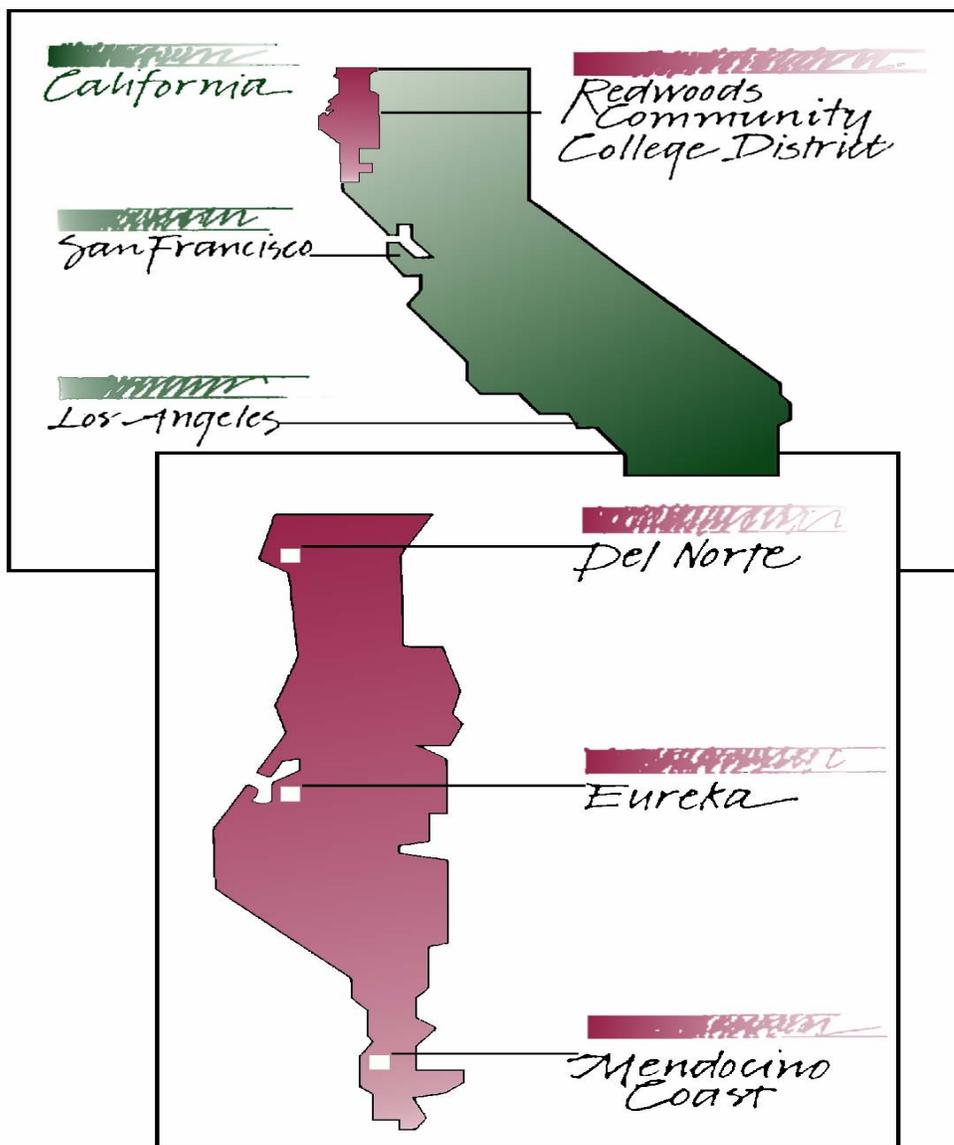


## THE DISTRICT

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 downtown Eureka and 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 2006-07 Final Budget is included as Exhibit A.



***DR. JEFFREY L.  
BOBBITT***

***ACTING  
PRESIDENT/  
SUPERINTENDENT***



***PRESIDENT'S  
MESSAGE***

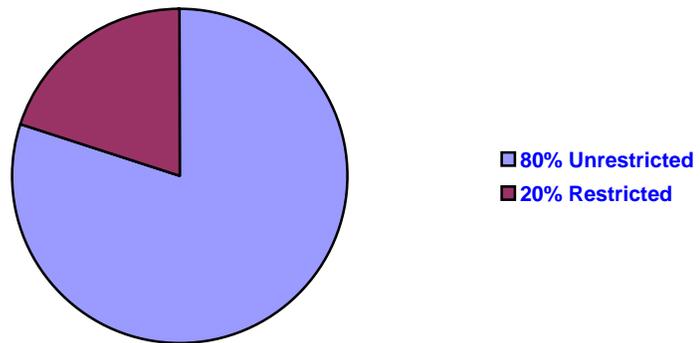
I am pleased to present the Redwoods Community College District annual budget for the 2006-07 fiscal year. In significant ways, this budget represents a milestone in the financial development of the college.

As a result of ongoing collaboration with our colleagues at other California community colleges, and with the invaluable assistance of our legislative representatives, the State of California has enacted legislation that significantly changes how state funds are allocated to community colleges. This new allocation formula recognizes the unique challenges faced by small, rural colleges committed to serving the needs of large geographical areas. As one of these institutions, College of the Redwoods has received a significant increase in state support for 2006-07, which is reflected in this budget.

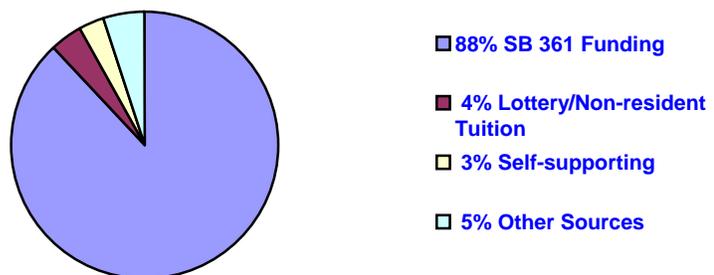
We are very pleased with this outcome, and it could not have come at a better time. Over the last several years, College of the Redwoods has experienced a gradual decline in both student enrollment and state support. In response to this decline, the college has been diligent in monitoring its expenditures and has made judicious use of its strategic reserves in a prudent, planned, and fiscally responsible manner. This has enabled us to make it through these difficult financial times, while continuing to provide educational programs vital to our community and while maintaining our responsibility as one of the largest employers and contributors to the economic vitality of the North Coast.

While this budget represents a significant improvement over those in recent years, we still have work to do; and we must maintain our commitment to prudent fiscal management. Our priority for the coming year is to significantly rebuild our strategic reserves without compromising in any way the success of our students. We are confident that we can strengthen the economic vitality of the college while maintaining the level of service and quality of programming the community has come to expect from us.

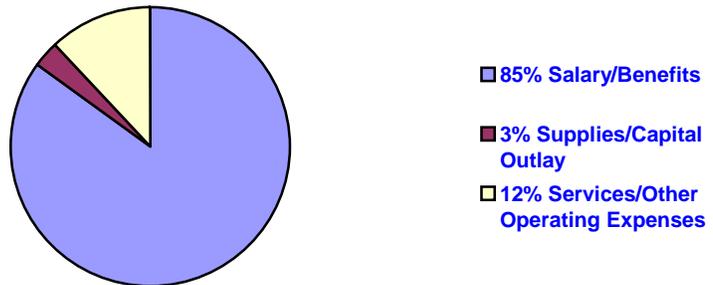
**THE GENERAL FUND (FUND #10)** The General Fund accounts for all activities not required to be recorded in a separate fund and represents 74% of the District's revenues. There are two main segments of the General Fund: unrestricted and restricted programs (see Exhibit B).



**Unrestricted** The largest segment of the fund is the *unrestricted portion*, approximately \$30.5 million (80% of the activity); it accounts for revenues for the general-purpose programs of the District. Of these revenues, 88% comes from a State-developed funding formula under the provisions of SB 361. An annual provision is made in the State Budget Act and is distributed to the 72 community college districts by the California Community College Chancellor's Office. The funding formula recognizes changes in the cost-of-living (COLA) and student enrollment growth and/or decline. The State apportionment is the balancing amount that makes up the difference between the calculated entitlement and the local property taxes and student enrollment fees collected by each District. 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 Lottery/Non-resident Fees (4%), Self-supporting programs (3%), and other sources (5%).



Most of the expenditures in the unrestricted portion are for employee salaries and benefits (85%); the remainder is spent on supplies/capital outlay (3%), and services/other operating expenses (12%).



***Restricted*** The restricted (categorical aid) portion of the General Fund budget represents approximately \$7.6 million (20% of the General Fund activity) and accounts for Federal, State, and local money that must be spent for a specific purpose by law or agreement. Examples of these programs, which mostly are services targeted for specific population groups, are: Vocational-Technical Education Act (VTEA), Matriculation, Extended Opportunity Programs and Services (EOPS), Disabled Students Programs and Services (DSPS), and Cooperative Agencies Resources for Education (CARE). Beginning October 1, 2005, the District began a 5-year grant under the Federal Higher Education Act, Title III (Strengthening Institutions Programs), for the purpose of strengthening decision-making by integrating data and research.

***Other Financing Sources (Uses)*** Other financial uses include transfers out in support of other funds, transfers within the General Fund in support of restricted programs, student financial aid such as child care and books, and reserve for contingencies for possible additional expenditures.

***2006-07 State Budget Act*** The 2006-07 state budget benefited enormously from stronger than expected personal income tax revenues in 2005-06. The state was able to provide increased funding for education, fully fund most other programs, prepay debt, and provide a \$2 billion reserve. However, the Legislative Analyst's Office is projecting future annual budget shortfalls due to the continuing structural imbalance of tax revenues and projected expenditures. As a result, the increase in state funding for Community Colleges came in part in the form of one-time apportionments totaling \$298.3 million. Even so, the Budget Act contains ongoing funding for growth, COLA, equalization, mandated claims, and miscellaneous other augmentations totaling \$666.7 million.

It is estimated that these augmentations will provide the District with an additional \$3.3 million in unrestricted revenue for the budget year.

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

**Revenues** Program Based Funding

COLA (cost of living adjustment) – included at \$1,493,459 (5.92%).

Growth – student enrollment is expected to decline in 2006-07. A corresponding reduction in state funding will occur next year.

Equalization – the district’s on-going funding will be permanently equalized at 100% with an addition to base funding of \$1.4 million. Funding will increase or decrease in the future based on changes in full-time equivalent students (FTES).

Other On-going State Support

Scheduled Maintenance – included at \$100,000.

Instructional Equipment Allowance – included at \$100,000.

Other One-time State Support

Scheduled Maintenance, Instructional Equipment, and Other Restricted

Purposes – included at \$711,403

General Purposes – included at \$443,515

Categorically Funded Programs

Estimates were included (by reference to prior year funding levels) for on-going revenues for State funded programs. Adjustments will be made for growth/decline and COLA as program entitlements are adjusted by the State later in the year.

**Expenditures and Other Outgo** Staffing

Staffing for regular employees continues to be below authorized levels in response to declining enrollments and revenues. Class offerings and part-time instructional staff have been reduced accordingly.

Full-time equivalent students

Non-Residents 225

Residents 4,606

Total 4,831

Full-time equivalent classroom faculty 176

Student/Faculty Ratio 27

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 have declined slightly from the prior year.

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

Medical rates increased by 8%

Dental rates increased by 0%

Vision rates increased by 0%

### Utilities and Insurance

Property and liability insurance plan rates and utility costs are expected to remain relatively constant.

### 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. The amounts provided in this budget have been held at the 2005-06 level for 2006-07.

### Strategic Initiative Funding

Resources to address selected activities that accomplish the objectives in the District's formal planning documents have been provided in the budget and will be coordinated with other existing unrestricted and restricted program budgets directed to the common purpose.

### Reserve for Contingencies

An increase in contingencies for 2006-07 results primarily from the increase in on-going and one-time funds included in the budget for which the District expects to develop expenditures plan after appropriate consultation and the receipt of direction from the state system office concerning restrictions.

### ***Fiscal Stability and Fund Balance***

Based on the above assumptions, budgeted expenditures equal estimated revenues, resulting in the District maintaining its beginning unrestricted reserve balance at just over 2% of budgeted unrestricted expenditures and other outgo. A continual review will be conducted during the year of potential revenue and expenditure budget improvements with the goal of improving the ending reserve balance.

This reserve is an important safeguard for financial stability. It provides working capital to ensure that the District can pay its obligations in a timely manner 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***

***Bond Interest and Redemption Fund (Fund #21)*** 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. Responsibility for the operation of this fund is vested with the Humboldt County Auditor in accordance with State law.

A successful district-wide General Obligation Bond election was conducted in November 2004 for \$40,320,000 in authorized bonds for acquisition and construction costs for District facilities and equipment. The first series of these bonds totaling \$18,000,000 was issued on May 19, 2005 with maturity dates of August 1, 2006 through 2029 at interest rates varying from 3.375% to 8% of par value. Debt service requirements for 2006-07 include \$295,000 in principal and \$846,918 in interest.

***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 \$101,483 are required for 2006-07. 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 \$383,995, the District charges an hourly rate to parents for its instructional activities. The program is not charged for administration, operations, or maintenance costs. A transfer of unrestricted General Fund revenues of \$105,364 is provided in support of budgeted expenditures.

***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. A transfer of \$88,878 is planned for 2006-07 from unrestricted General Fund revenues in support of this instructional activity.

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

Rented facilities include residence halls, a food works complex, and a student center on the Eureka campus. Rentals are expected to generate \$1,124,955 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.

***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. District funded projects totaling \$72,000 and general obligation bond projects totaling \$7,057,077 are planned for 2006-07.

***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 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, 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 2004, an actuary estimated that the percentage of the debt obligation that has been funded for retired and current employees' prior service increased from 33% to 66% over the preceding 3 years. The District plans to continue to improve the funding percentage until fully funded. A transfer from the General Fund of \$152,866 is included in the budget for this purpose.

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 \$608,640 is included in the Retiree Benefit Trust Fund to cover the current year cost for future retirement benefits for current employees. Recent changes in board policies and contract language calling for the discontinuance of retiree health benefits for certain new employees of the District will have an effect on future year's budgets.

Interest income on funds on deposit with the Humboldt County Treasurer is estimated at \$156,840. It is projected that \$575,000 will be needed for actual payments for retirees in 2006-07 to pay contributions for health care benefits.

Scott Thomason  
Vice President, Chief Business Officer

Ron Cox  
Director, Fiscal Services

REDWOODS COMMUNITY COLLEGE DISTRICT  
FINAL BUDGET  
FISCAL YEAR 2006-07

Exhibit A

	GOVERNMENTAL FUND TYPES										FIDUCIARY FUND TYPE - TRUST				TOTAL ALL FUNDS (Memo Only)
	General Fund (10)	Debt Serv Funds (21) & (29)	SPECIAL REVENUE FUNDS			Other Sp Rev Funds (39)	Capital Projects (41)	Associated Student Body (71)	Student Financial Aid Trust (74)	Employee Benefits Trust (78)					
			Child Development (33)	Student Farm (34)											
<b>REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE</b>															
<b>REVENUES:</b>															
State General Apportionment	Various	\$ 26,720,798	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 26,720,798
Federal Sources	8100-8199	2,503,725		74,032					8,622,081						11,199,838
Other State Sources	8600-8699	6,564,617		309,963					655,000						7,529,580
Other Local Sources	8800-8899	2,363,523	1,579,397	15,600	23,900	304,000		6,000		791,480					6,208,855
Total Revenue		38,152,663	1,579,397	399,595	23,900	304,000		6,000	9,277,081	791,480					51,659,071
<b>EXPENDITURES:</b>															
Academic Salaries	1000-1999	13,429,185													13,429,185
Other Staff Salaries	2000-2999	8,472,991		312,035	54,620	169,956									9,009,602
Employee Benefits	3000-3999	6,847,454		174,744	20,888	76,919				575,000					7,695,005
Supplies & Materials	4000-4999	794,170		12,250	10,500	402,380		350							1,219,650
Services & Other Operating	5000-5999	4,584,105		5,930	22,770	374,603		3,950	9,861	8,000					5,009,219
Capital Outlay	6000-6999	625,865		0	4,000	12,500		1,700							7,773,142
Total Expenditures		34,753,770	0	504,959	112,778	1,036,358		6,000	9,861	583,000					44,135,803
<b>EXCESS REVENUES (EXPENDITURES)</b>		3,398,893	1,579,397	(105,364)	(88,878)	88,597		0	9,267,220	208,480					7,523,268
<b>OTHER FINANCING SOURCES/(USES):</b>															
Interfund Transfers In	8980-8988														624,049
Intrastate Transfers In	8989		101,483			106,458				152,866					151,813
Debt Service	7100-7199	151,813		105,364	88,878										(1,243,401)
Interfund Transfers Out	7200-7299	(151,813)	(1,243,401)												(151,813)
Interfund Transfers Out	7300-7399	(624,049)													(624,049)
Student Financial Aid	7500-7699	(885,856)													(885,856)
Reserve for Contingencies	7900-7999	(1,888,988)													(1,888,988)
Total Other Sources (Uses)		(3,398,893)	(1,141,918)	105,364	88,878	106,458		0	(9,267,220)	152,866					(13,285,465)
<b>FUND BALANCE INCREASE (DECREASE)</b>		0	437,479	0	0	195,055		0	0	361,346					(5,762,197)
<b>BEGINNING FUND BALANCE:</b>															
Beginning Balance	9790	691,607	646,574	15,000	0	88,323		87,000		4,798,854					19,933,433
Prior Year Adjustments	9791-9792	0													0
Adjusted Beginning Balance		691,607	646,574	15,000	0	88,323		87,000		4,798,854					19,933,433
<b>ENDING FUND BALANCE</b>		\$ 691,607	\$ 1,084,053	\$ 15,000	\$ 0	\$ 283,378	\$ 6,849,998	\$ 87,000	\$ 0	\$ 5,160,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,171,236

**REDWOODS COMMUNITY COLLEGE DISTRICT  
GENERAL FUND FINAL BUDGET  
FISCAL YEAR 2006-07**

**Exhibit B**

<b>REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE</b>		<b>Unrestricted Programs</b>	<b>Self- Supporting Programs</b>	<b>Total Unrestricted</b>	<b>Restricted Programs</b>	<b>Total Gen Fund Budget</b>
<b>REVENUES:</b>						
State General Apportionment	<i>Various</i>	\$ 26,720,798	\$ 0	\$ 26,720,798	\$ 0	\$ 26,720,798
Federal Sources	<i>8100-8199</i>	229,339	0	229,339	2,274,386	2,503,725
Other State Sources	<i>8600-8699</i>	1,822,233	0	1,822,233	4,742,384	6,564,617
Other Local Sources	<i>8800-8899</i>	<u>718,241</u>	<u>1,053,331</u>	<u>1,771,572</u>	<u>591,951</u>	<u>2,363,523</u>
Total Revenue		29,490,611	1,053,331	30,543,942	7,608,721	38,152,663
<b>EXPENDITURES:</b>						
Academic Salaries	<i>1000-1999</i>	12,563,073	4,500	12,567,573	861,612	13,429,185
Other Staff Salaries	<i>2000-2999</i>	5,950,185	460,896	6,411,081	2,061,910	8,472,991
Employee Benefits	<i>3000-3999</i>	5,825,831	122,066	5,947,897	899,557	6,847,454
Supplies & Materials	<i>4000-4999</i>	316,111	125,363	441,474	352,696	794,170
Services & Other Operating	<i>5000-5999</i>	3,541,588	209,904	3,751,492	832,613	4,584,105
Capital Outlay	<i>6000-6999</i>	<u>194,906</u>	<u>43,919</u>	<u>238,825</u>	<u>387,040</u>	<u>625,865</u>
Total Expenditures		<u>28,391,694</u>	<u>966,648</u>	<u>29,358,342</u>	<u>5,395,428</u>	<u>34,753,770</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>		1,098,917	86,683	1,185,600	2,213,293	3,398,893
<b>OTHER FINANCING SOURCES/(USES):</b>						
Interfund Transfers In	<i>8980-8988</i>	0	0	0	0	0
Intrafund Transfers In	<i>8989</i>	0	0	0	151,813	151,813
Debt Service	<i>7100-7199</i>	0	0	0	0	0
Intrafund Transfers Out	<i>7200-7299</i>	(151,813)	0	(151,813)	0	(151,813)
Interfund Transfers Out	<i>7300-7399</i>	(609,049)	(15,000)	(624,049)	0	(624,049)
Student Financial Aid	<i>7500-7699</i>	(67,400)	(5,000)	(72,400)	(813,456)	(885,856)
Reserve for Contingencies	<i>7900-7999</i>	(362,655)	25,317	(337,338)	(1,551,650)	(1,888,988)
Other Sources (Uses)	<i>8999</i>	<u>92,000</u>	<u>(92,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Sources (Uses)		<u>(1,098,917)</u>	<u>(86,683)</u>	<u>(1,185,600)</u>	<u>(2,213,293)</u>	<u>(3,398,893)</u>
<b>FUND BALANCE INCREASE (DECREASE)</b>		0	0	0	0	0
<b>BEGINNING FUND BALANCE:</b>						
Beginning Balance	<i>9790</i>	316,607	375,000	691,607	0	691,607
Prior Year Adjustments	<i>9791-9792</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Beginning Balance		<u>316,607</u>	<u>375,000</u>	<u>691,607</u>	<u>0</u>	<u>691,607</u>
<b>ENDING FUND BALANCE</b>		<u>\$ 316,607</u>	<u>\$ 375,000</u>	<u>\$ 691,607</u>	<u>\$ 0</u>	<u>\$ 691,607</u>