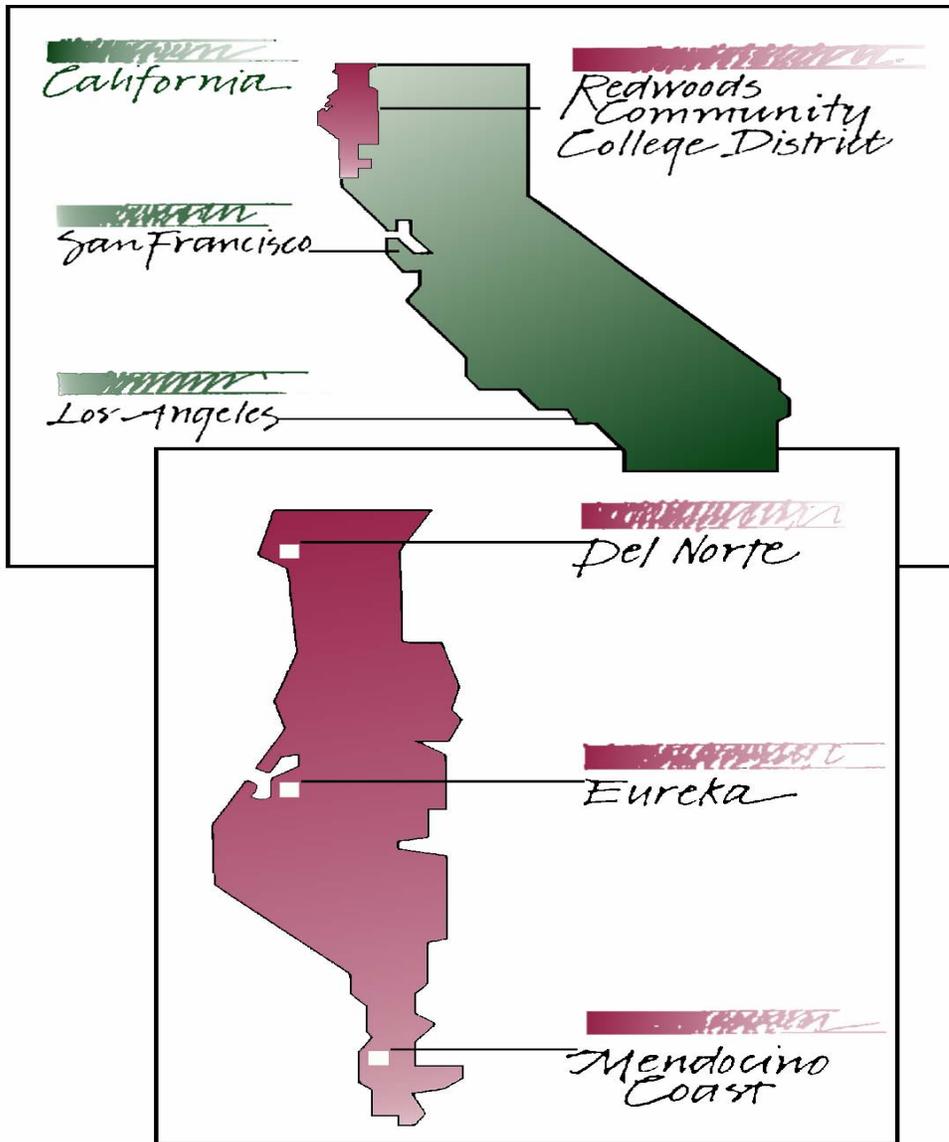


THE DISTRICT

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 District operates College of the Redwoods, part of the California Community College system. The main campus is in Eureka, with education centers in Crescent City (Del Norte) and in Fort Bragg (Mendocino Coast). In addition, instructional sites located in downtown Eureka, Arcata, and the Klamath/Trinity area have been established to serve the needs of students. The College of the Redwoods 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 2007-08 Final Budget is included as Exhibit A.



DR. TOM HARRIS

***INTERIM
PRESIDENT/
SUPERINTENDENT***



***PRESIDENT'S
MESSAGE***

I am pleased to present the Redwoods Community College District annual budget for the 2007-08 fiscal year. In significant ways, this budget and the programs, services, and planning efforts it represents reflects a transition for the college. Going forward, the college will maintain and improve its program and services in part by allocating its resources based on a new, more rigorous review and analysis of each program.

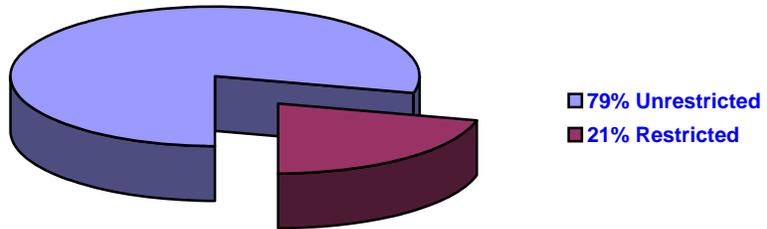
This effort is made possible by a newly constituted institutional research office that is now operational and contributing in a meaningful way to the college's planning efforts by collecting and compiling data for planning and decision making. Funding for this effort is provided by a 5-year federal grant under Title III of the Higher Education Act. Federal Strengthening Institutions Program funding is for the purpose of strengthening decision-making by integrating data and research. Training of college faculty and staff in the use of this improved data has been extensive and is ongoing.

The program reviews being completed this fall are benefiting from improved data collection and analysis. Better data on the needs of each program can now be compiled and made available for long-range financial planning. Our renewed planning and improvement activities are intensive and are designed to involve all members of the college community.

These improvements come at an opportune time for the college as we work to renew our accreditation and restructure our instructional and support services to reflect changing demographic trends in our communities. We are up to the challenge of this task and will become a stronger, more effective institution in the future.

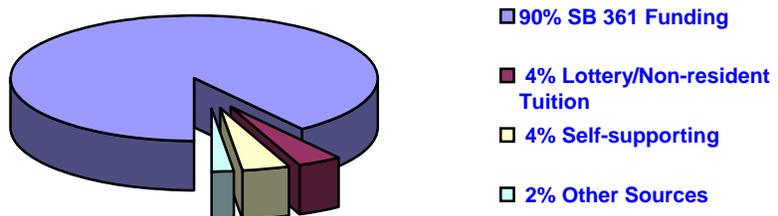
***THE
GENERAL
FUND
(FUND #10)***

The General Fund accounts for all activities not required to be recorded in a separate fund and represents 73% of the District's revenues. There are two main segments of the General Fund: unrestricted and restricted programs (see Exhibit B).

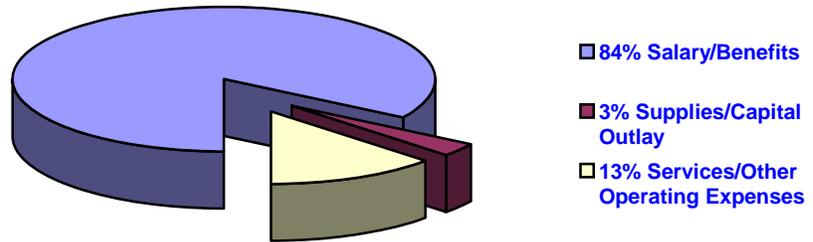


Unrestricted

The largest segment of the fund is the *unrestricted portion*, approximately \$28.5 million (79% of the activity); it accounts for revenues for the general-purpose programs of the District. Of these revenues, 90% 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 (4%), and other sources (2%).



Most of the expenditures in the unrestricted portion are for employee salaries and benefits (84%); the remainder is spent on supplies/capital outlay (3%), and services/other operating expenses (13%).



Restricted

The restricted (categorical aid) portion of the General Fund budget represents approximately \$7.4 million (21% 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.

2007-08 State Budget Act

The 2007-08 state budget was passed and signed by the Governor on August 24, nearly 2 months late. As expected, California Community Colleges will receive a cost of living adjustment (COLA) of 4.53% and growth funding of 2% for SB 361 entitlements. Unlike last year, no substantial augmentations were enacted. The outlook for the California economy is for modest, but slowing growth. Economic forecasts show personal income and employment continuing to improve and inflation remaining low. However, the state budget in future years is still expected to have a structural imbalance with projected expenditures exceeding estimated ongoing revenues.

**Major General
Fund
Assumptions**

The following describes the assumptions that were used to prepare the Final Budget.

Revenues SB 361 Funding

COLA (cost of living adjustment) – included at \$1,090,271 (4.53%).

Restoration/Growth – student enrollments are expected to exceed the prior year by 76 resident full-time equivalent students (FTES), providing \$348,896 in additional unrestricted revenue for 2007-08.

Other On-going State Support

Scheduled Maintenance – included at \$100,000.

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

Other One-time State Support

Basic Skills – included at \$228,255

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	156
Residents	4,558
Total	4,714
Full-time equivalent classroom faculty	169
Student/Faculty Ratio	28

Salary Schedules

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

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 been adjusted as needed.

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 2%
- Vision rates remain the same

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 2006-07 level for 2007-08.

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

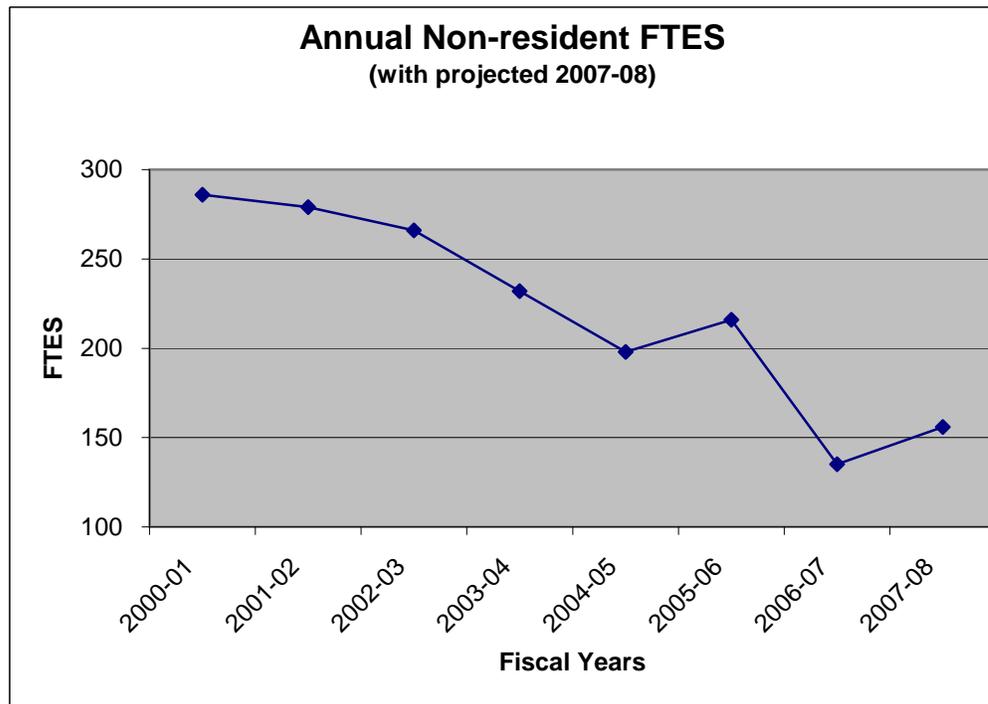
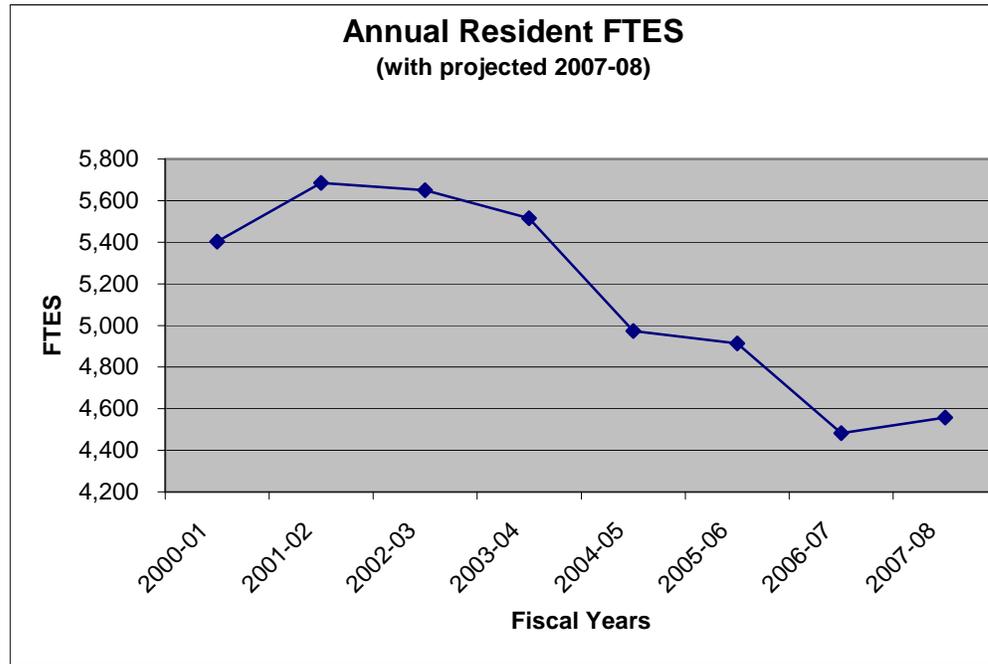
Contingencies for 2007-08 result from on-going and one-time funds included in the budget for which the District expects to develop expenditure plans after appropriate consultation and the receipt of direction from the state system office concerning restrictions.

***Enrollments
and Financial
Stability***

Full-time Equivalent Students

	<u>Resident</u>	<u>Non-res</u>	<u>Total</u>
2001-02	5,686	279	5,965
2002-03	5,650	266	5,916
2003-04	5,515	232	5,747
2004-05	4,974	198	5,172
2005-06	4,914	216	5,130
2006-07	4,482	135	4,617
Projected 2007-08	4,558	156	4,714

The most significant long-term financial issue the District faces is declining enrollments. Over 95% of the District’s unrestricted revenues are tied to student enrollments or full-time equivalent students (FTES). The above table show resident and non-resident FTES beginning in 2001-02. The significance of the downward trend is revealed in the following charts.



State funding for 2007-08 would have been \$5.1 million greater at the level of FTES the District had in 2001-02, while non-resident tuition would have been about \$468,630 greater.

Full-time Equivalent Faculty and Staff

Unrestricted General Fund	Adopted Budget 2001-02	Adopted Budget 2007-08	Change	
Unrepresented				
Board Members	9.5	9.5	0.0	0%
Administrators	11.5	12.8	1.3	11%
Managers	23.4	19.2	(4.2)	-18%
Confidential	6.0	5.1	(0.9)	-15%
Total Unrepresented	50.4	46.6	(3.8)	-8%
Faculty (CRFO)	114.0	90.5	(23.5)	-21%
Classified (CSEA)	107.6	94.1	(13.5)	-13%
Total FTE	272.0	231.2	(40.8)	-15%
Total FTES (Res & NR)	5,965	4,714	(1,251)	-21%

The FTES for residents and non-residents is projected to be 4,714 in 2007-08 or a decline of 21%. By contrast permanent employee FTE has declined by only 15%. This has contributed in a significant way to the financial challenge the college has experienced in recent years.

50% 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.

		Actual 2005-06	Actual 2006-07	Proposed Budget 2007-08
Salaries of Classroom Instructors (SCI)	a	\$ 12,536,169	\$ 12,903,255	\$ 12,845,491
Current Expense of Education (CEE)	b	\$ 25,826,030	\$ 25,284,253	\$ 25,651,878
Percent	c	48.5%	51.0%	50.1%
Required Expenditure (50% of b)	d	\$ 12,913,015	\$ 12,642,127	\$ 12,825,939
Difference (line a, less line d)	e	\$ (376,846)	\$ 261,128	\$ 19,552

The district spent less than the 50% requirement during 2005-06 by \$376,846. The state Board of Governors granted an exemption for that fiscal year. Primarily due to a significant reduction in expenditures for the Current Expense of Education, the district met the requirement for 2006-07. Current projections for 2007-08 show the district in compliance by a margin of \$19,552.

Financial Stability and Reserves

Unrestricted General Fund Reserves

	<u>Reserve</u>	<u>Change</u>	<u>Percent</u>
2001-02	4,196,329		15.7%
2002-03	3,295,402	(900,927)	11.5%
2003-04	2,766,945	(528,457)	9.8%
2004-05	1,116,670	(1,650,275)	3.8%
2005-06	899,359	(217,311)	3.1%
2006-07	1,944,182	1,044,823	6.7%

Based on the above assumptions for 2007-08, projected expenditures and other outgo exceed estimated revenues and other sources, resulting in the District decreasing its unrestricted reserve balance to 5.5% of budgeted unrestricted expenditures and other outgo by the end of 2007-08. The District intends to work on budget solutions during 2007-08 to bring the revenues and expenditures into 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. A second series of these bonds totaling \$15,000,000 was issued on July 10, 2007 with maturity dates of August 1, 2008 through 2031 at interest rates varying from 4% to 6% of par value. Debt service requirements for 2007-08 include \$465,000 in principal and \$816,518 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 \$97,330 are required for 2007-08. 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 \$437,230, 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 \$71,049 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 \$92,619 is planned for 2007-08 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 \$1,035,455 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 \$42,000 and general obligation bond projects totaling \$14,270,822 are planned for 2007-08.

***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 has reserved funds to pay for medical expenses for specified employees and retirees of the District. The District has set aside \$10 per month per employee for members of the Faculty Organization for the medical hardware needs of these employees, both active and retired. Through recent collective bargaining it is proposed to transfer these funds back to the General Fund in 2007-08.

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 \$119,141 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 \$482,400 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 \$240,102. It is projected that \$575,000 will be needed for actual payments for retirees in 2007-08 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 2007-08

Exhibit A

(Updated for actual beginning balances as of 10/5/07)

REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	GOVERNMENTAL FUND TYPES						FIDUCIARY FUND TYPE - TRUST			TOTAL ALL FUNDS (Memo Only)	
	General Fund (10)	Debt Serv Funds (21) & (29)	SPECIAL REVENUE FUNDS			Capital Projects (41)	Associated Student Body (71)	Student Financial Aid Trust (74)	Employee Benefits Trust (78)		
			Child Devel- opment (33)	Student Farm (34)	Other Sp Rev Funds (39)						
REVENUES:											
State General Apportionment	Various	\$ 25,506,970	\$	\$	\$	\$	\$	\$	\$	\$ 25,506,970	
Federal Sources	8100-8199	2,222,347		89,960				8,313,225		10,625,532	
Other State Sources	8600-8699	6,110,866		347,270				550,000		7,008,136	
Other Local Sources	8800-8899	2,079,385	1,648,745	68,093	24,870	1,035,455	322,500	6,000	739,902	5,924,950	
Total Revenue		35,919,568	1,648,745	505,323	24,870	1,035,455	322,500	6,000	8,863,225	739,902	49,065,588
EXPENDITURES:											
Academic Salaries	1000-1999	12,997,275									12,997,275
Other Staff Salaries	2000-2999	8,467,415		366,855	56,989	190,261					9,081,520
Employee Benefits	3000-3999	6,368,248		206,053	20,900	89,787				575,000	7,259,988
Supplies & Materials	4000-4999	899,803		30,933	10,400	402,380	350				1,343,866
Services & Other Operating	5000-5999	4,488,349		8,451	24,650	321,625	3,950	7,773			4,854,798
Capital Outlay	6000-6999	841,314		15,335	4,550	112,500	14,312,822	1,700			15,288,221
Total Expenditures		34,062,404	0	627,627	117,489	1,116,553	14,312,822	6,000	7,773	575,000	50,825,668
EXCESS REVENUES (EXPENDITURES)		1,857,164	1,648,745	(122,304)	(92,619)	(81,098)	(13,990,322)	0	8,855,452	164,902	(1,760,080)
OTHER FINANCING SOURCES (USES):											
Proceeds on Sale of Bonds	8941						15,329,893				15,329,893
Interfund Transfers In	8980-8988	365,406	97,330	71,049	92,619	68,262	108,070			119,141	921,877
Intrafund Transfers In	8989	61,896									61,896
Debt Service	7100-7199		(1,378,848)								(1,378,848)
Intrafund Transfers Out	7200-7299	(61,896)									(61,896)
Interfund Transfers Out	7300-7399	(556,471)								(365,406)	(921,877)
Student Financial Aid	7500-7699	(920,955)							(8,855,452)		(9,776,407)
Reserve for Contingencies	7900-7999	(1,078,053)									(1,078,053)
Total Other Sources (Uses)		(2,190,073)	(1,281,518)	71,049	92,619	68,262	15,437,963	0	(8,855,452)	(246,265)	3,096,585
FUND BALANCE INCREASE (DECREASE)		(332,909)	367,227	(51,255)	0	(12,836)	1,447,641	0	0	(81,363)	1,336,505
BEGINNING FUND BALANCE:											
Beginning Balance	9790	1,952,392	1,222,537	67,894	2,484	234,046	11,834,074	96,441	5	5,195,188	20,605,061
Prior Year Adjustments	9791-9792	0									0
Adjusted Beginning Balance		1,952,392	1,222,537	67,894	2,484	234,046	11,834,074	96,441	5	5,195,188	20,605,061
ENDING FUND BALANCE		\$ 1,619,483	\$ 1,589,764	\$ 16,639	\$ 2,484	\$ 221,210	\$ 13,281,715	\$ 96,441	\$ 5	\$ 5,113,825	\$ 21,941,566

**REDWOODS COMMUNITY COLLEGE DISTRICT
GENERAL FUND FINAL BUDGET
FISCAL YEAR 2007-08**

**Exhibit B
(Updated for actual beginning balances as of 10/5/07)**

REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE		Unrestricted Programs	Self- Supporting Programs	Total Unrestricted	Restricted Programs	Total Gen Fund Budget
REVENUES:						
State General Apportionment	<i>Various</i>	\$ 25,506,970	\$ 0	\$ 25,506,970	\$ 0	\$ 25,506,970
Federal Sources	<i>8100-8199</i>	215,931	0	215,931	2,006,416	2,222,347
Other State Sources	<i>8600-8699</i>	971,275	0	971,275	5,139,591	6,110,866
Other Local Sources	<i>8800-8899</i>	<u>597,367</u>	<u>1,189,244</u>	<u>1,786,611</u>	<u>292,774</u>	<u>2,079,385</u>
Total Revenue		27,291,543	1,189,244	28,480,787	7,438,781	35,919,568
EXPENDITURES:						
Academic Salaries	<i>1000-1999</i>	12,110,273	6,000	12,116,273	881,002	12,997,275
Other Staff Salaries	<i>2000-2999</i>	5,737,993	426,091	6,164,084	2,303,331	8,467,415
Employee Benefits	<i>3000-3999</i>	5,334,986	120,735	5,455,721	912,527	6,368,248
Supplies & Materials	<i>4000-4999</i>	397,333	153,330	550,663	349,140	899,803
Services & Other Operating	<i>5000-5999</i>	3,371,716	218,302	3,590,018	898,331	4,488,349
Capital Outlay	<i>6000-6999</i>	<u>184,084</u>	<u>50,375</u>	<u>234,459</u>	<u>606,855</u>	<u>841,314</u>
Total Expenditures		<u>27,136,385</u>	<u>974,833</u>	<u>28,111,218</u>	<u>5,951,186</u>	<u>34,062,404</u>
EXCESS REVENUES (EXPENDITURES)		155,158	214,411	369,569	1,487,595	1,857,164
OTHER FINANCING SOURCES (USES):						
Interfund Transfers In	<i>8980-8988</i>	365,406	0	365,406	0	365,406
Intrafund Transfers In	<i>8989</i>	0	0	0	61,896	61,896
Debt Service	<i>7100-7199</i>	0	0	0	0	0
Intrafund Transfers Out	<i>7200-7299</i>	(61,896)	0	(61,896)	0	(61,896)
Interfund Transfers Out	<i>7300-7399</i>	(541,471)	(15,000)	(556,471)	0	(556,471)
Student Financial Aid	<i>7500-7699</i>	(62,400)	(5,000)	(67,400)	(853,555)	(920,955)
Reserve for Contingencies	<i>7900-7999</i>	(334,706)	(47,411)	(382,117)	(695,936)	(1,078,053)
Other Sources (Uses)	<i>8999</i>	<u>147,000</u>	<u>(147,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Sources (Uses)		<u>(488,067)</u>	<u>(214,411)</u>	<u>(702,478)</u>	<u>(1,487,595)</u>	<u>(2,190,073)</u>
FUND BALANCE INCREASE (DECREASE)		(332,909)	0	(332,909)	0	(332,909)
BEGINNING FUND BALANCE:						
Beginning Balance	<i>9790</i>	1,539,573	404,609	1,944,182	8,210	1,952,392
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>1,539,573</u>	<u>404,609</u>	<u>1,944,182</u>	<u>8,210</u>	<u>1,952,392</u>
ENDING FUND BALANCE		<u>\$ 1,206,664</u>	<u>\$ 404,609</u>	<u>\$ 1,611,273</u>	<u>\$ 8,210</u>	<u>\$ 1,619,483</u>