

**Redwoods Community College District
2013-14 Final Budget**

SUMMARY

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 has made necessary adjustments to the 2013-14 Final Budget. To prepare the 2013-14 budget, the Budget Planning Committee (BPC) identified a \$2 million budget shortfall. With no budget savings solutions, the District’s fund balance would go negative and its cash accounts would be overdrawn before the end of the year. To avoid fiscal insolvency and bankruptcy, the BPC recommended to the President/Superintendent \$2 million in budget savings through a combination of increased revenue and decreased expenditures. The President/Superintendent has included many of these budget savings solutions to balance the 2013-14 Final Budget.

The multiyear forecast shows the District’s budget assuming modest continued improvements. This summary shows the budget forecast including the 2013-14 payroll concessions and assuming modest student growth and a small increase in the funding per student in the State’s funding model, as follows:

| 2013-14 Final Budget and Multiyear Forecast | | | |
|--|-------------|-------------|-------------|
| Multiyear Summary | 2013-14 | 2014-15 | 2015-16 |
| Funded FTES | 4,413 | 4,523 | 4,633 |
| Beginning Fund Balance | 1,376,003 | 1,433,669 | 1,514,297 |
| Revenue | 27,058,933 | 27,987,255 | 29,070,047 |
| Expenditures | 26,165,318 | 27,170,680 | 28,197,777 |
| Transfers and Other | (835,948) | (735,948) | (760,948) |
| Net Revenue | 57,667 | 80,628 | 111,321 |
| Ending Fund Balance | 1,433,669 | 1,514,297 | 1,625,618 |
| Fund Balance Percent | 5.3% | 5.4% | 5.6% |

General Background

The 2013-14 Final Budget is being presented to the Board of Trustees for approval at the September 10, 2013 meeting. The Final Budget will be reported to the State Chancellor’s Office by October 10, 2013 or the date in accordance with State Chancellor’s Office instructions.

Enrollment Growth - FTES

The Final Budget includes an increase in student enrollments. The District has been on stability funding due to enrollment declines. When a community college misses its enrollment target, the State funding model continues to fund that District at the target level for that year to help the district “stabilize.” The next year, that district will be funded at the lower enrollment level, but it is allowed to add students and recover State funding back up to the original target. The expectation is that the District will recover those enrollments within three years. If not, then after three years the enrollment target is permanently reduced. In short, CR could enroll as many

**Redwoods Community College District
2013-14 Final Budget**

as 4811 resident full time equivalent students (FTES) and get state funding for all those students. However, the forecast is to steadily restore enrollments back up to 4633 FTES by 2015-16.

State Funding History

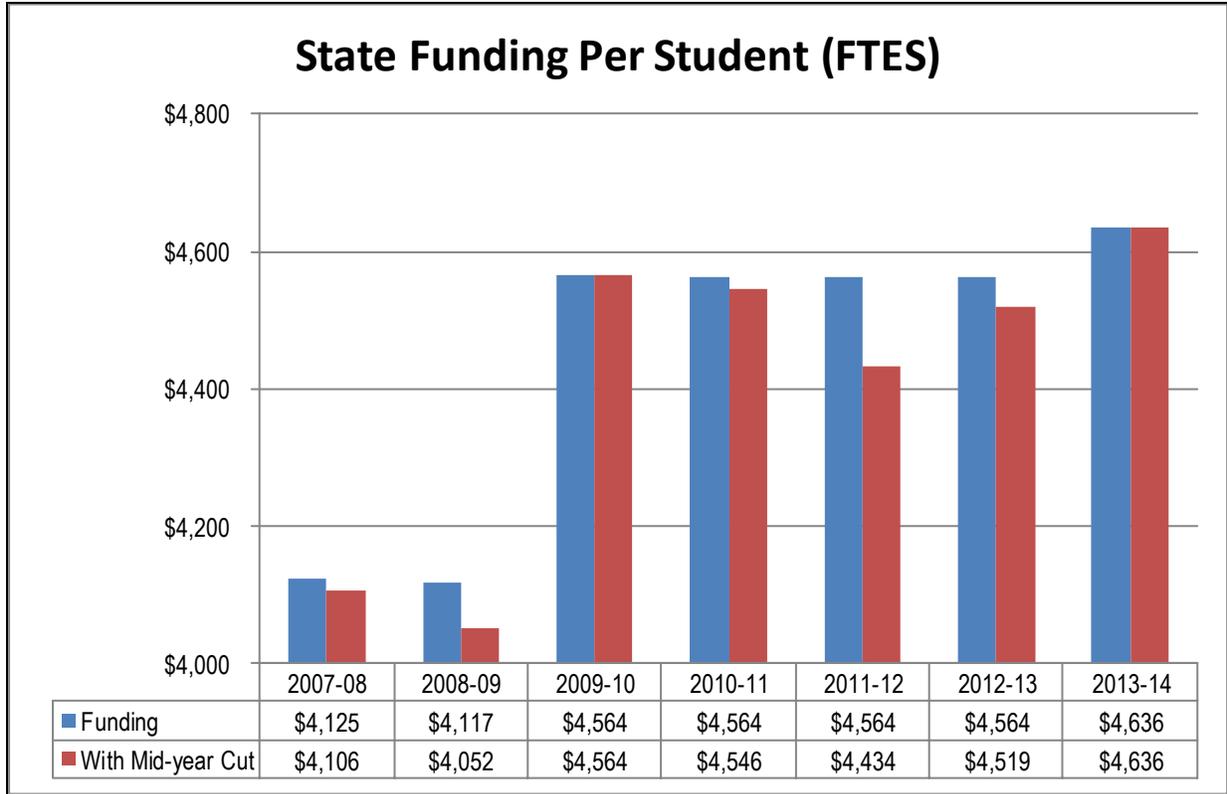
The District’s unrestricted general fund revenue budget relies primarily on state apportionment revenue. State apportionment is sometimes referred to as SB361 after Senate Bill 361 which enacted this funding model. The model includes state tax revenue, enrollment fees, property taxes, Proposition 30 tax receipts, and Board of Governor’s fee waivers. Apportionment revenue accounts for 92.2% of the 2013-14 unrestricted general fund revenue budget. This percentage is up slightly, primarily because the State provided a small inflationary increase in funding. Apportionment revenue is comprised of two funding streams, basic allocation and enrollment funding. Basic allocation is provided, based on size, to the Eureka campus, Del Norte center, and Mendocino center. Additional basic funding is provided because the Redwoods Community College District is considered a rural college district. The chart below shows the basic funding history:

| State Funding Basic Revenue | | | | | | |
|------------------------------------|----------------------|-------------------------|-------------------------|-----------------------|----------------------------|-----------------------|
| Year | Eureka Campus | Del Norte Center | Mendocino Center | Rural District | Total Basic Revenue | Percent Change |
| 2007-08 | 3,177,600 | 529,600 | 264,800 | 529,600 | 4,501,600 | |
| 2008-09 | 3,321,545 | 553,591 | 276,795 | 553,591 | 4,705,522 | 4.53% |
| 2009-10 | 3,321,545 | 553,591 | 276,795 | 553,591 | 4,705,522 | 0.00% |
| 2010-11 | 3,321,545 | 553,591 | 276,795 | 553,591 | 4,705,522 | 0.00% |
| 2011-12 | 3,321,545 | 553,591 | 276,795 | 553,591 | 4,705,522 | 0.00% |
| 2012-13 | 3,321,545 | 553,591 | 276,795 | 553,591 | 4,705,522 | 0.00% |
| 2013-14 | 3,377,458 | 562,282 | 281,141 | 562,282 | 4,783,164 | 1.65% |

As the chart above documents, the State provided no increase in basic funding from 2009-10 through 2012-13. Therefore, the state’s apportionment funding model provided districts insufficient inflationary increases to pay for items covered by basic funding in four out of the most recent five years.

The next chart shows the funding per FTES, and how funding was further reduced due to mid-year deficit factor cuts implemented by the State Chancellor’s Office to address the State’s mid-year funding shortfalls. These deficit factor cuts occur when actual tuition and property tax revenue fall short of the State’s estimates used by the Legislature to set annual funding levels. No deficit factor is noted for 2013-14 as it not known yet.

**Redwoods Community College District
2013-14 Final Budget**



| Mid-Year Deficit Factor Budget Cuts (2012-13 and 2013-14 are estimated pending final figures from the CO) | | | | | | | |
|--|------------|---------|-----------|------------|-------------|-------------|---------------------|
| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 est | 2013-14 est | Total |
| \$ 88,259 | \$ 342,344 | \$ - | \$ 92,302 | \$ 626,387 | \$ 191,831 | \$ - | \$ 1,341,123 |

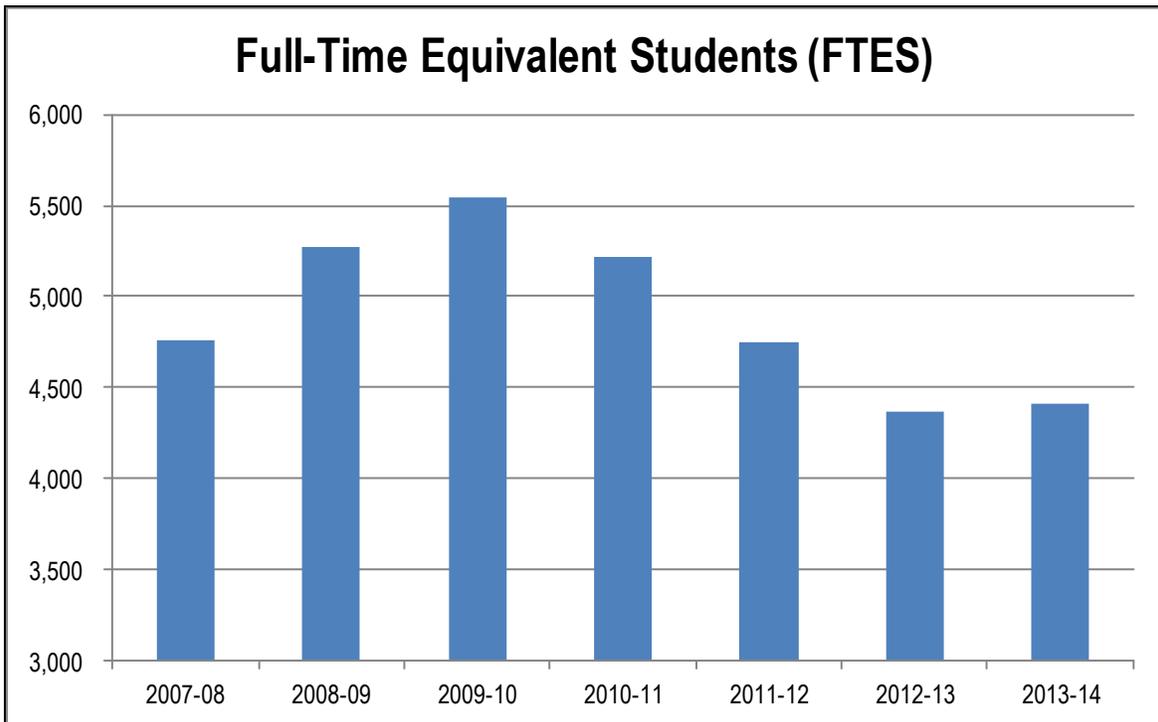
As the charts above indicate, mid-year deficit factor reductions further eroded funding per student. State Chancellor’s Office (CO) practice is to make no adjustment to enrollment targets due to mid-year deficit reductions. Therefore, the State Chancellor’s Office (CO) expects the District to not reduce course availability due to mid-year deficit reductions. Also, the State ignores these mid-year cuts when developing the next year’s budget. Therefore, the District has no opportunity to recoup the funding that remains due but unpaid. The Budget Planning Committee identified the following:

A fundamental key to fiscal stability is that in no case should the model’s funding per student ever be reduced.

The State provides enrollment funding on a complicated calculation of hours of attendance or Full Time Equivalent Students (FTES) basis. Below is a chart of the District’s student enrollment budget. In 2013-14, the District will not use its entire enrollment cap and is budgeted below the CO cap.

**Redwoods Community College District
2013-14 Final Budget**

| Recap of Student Enrollments | | | | | | |
|-------------------------------------|--------------------|-----------------------------|-----------------------|-----------------------|-------------------------|-----------------------|
| Year | CO FTES Cap | Above or (Below) Cap | CR FTES Budget | Percent Change | Funding Per FTES | Percent Change |
| 2007-08 | 4,755 | - | 4,755 | | 4,125 | |
| 2008-09 | 5,273 | - | 5,273 | 10.9% | 4,117 | -0.19% |
| 2009-10 | 5,061 | 480 | 5,542 | 5.1% | 4,564 | 10.87% |
| 2010-11 | 5,209 | 12 | 5,221 | -5.8% | 4,564 | -0.01% |
| 2011-12 | 4,811 | (276) | 4,535 | -13.1% | 4,564 | 0.00% |
| 2012-13 | 4,811 | (447) | 4,364 | -3.8% | 4,564 | 0.00% |
| 2013-14 | 4,811 | (398) | 4,413 | 1.1% | 4,636 | 1.57% |



The charts above show that the District was over its cap in 2009-10 and 2010-11, but enrollments have contracted and have remained below cap for 2011-12 and 2012-13. For 2013-14 the forecast begins to recover some lost enrollments, reflecting a turnaround.

The following chart shows the calculation of the state apportionment and the application of a contingency reserve. The \$336K contingency reserve is needed to cover unforeseen items, such as a mid-year cut in State funding (which has occurred in 6 out of the last 7 years) or soft enrollments. As noted in the chart below, the contingency could cover lower enrollments up to 72 FTES in 2013-14.

**Redwoods Community College District
2013-14 Final Budget**

| Recap of 2013-14 State Apportionment Calculation | |
|---|---------------|
| State Apportionment per FTES: | |
| 2012-13 | \$ 4,564 |
| 2013-14 increased by 1.57% | \$ 4,636 |
| | |
| Funded FTES Budget | 4413 |
| | |
| FTES Apportionment | \$ 20,460,843 |
| Basic Apportionment | \$ 4,783,164 |
| Total State Apportionment | \$ 25,244,007 |
| | |
| Less Contingency Reserve | \$ (336,000) |
| Potential Soft FTES Reserve | (72) |
| | |
| CR's Apportionment Budget | \$ 24,908,006 |

| Unrestricted General Fund Revenue Budget Summary | | | | | | | |
|---|-----------------------------|--------------|--------------|---------------|--------------------------|---------------|----------------|
| Year | State Apportionment (SB361) | Non-Resident | Other | Total Budget | Budget One-Time Reserves | Grand Total | Percent Change |
| 2008-09 | \$ 26,493,838 | \$ 763,476 | \$ 2,559,663 | \$ 29,816,977 | \$ 735,278 | \$ 30,552,255 | |
| 2009-10 | \$ 27,538,286 | \$ 1,048,082 | \$ 2,054,056 | \$ 30,640,424 | \$ 1,472,204 | \$ 32,112,628 | 5.1% |
| 2010-11 | \$ 27,807,799 | \$ 1,179,360 | \$ 2,478,858 | \$ 31,466,017 | \$ 287,105 | \$ 31,753,122 | -1.1% |
| 2011-12 | \$ 26,567,305 | \$ 903,732 | \$ 1,625,377 | \$ 29,096,414 | \$ - | \$ 29,096,414 | -8.4% |
| 2012-13 | \$ 25,084,301 | \$ 798,657 | \$ 1,348,408 | \$ 27,231,366 | \$ - | \$ 27,231,366 | -6.4% |
| 2013-14 | \$ 24,908,006 | \$ 644,627 | \$ 1,506,299 | \$ 27,058,933 | \$ - | \$ 27,058,933 | -0.6% |

Overall, the 2013-14 Final Budget tracks closely to the 2013-14 Tentative Budget with a few changes to revenue. To maintain a conservative budget, the revenue figures above have been calculated based on the District's 4413 FTES enrollment target, but then the revenue estimate has been adjusted downward to reserve for contingencies. The two items of concern at this point are a potential mid-year State funding cut and potential "soft" enrollments. The contingency reserve will allow for potentially lower fill rates or lower overall enrollments. If these or any other fiscal contingencies do not occur, then these budgets may be released late in the year to high priority initiatives.

Non-resident revenue was adjusted down for 2013-14 because actual revenue was below budget in 2012-13. Non-resident students typically pay the in-state enrollment fee of \$46 per unit, plus a separate non-resident tuition rate of \$233 per unit, plus other fees, etc. Other revenue had been declining, but 2012-13 actuals showed an increase over the budgeted level. The 2013-14 budget has been adjusted up as a result. Other revenue is comprised of many items, such as indirect cost recovery from grants, interest income, and insurance rebates.

**Redwoods Community College District
2013-14 Final Budget**

The Higher Education Price Index (HEPI) provides a college and university inflation rate history. The HEPI website (<https://www.commonfund.org/CommonfundInstitute/HEPI/Pages/default.aspx>) notes:

The Higher Education Price Index (HEPI) is an inflation index designed specifically to track the main cost drivers in higher education. It is an essential planning tool for educational managers, helping schools to understand the future budget and funding increases required to maintain real purchasing power...HEPI is a more accurate indicator of changes in costs for colleges and universities than the more familiar Consumer Price Index. It measures the average relative level of prices in a fixed basket of goods and services purchased by colleges and universities each year through current fund educational and general expenditures, excluding research.

The HEPI rate is published each year and a history of the most recent HEPI rates is presented in the next chart and compared to the State's inflationary funding. As the chart indicates, the State's inflation rate has not kept up with cost increases in the higher education sector:

| HEPI v. State Inflation | | |
|--------------------------------|--------------|-------------------------|
| Year | HEPI | Funding Per FTES |
| 2007 | 2.8% | 0.1% |
| 2008 | 5.0% | -0.2% |
| 2009 | 2.3% | 10.9% |
| 2010 | 0.9% | 0.0% |
| 2011 | 2.3% | 0.0% |
| 2012 | 1.7% | 0.0% |
| 2013 | 1.6% | 1.6% |
| Total | 16.6% | 12.3% |

The chart below shows the pay concessions for each employee group. Additionally, the District's Board of Trustees authorized an overall 40% reduction in their budget, including suspending stipends and paying a monthly premium towards health and welfare benefits costs. All employee groups took a pay cut which has contributed to a fiscally sustainable 2013-14 budget:

**Redwoods Community College District
2013-14 Final Budget**

| ESTIMATES - Does not include irregular pay items, stipends, temporaries, etc. | | | | |
|--|---|---|--------------------|--------------------|
| 2013-14 Payroll Budgets Unrestricted Gen Fund | Payroll Budget <i>NO Concessions</i> | Payroll Budget <i>With Concessions</i> | Budget Savings | Savings Percent |
| Full-Time Faculty | 7,126,036 | 6,508,702 | (617,334) | -8.7% |
| Part-Time Faculty | 3,078,041 | 2,830,767 | (247,274) | -8.0% |
| Managers & Directors | 1,202,269 | 1,098,156 | (104,113) | -8.7% |
| Executive | 980,039 | 891,561 | (88,478) | -9.0% |
| CSEA & Confidential | 3,851,695 | 3,603,179 | (248,516) | -6.5% |
| Salary Subtotal | 16,238,080 | 14,932,365 | (1,305,715) | -8.0% |
| Benefits Subtotal | 5,778,954 | 5,698,635 | (80,319) | -1.4% |
| Grand Total | 22,017,034 | 20,631,000 | (1,386,034) | -6.3% |

When the Budget Planning Committee (BPC) budget forecast remains in an unbalanced deficit position by February 1 of any given year, the District may need to 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 BPC budget forecast remains in an unbalanced deficit position by March 15 of any given year, the District may need to consider identifying positions and issuing formal notice of layoff/reduction in force by March 15, pursuant to California Administrative Code Title 5, sections 87740 and 87743. Following is a chart of the general notice requirements for implementing layoffs/reductions in force:

| Layoff/Reduction In Force Notice Requirements | | Deadline |
|--|---|-------------------------|
| Administrator | Notice of possible layoff. Ed code section 87740 | March 15 |
| Faculty | Notice provided to CRFO per section 13.3 of collective bargaining agreement | Feb 1 |
| Faculty | Notice of possible layoff. Ed code section 87740 & 87743. | March 15 |
| Classified Staff | Notice provided to CSEA employees per section 15.2 of collective bargaining agreement and Ed code section 87740 | 60 calendar days |
| Classified Manager | Notice of possible layoff. Ed code section 87740 | 60 calendar days |
| Confidential | Notice of possible layoff. Ed code section 87740 | 60 calendar days |

2013-14 Budget Preparation and BPC Budget Recommendations

At its February 20, 2013 meeting, the Budget Planning Committee (BPC) reviewed a 2013-14 budget forecast which showed a \$1,989,858 net deficit. At its March 20, 2013 meeting, the BPC finalized its recommendations to the President/Superintendent on balancing the 2013-14 budget by recommending budget savings in the \$2 million range. Their guiding principle for budget savings recommendations was the following:

Maintain accreditation standards by focusing on student success and fiscal stability.

Redwoods Community College District 2013-14 Final Budget

BPC identified and reviewed four options for balancing the budget. Ultimately, the Committee recommended a balanced approach of the two options that relied more heavily on payroll savings through pay concessions and a reorganization/Reduction in Force (RIF) over other options that were seen as including more risky savings items, such as a parcel tax or a very deep RIF.

The President/Superintendent reviewed and accepted the BPC's recommendations and administration implemented \$2 million in budget savings primarily through a combination of negotiated pay concessions with all employee groups and two rounds of reorganization/RIF. Also, a small increase in State funding helped to balance the budget.

The 2013-14 Final Budget tracks closely to the Tentative Budget, with a few changes. The expenditure budget was increased to allow for additional advertising and marketing to attract student enrollments, and the staff budget was increased to cover one-third of a position in an instructional program that was previously budgeted in grant funds which are no longer available. Additionally, the budgeted transfer to the employee benefits trust was increased by \$50K instead of the \$25K increase in the Tentative Budget. The District has made an ongoing commitment to increase its payments to the Trust as part of its long range plans.

Additionally, long term fiscal stability is further supported by a change negotiated in both of the District's recently ratified collective bargaining agreements. Both agreements allow for a Cost of Living Adjustment (COLA) only if the District's unrestricted fund balance is above 6.0%. Then, if the State increases the funding per FTES by more than 1.6%, the amount above 1.6% will be included as a COLA in employee salary schedules. If the State funds less than 1.6%, then there will be no COLA for that year. If the State funds above 1.6%, but the District's fund balance is below 6.0%, then the COLA will be held back until the fund balance improves. The first 1.6% of the increase in funding per FTES can be used by the District each year to help cover other cost increases, such as inflation on employee health and welfare benefits or other items.

The following chart shows the priority funding plan for the District as resources become available for these initiatives. The "increase faculty TLU budget" refers to the Teaching Learning Unit (TLU) budget which is primarily used to budget for associate faculty costs. This item is intended to provide budget for additional course sections as enrollments increase.

**Redwoods Community College District
2013-14 Final Budget**

| CR Priority Funding Plan for 2013-14 | 50% Law | | | Running Total | Notes |
|---|----------------|----------------|------------------|------------------|---|
| | Top | Bottom | N/A | | |
| Mission Critical Use of Funds in 2013-14 | | | | | |
| Restore fund balance to 5.0% | | | 300,000 | 300,000 | Financial stability, Cash reserves |
| Other Potential Use of Funds in 2013-14 | | | | | |
| Increase faculty TLU budget | 150,000 | | | 150,000 | Potential revenue growth |
| Reduce auxiliary transfer from \$300K to \$150K | | 150,000 | | 450,000 | Address crumbling infrastructure |
| Security revolving fund | | 50,000 | 10,000 | 510,000 | Public safety |
| Payoff existing District COP debt & other debt | | | 500,000 | 1,010,000 | Financial stability (also relieves CR of \$100K annual pmt) |
| Extra payment to employee benefit trust | | | 250,000 | 1,260,000 | Financial stability |
| Increase fund balance to 6% | | | 300,000 | 1,560,000 | Financial stability, Cash reserves |
| Fund new equipment revolving budget | | | 500,000 | 2,060,000 | Technology, lab, equipment replacement/upgrade |
| Invest in mission critical personnel | | 200,000 | | 2,260,000 | Institutional stability |
| Increase faculty TLU budget | 250,000 | | | 2,510,000 | Potential revenue growth |
| Restore/fund general fund capital repair budget to \$200K | | 153,000 | | 2,663,000 | Address crumbling infrastructure |
| Fund a strategic investment budget | 100,000 | 100,000 | 50,000 | 2,913,000 | Institutional stability, potential revenue growth |
| Reduce auxiliary transfer from \$150K to \$50K | | 100,000 | | 3,013,000 | Address crumbling infrastructure |
| Increase faculty TLU budget | 250,000 | | | 3,263,000 | Potential revenue growth |
| Increase fund balance for fiscal stability and the future | | | ??? | 3,263,000 | Financial stability |
| TOTALS | 750,000 | 753,000 | 1,910,000 | 3,263,000 | |

Concept discussed with Cabinet 4-11-2013 & BPC 4-17-2013, Reported to Cabinet, BPC, CRFO and CSEA: April, 2013.
Reported at Convocation: 8-22-2013. Reported to BOT: 6-4-2013, 9-10-2013 in the Final Budget.

2013-14 Final Budget Ending Fund Balance

The District's projected 2013-14 unrestricted general fund ending fund balance is 5.3%, which reflects a steady increase in District reserves for unforeseen events.

Exhibits

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

Exhibit A: 2013-14 Unrestricted, Restricted, and Total General Fund Budget

Exhibit B: 2013-14, 2014-15, 2015-16 Unrestricted General Fund Multiyear Forecast

Exhibit C: 2013-14 All Funds Budget

Discussion of Exhibit B: Unrestricted General Fund Multiyear Forecast

Exhibit B shows the unrestricted general fund multiyear forecast for 2013-14, 2014-15, and 2015-16. For revenue, the forecast assumes no change in federal funding as this item has remained flat for several years. State apportionment revenue is forecasted to increase by a 1.57% increase in funding per FTES for 2014-15 and 2015-16, which is the actual increase for 2013-14. Also, student enrollment growth is at 1.1% for 2013-14 and in the 2.4% range 2014-15 and 2015-16. Non-resident tuition increases in 2014-15 and 2015-16 are based on modest enrollment growth and/or an increased tuition rate. Other Revenues are maintained at 2012-13 actual receipts for all three years of the forecast. A revenue contingency is included for all three years. Overall, this revenue estimate reflects a conservative increase in resources.

**Redwoods Community College District
2013-14 Final Budget**

For expenditures, estimated cost increase factors are included. Increased associate faculty costs have been calculated for additional course sections needed to teach additional students. Costs for employee step increases, increases in health and welfare benefits, and other employer paid withholdings have been included based on 2012-13 actuals and adjusted for changes in employment levels. A continued increase in transfers to the employee benefits trust is budgeted to ensure the fiscal stability of that fund. Costs related to the State Special Trustee and recovery costs are budgeted to steadily decrease in 2014-15 and 2015-16. The result is a realistic expenditure and transfers budget.

With this multiyear forecast, the fund balance is projected to steadily improve to 5.3% by year-end 2013-14, then 5.4% in 2014-15, and 5.6% by 2015-16.

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 next chart shows the calculation of the 50% Law Compliance for the Final Budget:

| Fifty Percent Law Compliance | 2011-12 Budget | 2012-13 Budget | 2013-14 Budget |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Salaries of classroom instructors | 12,998,953 | 13,634,111 | 13,064,984 |
| Current expense of education | 25,996,403 | 27,153,727 | 25,661,112 |
| Percent | 50.0% | 50.2% | 50.9% |
| Required expense @ 50% | 12,998,202 | 13,576,864 | 12,830,556 |
| Shortfall (Cushion) | - | (57,248) | (234,428) |
| Amount not exempted | - | - | - |

The chart shows that the District can meet the Fifty Percent Law requirement for 2013-14. However, in order to comply, it is assumed that expenditures will occur as forecasted in the Final Budget.

Discussion of Exhibit C: 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.

**Redwoods Community College District
2013-14 Final Budget**

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.

In each restricted fund, the budget is prepared with the assumption that the fund will cover current year expenditures with current year revenue. If the State Chancellor's Office provides more or less funding this year, then expenditures must rise or fall proportionately as well. A planned draw on fund equity reserves may be included in budget plans, provided sufficient fund balance is available.

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). The District is planning to sell the remaining \$7.1 million in bond authorization during 2013-14. Then, all \$40.3 million in bond authorization will have been sold.

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.

A successful district-wide General Obligation Bond election (Measure Q) 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.

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 \$406,200 as of June 30, 2012 for "Refunding Lease Obligation." 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. The District will make semi-annual payments totaling \$98,907 to service the COP during 2013-14 which is included in the transfer section of the unrestricted general fund in the Final Budget.

Child Development (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, the District charges an hourly rate to parents for its instructional activities.

**Redwoods Community College District
2013-14 Final Budget**

The District's unrestricted general fund provides \$90 thousand 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 farmland, 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.

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 student

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)

**Redwoods Community College District
2013-14 Final Budget**

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. Since the monies pass through from the government to the student, the accumulation of fund balance reserves is not allowed. 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

REDWOODS COMMUNITY COLLEGE DISTRICT
FINAL GENERAL FUNDS BUDGET
 FISCAL YEAR 2013-14

| REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE | 2013-14 BOT Final Bgt | | Final Budget General Fund 2013-14 |
|--|-----------------------|------------|---|
| | Unrestricted | Restricted | |
| FUNDED FTES | 4413 | | |
| REVENUES: | | | |
| Federal Sources | 8100-8199 | \$ 158,705 | 1,255,877 |
| State Sources | 8600-8699 | 15,802,945 | 2,506,006 |
| Local Sources | 8800-8899 | 11,097,282 | 453,843 |
| Total Revenue | 27,058,932 | 4,215,726 | 31,274,658 |
| EXPENDITURES: | | | |
| Academic Salaries | 1000-1999 | 11,263,809 | 447,333 |
| Other Staff Salaries | 2000-2999 | 4,287,425 | 1,524,375 |
| Employee Benefits | 3000-3999 | 6,125,049 | 776,825 |
| Supplies & Materials | 4000-4999 | 443,130 | 109,115 |
| Services & Other Operating | 5000-5999 | 3,948,818 | 1,265,454 |
| Capital Outlay | 6000-6999 | 97,086 | 182,694 |
| Total Expenditures | 26,165,317 | 4,305,796 | 30,471,113 |
| EXCESS REVENUES (EXPENDITURES) | 893,615 | (90,070) | 803,545 |
| OTHER FINANCING SOURCES/(USES): | | | |
| Sale of Land & Buildings | 8913 | 0 | 0 |
| Interfund Transfers In | 8980-8988 | 0 | 0 |
| Intrafund Transfers In | 8989 | 0 | 449,041 |
| Debt Service | 7100-7199 | (98,907) | 0 |
| Intrafund Transfers Out | 7200-7299 | (449,041) | 0 |
| Interfund Transfers Out | 7300-7399 | (268,000) | 0 |
| Student Financial Aid | 7500-7699 | (20,000) | (335,828) |
| Other Sources (Uses) | 8999 | 0 | 0 |
| Total Other Sources (Uses) | (835,948) | 113,213 | (722,735) |
| FUND BALANCE INCREASE (DECREASE) | 57,667 | 23,143 | 80,811 |
| BEGINNING FUND BALANCE: | 0 | 0 | 0 |
| Beginning Balance | 9790 | 1,376,003 | (23,143) |
| Prior Year & Other Adjustments | 9791-9792 | 0 | 0 |
| Adjusted Beginning Balance | 1,376,003 | (23,143) | 1,352,860 |
| ENDING FUND BALANCE | \$ 1,433,670 | 0 | 1,433,670 |
| Fund Balance Percent | 5.3% | | |

Exhibit B

REDWOODS COMMUNITY COLLEGE DISTRICT
FINAL GENERAL FUNDS BUDGET
 FISCAL YEAR 2013-14

| REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE | | BOT FINAL BUDGET - FORECAST | | |
|--|----------------------------|----------------------------------|-------------|-------------|
| | | 2013-14 | 2014-15 | 2015-16 |
| | | Unrestricted General Fund | | |
| FUNDED FTES | | 4413 | 4523 | 4633 |
| REVENUES: | | | | |
| Federal Sources | 8100-8199 | \$ 158,705 | 158,705 | 158,705 |
| State Sources | 8600-8699 | 15,802,945 | 16,556,991 | 17,353,770 |
| Local Sources | 8800-8899 | 11,097,282 | 11,271,559 | 11,557,572 |
| | Total Revenue | 27,058,932 | 27,987,255 | 29,070,047 |
| EXPENDITURES: | | | | |
| Academic Salaries | 1000-1999 | 11,263,809 | 11,747,594 | 12,198,604 |
| Other Staff Salaries | 2000-2999 | 4,287,425 | 4,387,425 | 4,487,425 |
| Employee Benefits | 3000-3999 | 6,125,049 | 6,518,712 | 6,914,800 |
| Supplies & Materials | 4000-4999 | 443,130 | 448,130 | 468,130 |
| Services & Other Operating | 5000-5999 | 3,948,818 | 3,968,818 | 4,003,818 |
| Capital Outlay | 6000-6999 | 97,086 | 100,000 | 125,000 |
| | Total Expenditures | 26,165,317 | 27,170,680 | 28,197,777 |
| EXCESS REVENUES (EXPENDITURES) | | 893,615 | 816,576 | 872,269 |
| OTHER FINANCING SOURCES/(USES): | | | | |
| Sale of Land & Buildings | 8913 | 0 | 0 | 0 |
| Interfund Transfers In | 8980-8988 | 0 | 0 | 0 |
| Intrafund Transfers In | 8989 | 0 | 0 | 0 |
| Debt Service | 7100-7199 | (98,907) | (98,907) | (98,907) |
| Intrafund Transfers Out | 7200-7299 | (449,041) | (20,799) | (20,799) |
| Interfund Transfers Out | 7300-7399 | (268,000) | (596,242) | (621,242) |
| Student Financial Aid | 7500-7699 | (20,000) | (20,000) | (20,000) |
| Other Sources (Uses) | 8999 | 0 | 0 | 0 |
| | Total Other Sources (Uses) | (835,948) | (735,948) | (760,948) |
| FUND BALANCE INCREASE (DECREASE) | | 57,667 | 80,628 | 111,321 |
| BEGINNING FUND BALANCE: | | | | |
| Beginning Balance | 9790 | 1,376,003 | 1,433,669 | 1,514,297 |
| Prior Year & Other Adjustments | 9791-9792 | 0 | 0 | 0 |
| | Adjusted Beginning Balance | 1,376,003 | 1,433,669 | 1,514,297 |
| ENDING FUND BALANCE | | \$ 1,433,670 | 1,514,297 | 1,625,618 |
| Fund Balance Percent | | 5.3% | 5.4% | 5.6% |

Exhibit C

**REDWOODS COMMUNITY COLLEGE DISTRICT
FINAL BUDGET
FISCAL YEAR 2013-14**

| | GOVERNMENTAL FUND TYPES | | | | | | | | | | PROPRIETARY FUND TYPES | | | FIDUCIARY FUND TYPE - TRUST | | | TOTAL ALL FUNDS (Memo Only) |
|---|-------------------------|--------------|-----------------------|-----------|------------------------|-------------------|-------------------------|------------|-----------------------|-----------|------------------------------|---------------|----------------------------------|-----------------------------|-----------------------------|------|-----------------------------|
| | General Fund (10) | | Debt Serv (21) & (29) | | SPECIAL REVENUE FUNDS | | Capital Projects (41) | | Enterprise Funds (5X) | | Associated Student Body (71) | | Student Financial Aid Trust (74) | | Employee Benefit Trust (78) | | |
| | | | | | Child Development (33) | Student Farm (34) | Other Sp Rev Funds (39) | | | | | | | | | | |
| REVENUES: | | | | | | | | | | | | | | | | | |
| Federal Sources | 8100-8199 | \$ 1,414,582 | \$ 0 | \$ 72,891 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 10,357,118 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 11,844,591 |
| State Sources | 8600-8699 | 18,308,951 | 0 | 244,229 | 100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 450,000 | 0 | 0 | 0 | 0 | 19,103,180 |
| Local Sources | 8800-8899 | 11,551,125 | 2,082,085 | 48,669 | 10,000 | 242,784 | 7,320,000 | 989,325 | 989,325 | 60,000 | 60,000 | 0 | 0 | 280,000 | 280,000 | 0 | 22,583,988 |
| Total Revenue | | 31,274,658 | 2,082,085 | 365,789 | 110,000 | 242,784 | 7,320,000 | 989,325 | 989,325 | 60,000 | 60,000 | 10,807,118 | 0 | 280,000 | 280,000 | 0 | 53,531,759 |
| EXPENDITURES: | | | | | | | | | | | | | | | | | |
| Academic Salaries | 1000-1999 | 11,711,142 | 0 | 0 | 0 | 0 | 0 | 15,000 | 15,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,726,142 |
| Other Staff Salaries | 2000-2999 | 5,811,800 | 0 | 254,781 | 18,134 | 67,298 | 0 | 310,731 | 310,731 | 25,000 | 25,000 | 0 | 0 | 0 | 0 | 0 | 6,487,744 |
| Employee Benefits | 3000-3999 | 6,901,874 | 0 | 155,061 | 7,985 | 31,986 | 0 | 74,820 | 74,820 | 900 | 900 | 0 | 0 | 894,174 | 894,174 | 0 | 8,066,800 |
| Supplies & Materials | 4000-4999 | 552,245 | 0 | 26,159 | 5,000 | 0 | 0 | 82,935 | 82,935 | 9,000 | 9,000 | 0 | 0 | 0 | 0 | 0 | 675,339 |
| Services & Other Operating | 5000-5999 | 5,214,272 | 0 | 13,512 | 6,881 | 93,500 | 0 | 181,705 | 181,705 | 80,510 | 80,510 | 2,000 | 0 | 0 | 0 | 0 | 5,592,380 |
| Capital Outlay | 6000-6999 | 279,780 | 0 | 6,276 | 100,000 | 500,000 | 8,000,000 | 295,434 | 295,434 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,181,490 |
| Total Expenditures | | 30,471,113 | 0 | 455,789 | 138,000 | 692,784 | 8,000,000 | 960,625 | 960,625 | 115,410 | 115,410 | 2,000 | 0 | 894,174 | 894,174 | 0 | 41,729,896 |
| EXCESS REVENUES (EXPENDITURES) | | 803,545 | 2,082,085 | (90,000) | (28,000) | (450,000) | (680,000) | 28,700 | 28,700 | (55,410) | (55,410) | 10,805,118 | 0 | (614,174) | (614,174) | 0 | 11,801,863 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | | | | | | |
| Proceeds on Sale of Bonds | 8941 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interfund Transfers In | 8980-8988 | 0 | 98,907 | 90,000 | 28,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 150,000 | 150,000 | 0 | 366,907 |
| Intrafund Transfers In | 8989 | 449,041 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 449,041 |
| Debt Service | 7100-7199 | (98,907) | (2,180,992) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2,279,899) |
| Intrafund Transfers Out | 7200-7299 | (449,041) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (449,041) |
| Interfund Transfers Out | 7300-7399 | (268,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (268,000) |
| Student Financial Aid | 7500-7699 | (355,828) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (10,805,118) | 0 | 0 | 0 | 0 | (11,160,946) |
| Total Other Sources (Uses) | | (722,735) | (2,082,085) | 90,000 | 28,000 | (450,000) | (680,000) | 28,700 | 28,700 | (55,410) | (55,410) | (10,805,118) | 0 | (464,174) | (464,174) | 0 | (13,341,938) |
| FUND BALANCE INCREASE (DECREASE) | | 80,811 | 0 | 0 | 0 | (450,000) | (680,000) | 28,700 | 28,700 | (55,410) | (55,410) | 0 | 0 | (464,174) | (464,174) | 0 | (1,540,075) |
| BEGINNING FUND BALANCE: | | | | | | | | | | | | | | | | | |
| Beginning Balance | 9790 | 1,352,860 | 1,709,017 | 39,029 | 3,191 | 915,974 | 5,809,162 | 287,229 | 287,229 | 145,639 | 145,639 | 5 | 5 | 2,373,924 | 2,373,924 | 0 | 12,636,030 |
| ENDING FUND BALANCE | | \$ 1,433,670 | \$ 1,709,017 | \$ 39,029 | \$ 3,191 | \$ 465,974 | \$ 5,129,162 | \$ 315,929 | \$ 315,929 | \$ 90,229 | \$ 90,229 | \$ 5 | \$ 5 | \$ 1,909,750 | \$ 1,909,750 | \$ 0 | \$ 11,095,955 |