COLLEGE OF THE REDWOODS

SPECIAL REPORT

Three Year Budget Plan to Resolve OPEB Financing

and

Cash Flow Plan for the Next Three Years

Submitted by:

College of the Redwoods
7351 Tompkins Hill Road
Eureka CA 95501-9300

Submitted to:

Accrediting Commission for Community and Junior Colleges,
Western Association of Schools and Colleges

April 15, 2014

Certification

To: Accrediting Commission for Community and Junior Colleges,
Western Association of Schools and Colleges

From: Kathryn G. Smith, President/Superintendent
College of the Redwoods
7351 Tompkins Hill Road
Eureka CA 95501-9300

I certify there was broad participation by the campus community and believe this Special Report accurately reflects the nature and substance of this institution.

Signatures:

Kathryn G. Smith — 4-10-14
Kathryn G. Smith, President/Superintendent — Date

Colleen Mullery — 4-14-14
Dr. Colleen Mullery, President, Board of Trustees — Date

Thomas E. Henry — 4-10-14
Thomas E. Henry, State Special Trustee — Date

Lee Lindsey — 4-14-2014
Lee Lindsey, Chief Business Officer — Date

Bob Brown — 4-11-14
Bob Brown, ~~Co-President~~, Academic Senate — Date

José Ramirez — 4-14-14
José Ramirez, President, California School Employees Association — Date

Report Preparation

This Special Report was prepared with input from the College of the Redwoods Executive Cabinet, comprised of Kathryn G. Smith, President/Superintendent; Dr. Keith Snow-Flamer, Chief Instructional Officer and Chief Student Services Officer; Ahn Fielding, Chief Human Resources Officer; and Lee Lindsey, Chief Business Officer, and with input from Thomas Henry, State Special Trustee. Additional support was provided by employees in the College's Business Office, including Carla Spalding, Controller; Doug Edgmon, Accounting Manager; and Lorie Walsh, Assistant to the Vice President. Additionally, Total Compensation Systems provided a special actuarial report that was relied upon in the preparation of this Special Report.

Drafts of this report were vetted through the College's participatory governance processes, including distributing the report and soliciting feedback from the Budget Planning Committee and the Expanded Cabinet, which include faculty, management, staff, and student representation. The reports were placed on the College's accreditation website, the Budget Planning Committee website and the Board of Trustees website, all of which are available for public viewing via internet. An email was sent to all College employees and the leadership of the Associated Students College of the Redwoods (ASCR) soliciting feedback on the report. A preliminary draft of this report was included as an agenda item on the April 1, 2014 Board of Trustees meeting for discussion and to solicit feedback.

Response to the Commission Letter

1. Develop and Submit a Three Year Budget Plan to Resolve OPEB Financing

Accreditation Standard III.D.1.c. requires that "When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations." Accreditation Standard III.D.3.c. requires that "The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations." In the letter dated February 7, 2014, the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (ACCJC) acted to direct that the College develop and submit a three year budget plan to resolve OPEB financing (#R1-1).

The College's Business Office webpage includes an archive of various financial reports on the Redwoods Community College District and related entities (#R1-2). Specifically, two reports that provide analyses of the College's OPEB position are the annual audited financial statements (#R1-3) and the biennial "Actuarial Study of Retiree Health Liabilities" (#R1-4). Both sets of reports are produced by subject matter experts who are not employed by the College. These reports are referenced and incorporated into this Special Report in their entirety by this reference. Note 13 on page 30 of the Financial Statements for the year ending June 30, 2013 describes the plan as:

> *The Redwoods Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The District provides medical, dental, and vision insurance coverage to all employees who retire from the District and meet the age and service requirement for eligibility. Group medical coverage is provided for academic retirees hired before January 1, 2008, classified retirees hired before July 1, 2006, and administrative, managerial, and confidential employees hired before September 1, 2006. Group medical coverage is also provided for board members meeting certain eligibility requirements. Membership of the Plan consists of 70 retirees currently receiving benefits and 188 eligible active plan members.*

The College's funding policy is disclosed as:

> *The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the year ended June 30, 2013, the District contributed $974,949 to the Plan.*
>
> *The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC*

represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were:

Year Ended	*Annual OPEB Cost*	*Actual Employer Contributions*	*Percentage Contributed*	*Net Ending OPEB Obligation*
June 30, 2011	*824,359*	*856,746*	*103.93%*	*-*
June 30, 2012	*822,292*	*921,851*	*112.11%*	*(125,537)*
June 30, 2013	*781,176*	*974,949*	*124.81%*	*(319,310)*

The Actuarial Study of Retiree Health Liabilities as of September 1, 2013, prepared by Total Compensation Systems, Inc. (OPEB Study) discloses that not all employees are included as an OPEB liability. Specifically, page 5 of the most recent OPEB Study discloses the employee groups included in the OPEB liability fund and the specifics of the benefits. Certain retiree benefits are available to faculty hired before January 1, 2008; classified staff hired before July 1, 2006; management hired before September 1, 2006; and Board of Trustees members who first served before January 1, 1995. All employees hired after the dates noted are not eligible for retiree benefits. In general, for eligible faculty and staff, medical, dental and vision coverage is provided at no cost to the retired employee starting at age 55 who served at least 10 years. The benefits terminate after the lesser of six years or the attainment of age 65. For managers there is an additional benefit of $13,500 which is a one-time single lump sum maximum available after age 65, not an annual amount. As noted in the annual financial statements, there are 70 retirees and 188 eligible employees.

The College set aside a fund in its financial information system within its unrestricted general fund called, "Employee Benefit Trust-Retiree Health and Welfare Benefit Trust" (OPEB fund). This fund holds monies set aside for OPEB liabilities. Although the State Chancellor's Office includes these monies in the unrestricted general fund for State reporting purposes, established practice at the College is to treat these monies as restricted for OPEB liabilities only. At its November 7, 2012 meeting, the Board of Trustees authorized the President/Superintendent to transfer funds from the OPEB fund to the unrestricted general fund if necessary to close the books on fiscal year 2012-13 with at least a 5 percent ending fund balance (#R1-5). The books were closed above 5 percent and without the need to transfer funds from the OPEB fund. See page 2 of this CCFS-311Q which shows actual 2012-13 ending fund balance at 5 percent (#R1-6). This is the only time that such authority was granted, and this limited authority to transfer funds from the OPEB fund has now expired. However, in terms of maintaining fiscal stability, the administration understands that the Board of Trustees would revisit this authority if necessary.

Total Compensation Systems, Inc. completed a special analysis of the OPEB fund (#R1-7). The concern was that the OPEB fund's fund balance was dropping. The actuary assisted the College's Business Office in determining the amount of annual transfers necessary to ensure that the fund balance in the OPEB fund would not drop below a conservative, prudent, and reasonable minimum balance over the life of the plan. Given the uncertainties of forecasting out to fiscal year 2029-30 and beyond, a relatively high minimum balance target was requested. Total Compensation provided an opinion letter summarizing their findings. Total Compensation concluded that the College's proposed long term funding plan would result in the fund balance decreasing to no less than $1.7 million, which would occur in fiscal year 2022-23 after which the fund balance would begin to increase again. The College believes that this funding plan is conservative, prudent, and reasonable and that it will result in a sufficiently large minimum fund balance to assure a high degree of safety and trust for its retirees who rely on these benefits.

The College has been implementing this funding plan and continues to implement this plan in its budget forecast. The plan is to increase the transfer from the general fund to the OPEB fund by at least $50,000 per year until the transfer reaches $300,000 per year. In 2012-13, the College transferred $100,000, which was increased to $150,000 for 2013-14. (See page 16 of this report, "Employee Benefit Trust" column and "Interfund Transfers In" row, for the $150,000 budgeted transfer #R1-8.) After increasing the contribution to $300,000 annually, the College will continue to transfer that same amount each year until the actuary advises that additional transfers are no longer necessary. Each time the actuary produces the standard biennial actuarial study of retiree health liabilities, the College will also request that the actuary update the long term funding spreadsheet to ensure that the funding plan continues to maintain the minimum $1.7 million fund balance forecast, and to recommend adjustments as necessary to maintain a conservative, prudent and reasonable plan for the OPEB fund.

The ACCJC requested a three year budget plan to resolve OPEB financing. As noted above and in the OPEB reports referenced and incorporated into this Special Report in their entirety by reference, the College has a plan to fund its OPEB liabilities in a conservative, prudent and reasonable manner. The funding plan as recommended by the College's actuary is incorporated into the College's Cash Flow Plan for the next three years. Specifically, the three year budget plan includes a $75,000 increase in the transfer to the OPEB fund in 2014-15, and another $75,000 increase in 2015-16 and a sustained $300,000 transfer in 2016-17 and thereafter. For example, in the detailed Cash Flow worksheet, note that the "Interfund Transfers Out," which include the OPEB transfer and certain other transfers for 2014-15 are $343,000 and increase by $75,000 to $418,000 in 2015-16 and are sustained at $418,000 on the 2016-17 Interfund Transfers Out row (#R1-9). The $75,000 increase is also included from 2013-14 to 2014-15, but is netted against other changes in transfers that year.

Response to the Commission Letter

2. Develop and Submit a Cash Flow Plan for the Next Three Years

Accreditation Standard III.D.3.a requires that "The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and develops contingency plans to meet financial emergencies and unforeseen occurrences."

To develop the three year cash flow plan, first, a three year budget forecast was prepared for 2014-15, 2015-16, and 2016-17. The budget forecast included funding proposals included in California Governor Jerry Brown's Proposed 2014-15 Budget published in January 2014 (#R2-1). The budget forecast for College of the Redwoods is summarized below:

Three year Budget Forecast Unrestricted General Fund	2014-15	2015-16	2016-17
Funded FTES	4137	4137	4220
Beginning Fund Balance	1,421,416	1,458,845	1,516,345
Revenue	26,221,462	26,729,563	27,806,928
Expenditures	26,938,817	27,704,156	28,681,452
Transfers and Other	667,907	742,907	817,907
Budget Savings	1,422,691	1,775,000	1,775,000
Net Revenue	37,429	57,500	82,570
Ending Fund Balance	1,458,845	1,516,345	1,598,914
Fund Balance Percent	**5.3%**	**5.3%**	**5.4%**

The previous chart identifies Full-Time Equivalent Students (FTES) eligible for State funding. In 2014-15 the enrollment forecast assumes that fall and spring terms will enroll a similar number of students as fall and spring of 2013-14, along with the inclusion of two summer terms. For 2015-16, it is assumed that actual enrollments reported for State funding will include only the fall and spring terms and the portion of summer term enrollments that must be reported in 2015-16. Therefore, the College is planning to receive enrollment stability funding at the 2014-15 actual FTES level. FTES for 2016-17 are estimated to increase by 2 percent as several initiatives, such as increasing non-credit, dual enrollment, distance education, and programs with the California Department of Corrections, are expected to increase enrollment levels.

Revenues for 2014-15 are adjusted for anticipated State funding through the State's apportionment funding model. For 2014-15, a 0.86 percent cost of living adjustment (COLA) is included. (See page 8 of the Governor's budget #R2-2.) A 1.3 percent COLA is included in 2015-16 and 2016-17. Expenditures include payroll cost increases of a magnitude that is based on historical trends for increases in health and welfare benefits (about 6.5 percent annually), and other employer paid personnel costs along with typical costs for employee step increases. No COLA or base increase to employee salary step schedules is included in the three years reviewed. A modest increase in non-payroll costs is included to keep up with inflation. The College's Budget Planning Committee (BPC) recommended and the President/Superintendent approved a $180,000 annual increase in the general fund capital outlay to provide funding for a schedule of BPC recommended minor capital improvement projects across College of the Redwoods.

The College is in preliminary discussions with the Mendocino-Lake Community College District (MLCCD) for Mendocino College to potentially offer courses and programs at the College of the Redwoods Mendocino Coast Educational Center in Fort Bragg, California. This center is expected to enroll 172.2 FTES during summer, fall, and spring 2013-14. As a result, the College expects a reduction in its FTES if Mendocino College begins offering classes in fall 2014, which is already included in the enrollment forecast discussed earlier in this report.

The Board of Trustees has authorized the President/Superintendent to negotiate to continue the State Special Trustee's engagement for at least another year in support of the District's accreditation and fiscal recovery efforts. Chancellor Harris and Special Trustee Henry have indicated their support for this contract extension as well. Costs for an extended contract are already included in this report.

As a result, the College identified a $1.4 million budget shortfall that must be eliminated for 2014-15. The BPC met and made recommendations to the President/Superintendent to close the $1.4 million budget gap. The BPC's recommendations are noted in the table below and also in the BPC minutes (#R2-3; #R2-4).

($1,400,000)	2014-15 Projected budget shortfall
200,000	2012-13 One-time relief from CO deficit reduction
200,000	2013-14 One-time relief from CO deficit reduction
180,000	Defer planned 2014-15 augment to capital outlay budget
820,000	Payroll savings and/or reorganization and reduction in force (Payroll savings are not within the purview of the BPC to address, since they may involve negotiable items)
$1,400,000	Subtotal BPC budget solutions
$0	2014-15 Net shortfall after BPC budget solutions

The Chancellor's Office (CO) deficit reduction for 2012-13 and 2013-14 at $200,000 per year relates to the College's practice of reserving a portion of its apportionment revenue in the event the CO institutes a mid-year deficit reduction cut. Chancellor's Office representatives are reporting that the deficit reduction amount for these years is expected to be lower than previously reported. Therefore, the BPC has recommended using this "freed up" reserve to help cover the 2014-15 projected budget shortfall. The $180,000 savings arises from a proposed increase in the general fund capital outlay budget. The BPC identified minor capital projects to be funded from this resource. However, given the projected budget shortfall, the BPC has now proposed to defer that funding augment for a year or more until the budget forecast improves.

With these solutions, the BPC narrowed the 2014-15 budget shortfall to $820,000 which the Committee identified for payroll reductions. Because some payroll reductions require collective bargaining negotiations, the BPC did not further specify the source of these budget savings. The Executive Cabinet has prepared a 2014-15 Round One Reorganization and Reduction in Force (RIF) in the $820,000 range and a Round Two RIF of about $610,000 for a combined reorganization and RIF savings of over $1.4 million.

Implementing both reorganizations would be one of the College's major options for a budget solution along with savings potentially negotiated with collective bargaining units. However, the combination of the BPC identified solutions bringing the shortfall down to $820,000 plus both reorganizations would provide Redwoods with a budget solution that could be implemented without the contingency of negotiated payroll savings. Also, this solution could account for an additional drop in revenue equating to about an additional 120 FTES reduction. If enrollments were to drop by a greater amount or expenditures needed to increase in excess of the forecast, the College could seek negotiated savings and could also implement additional tactical budget savings solutions, including a partial hiring freeze, increase support from auxiliary operations, or a round three mid-year reorganization and RIF. To summarize, Redwoods has three major budget options to reduce expenditures over the period reviewed:

- Implement reorganization and Reduction in Force (RIF)
- Negotiate savings with bargaining units
- Activate tactical, one-time budget savings

College of the Redwoods has a recent history of successfully closing its identified budget gap. To balance its 2013-14 budget, the College implemented a combination of two reorganizations and RIFs and negotiated payroll concessions with all employees plus budget cuts from the Board of Trustees' budget. The College negotiated significant permanent employee salary concessions effective July 1, 2013:

- -9.0 percent for President and administrators
- -8.7 percent for full-time faculty and managers
- -8.0 percent for part-time faculty
- -6.5 percent for classified and confidential employees

See bottom of page 6 and chart on page 7 of this report (#R1-8).

Also, Redwoods negotiated fiscal stability clauses with its two collective bargaining units, the College of the Redwoods Faculty Organization (CRFO) (See 3.13.3.3 Triggers starting on page 9, #R2-5) and California School Employees Association College of the Redwoods, Chapter 509 (CSEA) (See 5.1 on page 16, #R2-6). In general, these clauses act to slow the growth in payroll costs when the College's fund balance falls below a minimum 6.0 percent trigger target.

The participatory governance process for College of the Redwoods is that the Budget Planning Committee (BPC) reviews a three year budget forecast and recommends to the President/Superintendent potential solutions for closing any identified budget gap in the next fiscal year. While a three year budget is reviewed, the BPC focuses primarily on the next fiscal year when developing recommended budget solutions. The three year forecast identifies an additional $375,000 budget shortfall for 2015-16.

This 2015-16 shortfall arises primarily due to the assumption of only a small COLA from the state and no projected increase in FTES. Each year that the State provides less than a 2.0 percent COLA creates a structural budget deficit for the College due to costs of employee salary steps, health and welfare benefit cost increases and increases in other personnel expenditures as well as necessary inflationary increases to non-payroll budgets. When the State provides an insufficient COLA, then the College will work to increase enrollments in order to increase revenue. However, it is unsustainable to expect continued community college net enrollment growth statewide on a year-over-year-over-year basis. Alternatively, the College will implement expenditure budget cuts to balance its budget.

In collaboration with the College's shared governance practices, for 2015-16 College of the Redwoods will implement a package of budget savings solutions similar to the BPC's proposed solutions for 2014-15. Because the College expects to receive enrollment stability funding in 2015-16, additional funding from increased FTES will not provide a solution in 2015-16. The BPC will make recommendations on the $375,000 identified shortfall as well as closing $400,000 of the previous year's gap that had been solved on a one-time basis. If the enrollment trend is not favorable during 2014-15, the College will need to implement permanent budget solutions for the entire budget gap. Instead, if the enrollment trend is more favorable, the College will continue with additional tactical, one-time solutions.

Student Enrollment Forecast Preparation

The following chart shows College of the Redwoods' enrollment and course section scheduling forecast for the period reviewed. The chart shows that the College plans to schedule a sufficient number of course sections to generate the FTES included in the budget forecast. Also, the College plans to offer additional course sections in hopes of exceeding this enrollment budget. If additional students enroll during 2014-15, then 2015-16 stability funding budget will increase proportionately as well.

Year	**2014-15**	**2015-16**	**2016-17**
Terms Included for CO rpting	Su/F/Sp/Su	F/Sp	Su/F/Sp/Su
FTES Reported	Projected	Stability	Projected
Funded FTES	4,137	4,137	4,220
Non-Resident FTES	102	112	119
Non-Credit FTES	51	51	151
Total FTES	4,290	4,300	4,490
Terms included for Redwoods bgt	F/Sp/Su	F/Sp/Su	F/Sp/Su
Minimum course sections	1,495	1,498	1,564
Section Forecast	1,540	1,543	1,611
Extra sections	45	45	47
Potential additional FTES	129	129	135

College of the Redwoods is implementing several enrollment growth initiatives to help stabilize and increase FTES. The College is planning to increase course sections to accommodate the overall student enrollment targets. The BPC recommended and the President/Superintendent approved a $50,000 augment to the marketing budget. During spring 2014, the College will send mailers to households promoting the College's offerings. Additional outreach including television and radio ads, targeted mailings, internet marketing, and face-to-face events are planned. Part of this outreach is aimed at informing the public that College of the Redwoods has been cleared of Show Cause sanctions and its accreditation has been reaffirmed. The College experienced a drop in enrollments on news and publicity about the sanction. This drop in enrollments precipitated the College's fiscal crisis. The College had to correct the Show Cause deficiencies and recover from the fiscal crisis.

College of the Redwoods is increasing its non-credit course offerings. There has been strong demand for each additional non-credit course section offered, so the College anticipates adding another six to eight sections for 35 FTES in 2014-15, another 35 FTES in 2015-16 while under stability funding, and another 35 FTES again in 2016-17. The College will adjust this forecast up or down each year, contingent on continued enrollment demand, availability of faculty, and successful negotiations to ensure that non-credit courses can be offered in a fiscally positive faculty cost structure.

Dual enrollment offerings are being increased with high schools. Demand for dual enrollment courses is strong. It is anticipated that dual enrollment could contribute as much as 50 FTES in 2014-15 between offerings at Eureka High, Arcata High, and McKinleyville High. Another 50 FTES is planned for 2015-16 while under stability funding, and another 50 FTES again in 2016-17 as the program continues to expand at these schools and additional schools in the Redwoods Community College District.

The College is revitalizing its distance education programs. In particular by fall 2014, the College will be able to reintroduce video streamed course sections using new technology. This will allow for a live course at the Eureka campus to be two-way video streamed to the College's locations and one additional mobile site (such as a dual enrollment high school class). Also, a student could connect remotely from another site (i.e. home) with the necessary technology and internet bandwidth. The College's current distance education offerings garner a higher average number of students per section than face-to-face courses, and distance education courses tend to fill up sooner. It is expected that this additional video functionality along with a generally revitalized distance education program could contribute about 50 to 100 FTES in 2014-15, another 50 to 100 FTES in 2015-16 while under stability funding, and another 50 to 100 FTES again in 2016-17.

The College is inventorying the current configuration of its classrooms to identify classrooms that may be upgraded to accommodate more seats in each room and is planning for larger classrooms in upcoming capital projects. While maintaining academic quality, this could allow for an increase in the average FTES in certain course sections. This could impact about 10 classrooms and increase the maximum seats in each room which could generate 30 additional FTES each year.

A state correctional facility is located within the Redwoods Community College District. The College is in the early stages of developing a program to offer credit and/or non-credit courses to inmates. It is expected that this new group of students could start with eight to ten sections which could contribute about 45 FTES in 2015-16 while under stability funding, and expand to another 45 FTES again in 2016-17.

Cash Flow Forecast Preparation

The cash flow analysis that follows was prepared based upon the above budget forecast. The College participates in the Community College League of California tax and revenue anticipation note (TRAN) program which provides for short term cash flow requirements. Each year the College prepares a detailed cash flow report to document its TRAN requirement (#R1-9). For this cash flow forecast, the TRAN cash flow spreadsheet has been extended to 2016-17. The following chart shows a summary of the cash flow analysis and verifies that sufficient cash balances will be maintained over the period reviewed.

Cash Flow Summary	2014-15	2015-16	2016-17
Low Cash	(2,049,027)	(1,967,079)	(1,896,669)
Add TRAN	2,750,000	2,667,079	2,596,669
Cash With TRAN	700,973	700,000	700,000
High Cash	8,904,070	6,670,629	6,640,745

The "low cash" figure is the amount for the month in the spreadsheet with the greatest cash shortfall before adding in the available TRAN funds, while the "high cash" figure shows the month in the spreadsheet with the greatest positive cash balance including the TRAN proceeds. This helps to illustrate the magnitude of the cash shifts during the reporting period.

The detailed cash flow spreadsheet includes two minimum cash balance targets during each year of the forecast. In the fall, the annual TRAN targets a $700,000 minimum monthly cash balance. The mid-year TRAN targets a $500,000 minimum monthly cash balance. The cash target for the mid-year TRAN is lower because the cash shortfall is much smaller in the spring (the May shortfall is in the $700,000 range) as opposed to the fall (the November shortfall is in the $2 million range). Also, the largest single month for a cash increase typically occurs in June, and June and July are typically light months for student payments. As a result, it is considered prudent and conservative to target a slightly higher minimum cash balance in the fall when there are larger negative swings in cash balances.

Short-term borrowing needs are steadily reducing over the period covered by the cash flow forecast primarily due to the State paying down its payment deferrals. Another factor contributing to the steady improvement is the plan for balanced budgets each year and a steadily increasing fund balance forecast. However, the forecast does anticipate that the College will need to participate in both annual and mid-year TRANs to maintain a conservative, prudent, and reasonable minimum available cash during the forecast period.

Overall, this cash flow forecast is considered to be a reasonable and conservative estimate. For example, it is assumed that there is a modest decrease in TRAN borrowing as a result of the State paying down its deferrals. A more aggressive cash flow might have assumed much smaller TRAN borrowings after all deferrals are paid off by the State. However, the goal of this exercise is to create a conservative cash flow forecast.

Previously, the rating agency Moody's lowered College of the Redwoods' bond rating and added a negative outlook to its rating (#R2-7; #R2-8). The College has worked to improve its financial strength by reducing expenditures to balance its budgets and increasing its reserves. These actions by the College resulted in Moody's recent upgrade of its appraisal of the College by removing the negative ratings watch (#R2-9; #R2-10). The College's budget and cash flow forecast includes trends that should be viewed favorably by rating agencies. The College is actively working to reclaim its previous rating status. Given the success that the College has experienced in obtaining TRANs in the past and a clear focus by the College on maintaining and improving its bond ratings, it is anticipated that the College will continue to be able to access short term cash flow borrowing at favorable rates and low costs.

LIST OF EVIDENCE

Response to the Commission Letter

1. Develop and Submit a Three Year Budget Plan to Resolve OPEB Financing

#R1-1	ACCJC 2-7-2014 Letter
#R1-2	Business Office Reports
#R1-3	2012-13 Audited Financial Statements
#R1-4	OPEB Study 9-1-2013
#R1-5	Board of Trustees Docket 12-4-2012, item 3.7
#R1-6	CCFS-311Q at 9-30-2013
#R1-7	Total Compensation Systems, Inc. Opinion Letter 11-21-2013
#R1-8	2013-14 Final Budget
#R1-9	Cash Flow Matrix

2. Develop and Submit a Cash Flow Plan for the Next Three Years

#R2-1	CA Governor's 2014-15 Proposed Budget
#R2-2	CA Governor's 2014-15 Proposed Higher Education Budget
#R2-3	BPC Meeting Notes 2-19-2014
#R2-4	BPC Recommendation to President
#R2-5	CRFO 2013-2016 Agreement
#R2-6	CSEA 2013-2015 Agreement
#R2-7	Moody's Rating 8-5-2013
#R2-8	BPC Copy of Moody's Rating 8-5-2013
#R2-9	Moody's Rating 2-28-2014
#R2-10	BPC Copy of Moody's Rating 2-28-2014