior service for retired and current

employees increased from 22% to 33% over the preceding 3 years. The District's plan is to continue to improve the funding percentage until fully funded. A transfer from the General Fund of \$373,373 each year is planned, but is suspended for the 2003-04 fiscal year.

The cost for services of current employees is charged to expense in the appropriate fund and is reflected as revenue in the Employee Benefit Trust Fund. Revenue of \$699,153 is included in the Retiree Benefit Trust Fund to cover the current year cost for future retirement benefits for current employees.

It is projected that \$769,500 will be needed for actual payments for retirees in 2003-04 to pay contributions for health care benefits for retirees.

Scott Thomason
Vice President, Business Services

Ron Cox
Director, Fiscal Services

**REDWOODS COMMUNITY COLLEGE DISTRICT
GENERAL FUND FINAL BUDGET
FISCAL YEAR 2004-05**

Exhibit B

REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE		Unrestricted Programs	Self- Supporting Programs	Restricted Programs	Total Gen Fund Budget
REVENUES:					
State General Apportionment	<i>Various</i>	\$ 24,594,870	\$	\$	\$ 24,594,870
Federal Sources	<i>8100-8199</i>	240,419		1,631,392	1,871,811
Other State Sources	<i>8600-8699</i>	1,268,676		3,798,657	5,067,333
Other Local Sources	<i>8800-8899</i>	948,337	856,367	435,476	2,240,180
Total Revenue		27,052,302	856,367	5,865,525	33,774,194
EXPENDITURES:					
Academic Salaries	<i>1000-1999</i>	11,541,314	3,000	624,946	12,169,260
Other Staff Salaries	<i>2000-2999</i>	5,322,816	356,729	1,665,189	7,344,734
Employee Benefits	<i>3000-3999</i>	5,717,213	81,412	845,523	6,644,148
Supplies & Materials	<i>4000-4999</i>	503,003	85,327	263,663	851,993
Services & Other Operating	<i>5000-5999</i>	3,413,997	191,011	710,862	4,315,870
Capital Outlay	<i>6000-6999</i>	212,094	33,374	246,347	491,815
Student Financial Aid	<i>7500-7699</i>	51,280		662,245	713,525
Unallocated Program Funds	<i>7900-7999</i>	392,666	(1,486)	924,285	1,315,465
Total Expenditures		27,154,383	749,367	5,943,060	33,846,810
EXCESS REVENUES (EXPENDITURES)		(102,081)	107,000	(77,535)	(72,616)
OTHER FINANCING SOURCES/(USES):					
Interfund Transfers In	<i>8980-8988</i>				
Interfund Transfers Out	<i>7300-7399</i>	(1,646,140)	(12,000)		(1,658,140)
Debt Service	<i>7100-7199</i>				
Other Sources (Uses)	<i>8989/7200</i>	17,465	(95,000)	77,535	
Total Other Sources (Uses)		(1,628,675)	(107,000)	77,535	(1,658,140)
FUND BALANCE INCREASE (DECREASE)		(1,730,756)			(1,730,756)
BEGINNING FUND BALANCE:					
Beginning Balance	<i>9790</i>	1,880,756	184,000		2,064,756
Prior Year Adjustments	<i>9791-9792</i>				
Adjusted Beginning Balance		1,880,756	184,000		2,064,756
ENDING FUND BALANCE		\$ 150,000	\$ 184,000	\$	\$ 334,000

**REDWOODS COMMUNITY COLLEGE DISTRICT
PROGRAM BASED FUNDING ANALYSIS
EFFECTIVE RATES BY ACTIVITY
FINAL BUDGET 2004-05**

Exhibit C

PROGRAM BASED FUNDING ACTIVITIES	<u>Activity Codes</u>	<u>State PBF Entitlement</u>	<u>Projected Units</u>	<u>Effective Rates</u>
Instruction & Instructional Administration				
<i>Instruction</i>				
<i>Credit Instruction (credit FTES)</i>	0100-5999	\$ 12,404,297	5,517.91	\$2,248.01
<i>Non-credit Instruction (non-credit FTES)</i>	0100-5999	17,070	10.59	\$1,611.90
<i>Instructional Administration (credit FTES)</i>	6000-6999	1,550,537	5,517.91	\$281.00
Instructional Support				
<i>Credit Instruction (credit FTES)</i>	6100-6199	858,813	5,517.91	\$155.64
<i>Base per College</i>	6100-6199	238,052	1	\$238,052
Student Services				
<i>New Students (headcount)</i>	6200-6499	680,051	3,904	\$174.19
<i>Continuing Students (headcount)</i>	6200-6499	911,138	6,514	\$139.87
<i>Base per College</i>	6200-6499	535,037	1	\$535,037
Maintenance & Operations				
<i>Square Footage (owned/100% leased)</i>	6500-6599	2,747,457	482,024	\$5.70
<i>FTES in Leased Space (leased <100%)</i>	6500-6599	67,094	275.20	\$243.80
Institutional Support (16.55% of above)	6600-6799	<u>3,311,578</u>	1	\$3,311,578
Subtotal		23,321,124		
Equalization Funding (credit FTES)		219,969	5,517.91	\$39.86
Partnership for Excellence (total FTES)		<u>1,053,777</u>	5,528.50	\$190.61
Total Apportionment		<u>\$ 24,594,870</u>		

Exhibit D

REDWOODS COMMUNITY COLLEGE DISTRICT
 CAPITAL OUTLAY PROJECT FUND 41
 SCHEDULE OF PROJECTS FOR 2004-05

	<u>Fiscal Year Funds First Authorized</u>	<u>State or Local Funding</u>	<u>Total Project Cost</u>	<u>Prior Year Expenses</u>	<u>2004-05 Expenses</u>	<u>State/Local Revenue</u>
STATE PROJECTS						
Hazardous Substance						
Replace Ceiling Tiles & Insulation	2002-03	100%	227,601	18,211	209,390	209,390
Removal & Retrofit Storage Areas	2003-04	100%	78,500	0	78,500	78,500
LOCAL PROJECTS						
Teaching Kitchen	2004-05	100%	375,000	0	375,000	215,000
DISTRICT PROJECTS						
Lease-purchase Payments						
Mendocino Classrooms (8 years, semi-annual, ends 10/1/04)			519,899	487,405	32,494	
Energy Management System (10 years, monthly, ends 5/1/06)			1,248,739	1,041,529	124,874	
Information Technology System (5 years, semi-annual, ends 8/4/05)			1,625,769	1,138,038	325,154	
CRDN Nurse Training Center (5 semi-annual payments, ends 5/1/05)			314,545	191,436	123,109	
Subtotal					605,631	
Scheduled Maintenance, Repairs, Remodeling, Replacements					167,000	12,000
					<u>\$1,435,521</u>	<u>\$514,890</u>