



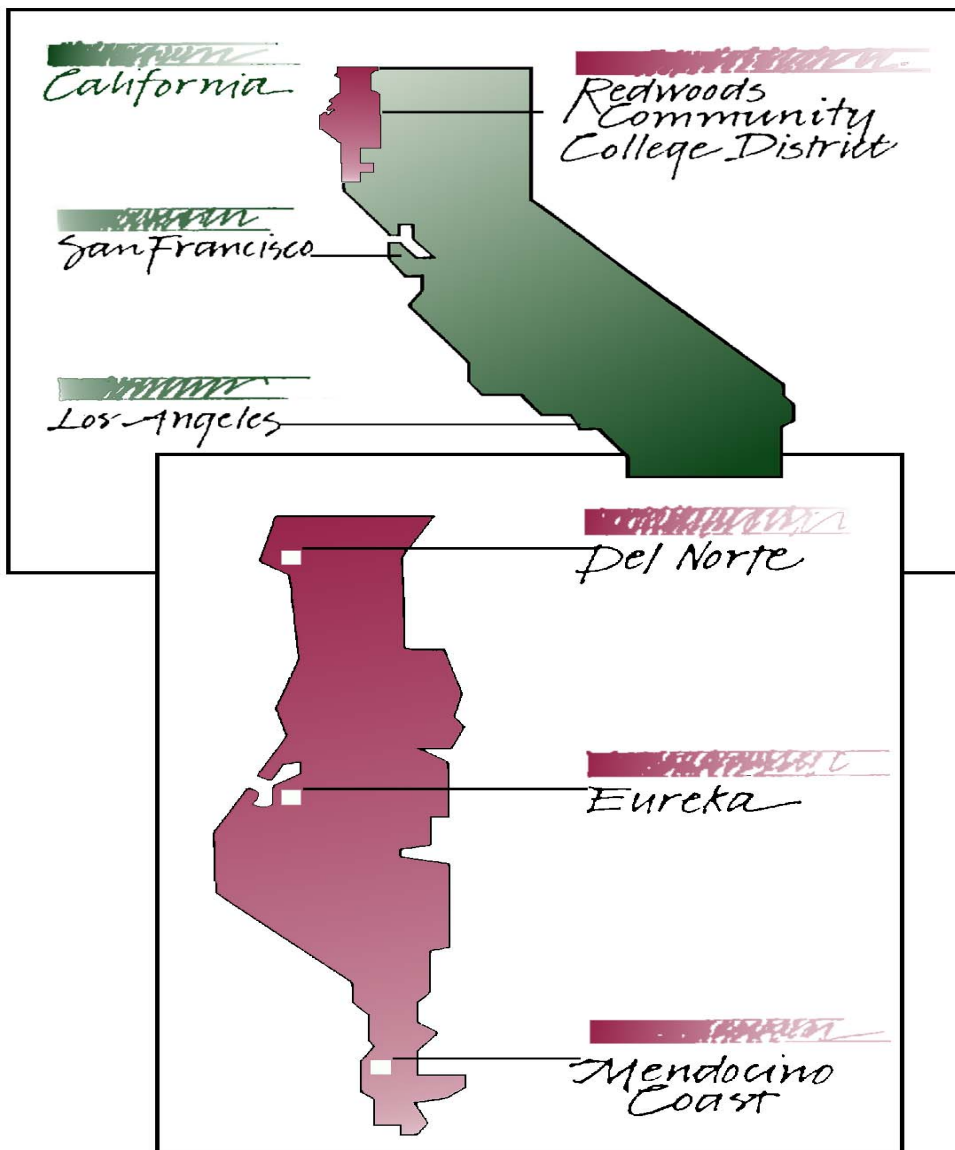
REDWOODS
COMMUNITY
COLLEGE
DISTRICT

September 8, 2008

FINAL BUDGET 2008-09

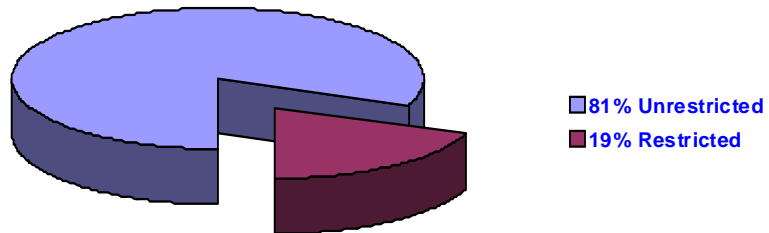
THE DISTRICT

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 2008-09 Final Budget is included as Exhibit A.



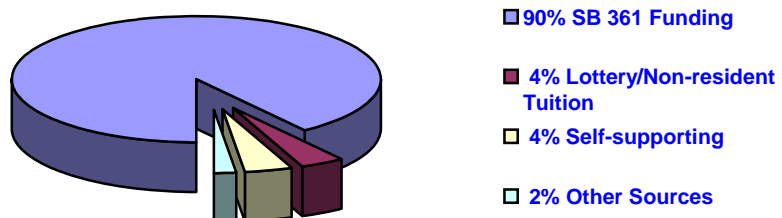
***THE
GENERAL
FUND
(FUND #10)***

The General Fund accounts for all activities not required to be recorded in a separate fund and represents 71% of the District's revenues. There are two main segments of the General Fund: unrestricted and restricted programs (see Exhibit B).

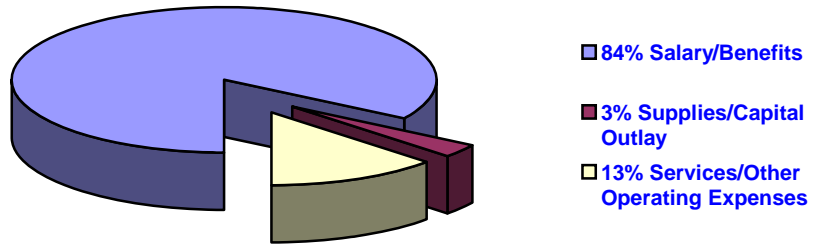


Unrestricted

The largest segment of the fund is the *unrestricted portion*, approximately \$29.8 million (81% 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 \$7.1 million (19% 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)

An unrestricted ending balance of 5% will be maintained in the General Fund at the end of each fiscal year as a reserve for contingencies as required by the state. Any amount over this reserve level will be transferred to the Capital Outlay Fund. Unrestricted one-time expenditures in the General Fund for 2008-09 have been identified separately and funded by a transfer-in from the Capital Outlay Fund.

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.

2008-09 State Budget Act

The 2008-09 state budget act has not been passed and signed by the Governor as of the date of this report. State revenues were projected based on no COLA and a workload increase for restoration of 68 full-time equivalent students. The budget will be adjusted as needed later.

**Major
General Fund
Assumptions**

Other major budget assumptions for the development of unrestricted General Fund revenues and expenditures estimates are outlined in Exhibit C.

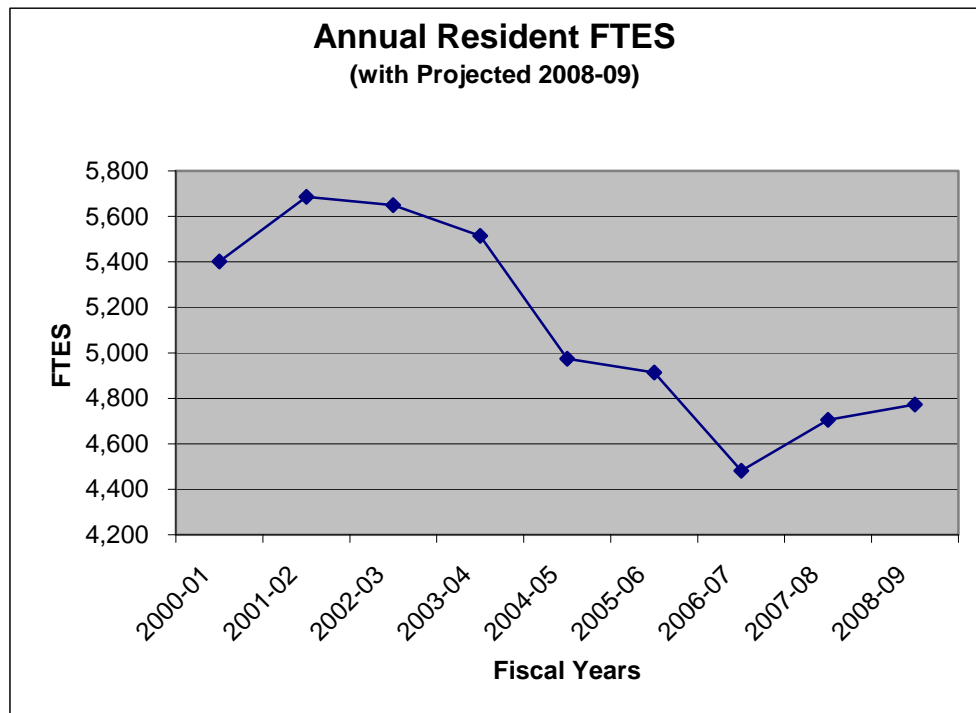
For categorically funded federal and state programs, estimates were included by reference to prior year funding levels. Adjustments will be made for growth/decline and COLA as program entitlements are adjusted by these funding authorities later in the year.

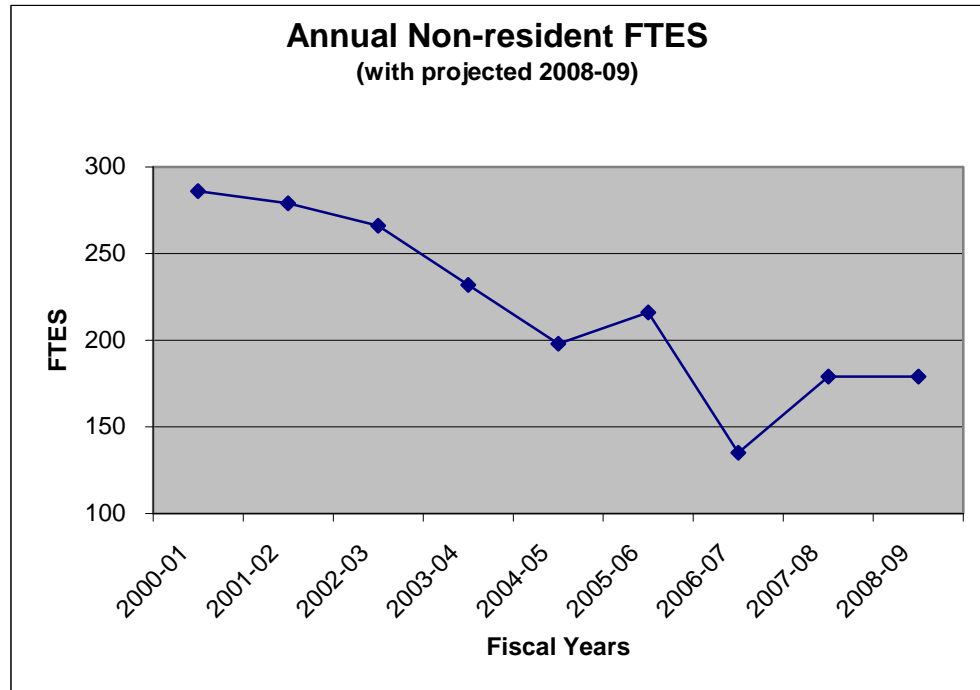
**Enrollments
and Financial
Stability**

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
2007-08	4,705	179	4,884
Projected 2008-09	4,773	179	4,952

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 2008-09 would have been \$4.8 million greater at the level of FTES the District had in 2001-02, while non-resident tuition would have been about \$478,000 greater.

Full-time Equivalent Faculty and Staff

<i>Unrestricted General Fund</i>	<i>Adopted Budget 2001-02</i>	<i>Adopted Budget 2008-09</i>	<i>Change</i>	
Unrepresented				
Board Members	9.5	9.5	0.0	0%
Administrators	11.5	12.0	0.5	4%
Managers	23.4	16.8	(6.6)	-28%
Confidential	6.0	5.0	(1.0)	-17%
Total Unrepresented	50.4	43.3	(7.1)	-14%
Faculty (CRFO)	114.0	86.5	(27.5)	-24%
Classified (CSEA)	107.6	101.9	(5.7)	-5%
Total FTE	272.0	231.7	(40.3)	-15%
Total FTES (Res & NR)	5,965	4,952	(1,013)	-17%

The FTES for residents and non-residents is projected to be 4,952 in 2008-09 or a decline of 17%. By contrast permanent employee FTE has declined by only 15%. Reducing faculty and staff to maintain fiscal stability has been a significant challenge in recent years. Regular faculty FTE has declined at a faster rate than other staffing. Planned growth in future years would provide funding to restore faculty and staffing at appropriate levels.

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.

		<u>Actual 2006-07</u>	<u>Budget 2007-08</u>	<u>Proposed Budget 2008-09</u>
Salaries of Classroom Instructors (SCI)	a	\$ 12,903,255	\$ 12,845,491	\$ 13,404,934
Current Expense of Education (CEE)	b	\$ 25,284,253	\$ 25,651,878	\$ 26,733,625
Percent	c	51.0%	50.1%	50.1%
Required Expenditure (50% of b)	d	\$ <u>12,642,127</u>	\$ <u>12,825,939</u>	\$ <u>13,366,813</u>
Difference (line a, less line d)	e	\$ <u>261,128</u>	\$ <u>19,552</u>	\$ <u>38,121</u>

The district expects to maintain compliance with the 50% requirement in 2008-09.

Financial Stability and Reserves

Based on the above assumptions for 2008-09, projected expenditures and other outgo equal estimated revenues and other sources, resulting in the District maintaining its unrestricted reserve balance at the state minimum reserve level of 5% of budgeted unrestricted expenditures and other outgo by the end of 2008-09. An interfund transfer of \$735,278 is the source of funding for special one-time expenditures. The District has not included state revenue for growth beyond 68 additional FTES, although a provision for the cost of an additional 250 FTES is included as one of the special one-time expenditures. Additional state funding for this growth in FTES would be available for special one-time expenditures in the following year.

The District plans to use amounts in excess of a 5% ending reserve each year to fund the cost of additional growth and other one-time costs for the next budget year.

Reserve funds are an important safeguard for financial stability. They provide 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 2008-09 include \$700,000 in principal and \$1,481,350 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 \$102,867 are required for 2008-09. 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 \$429,502, the District charges an hourly rate to parents for its instructional activities. It is estimated that \$60,000 of these fees will be paid by the Cal-WORKS program. The Child Development Program is not charged for administration, operations, or maintenance costs. A transfer of unrestricted General Fund revenues of \$166,752 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 \$83,914 is planned for 2008-09 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. Sales and rentals are expected to generate \$1,388,504 in revenues. 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 \$12,000,000 are planned for 2008-09.

***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, ACG, SEOG, BIA, Loans, and State Cal Grants.

***Employee
Benefit Trust
Fund
(Fund #78)***

The District pays health care costs for retirees according to Board adopted policies and contract agreements with employee groups. In 2006, an actuary estimated that the percentage of the debt obligation that has been funded for retired and current employees' prior service increased from 63% to 66% over the preceding 2 years. The District plans to continue to improve the funding percentage until fully funded. Transfers from the General Fund will be made from ending reserve balances in excess of 5%.

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 \$442,200 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 all new employees of the District is having a progressively stronger effect on employee benefit costs.

Interest income on funds on deposit with the Humboldt County Treasurer is estimated at \$116,667. It is projected that \$600,000 will be needed to pay contributions for health care benefits for retirees in 2008-09.

REDWOODS COMMUNITY COLLEGE DISTRICT
 FINAL BUDGET
 FISCAL YEAR 2008-09

Exhibit A

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 Benefit Trust (78)		
			Child Devel- opment (33)	Student Farm (34)	Other Sp Rev Funds (39)						
REVENUES:											
Federal Sources	8100-8199	\$ 2,003,451	\$	\$ 66,500	\$	\$	\$	\$ 9,283,225	\$	\$ 11,353,176	
State Sources	8600-8699	23,803,514		363,002				550,000		24,716,516	
Local Sources	8800-8899	11,145,220	2,211,485	71,000	42,740	1,388,504	322,500	6,000	558,867	15,746,316	
Total Revenue		36,952,185	2,211,485	500,502	42,740	1,388,504	322,500	6,000	9,833,225	558,867	51,816,008
EXPENDITURES:											
Academic Salaries	1000-1999	13,782,763									13,782,763
Other Staff Salaries	2000-2999	8,567,164		394,569	64,326	195,667					9,221,726
Employee Benefits	3000-3999	6,929,007		252,714	24,693	91,342			600,000		7,897,756
Supplies & Materials	4000-4999	934,405		15,646	10,650	421,904		350			1,382,955
Services & Other Operating	5000-5999	4,454,321		4,325	22,435	389,375		3,950	7,773		4,882,179
Capital Outlay	6000-6999	619,695		0	4,550	413,978	12,042,000	1,700			13,081,923
Total Expenditures		35,287,355	0	667,254	126,654	1,512,266	12,042,000	6,000	7,773	600,000	50,249,302
EXCESS REVENUES (EXPENDITURES)		1,664,830	2,211,485	(166,752)	(83,914)	(123,762)	(11,719,500)	0	9,825,452	(41,133)	1,566,706
OTHER FINANCING SOURCES (USES):											
Proceeds on Sale of Bonds	8941										0
Interfund Transfers In	8980-8988	735,278	102,867	166,752	83,914	84,922					1,173,733
Intrafund Transfers In	8989	68,416									68,416
Debt Service	7100-7199		(2,284,217)								(2,284,217)
Intrafund Transfers Out	7200-7299	(68,416)									(68,416)
Interfund Transfers Out	7300-7399	(438,455)					(735,278)				(1,173,733)
Student Financial Aid	7500-7699	(893,987)							(9,825,452)		(10,719,439)
Reserve for Contingencies	7900-7999	(1,067,666)									(1,067,666)
Total Other Sources (Uses)		(1,664,830)	(2,181,350)	166,752	83,914	84,922	(735,278)	0	(9,825,452)	0	(14,071,322)
FUND BALANCE INCREASE (DECREASE)		0	30,135	0	0	(38,840)	(12,454,778)	0	0	(41,133)	(12,504,616)
BEGINNING FUND BALANCE:											
Beginning Balance	9790	1,527,613	1,662,121	15,000	0	159,000	19,643,884	96,000	5	5,000,000	28,103,623
Prior Year Adjustments	9791-9792	0									0
Adjusted Beginning Balance		1,527,613	1,662,121	15,000	0	159,000	19,643,884	96,000	5	5,000,000	28,103,623
ENDING FUND BALANCE		<u>\$ 1,527,613</u>	<u>\$ 1,692,256</u>	<u>\$ 15,000</u>	<u>\$ 0</u>	<u>\$ 120,160</u>	<u>\$ 7,189,106</u>	<u>\$ 96,000</u>	<u>\$ 5</u>	<u>\$ 4,958,867</u>	<u>\$ 15,599,007</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
GENERAL FUND FINAL BUDGET
FISCAL YEAR 2008-09**

Exhibit B

REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE		Unrestricted Programs	Special One-time	Total Unrestricted	Restricted Programs	Total Gen Fund Budget
REVENUES:						
Federal Sources	8100-8199	\$ 11,000	\$ 0	\$ 11,000	\$ 1,992,451	\$ 2,003,451
State Sources	8600-8699	18,950,547	0	18,950,547	4,852,967	23,803,514
Local Sources	8800-8899	10,855,430	0	10,855,430	289,790	11,145,220
Total Revenue		29,816,977	0	29,816,977	7,135,208	36,952,185
EXPENDITURES:						
Academic Salaries	1000-1999	12,520,740	331,583	12,852,323	930,440	13,782,763
Other Staff Salaries	2000-2999	6,306,004	0	6,306,004	2,261,160	8,567,164
Employee Benefits	3000-3999	5,706,818	191,854	5,898,672	1,030,335	6,929,007
Supplies & Materials	4000-4999	581,076	2,688	583,764	350,641	934,405
Services & Other Operating	5000-5999	3,648,364	179,785	3,828,149	626,172	4,454,321
Capital Outlay	6000-6999	178,020	29,368	207,388	412,307	619,695
Total Expenditures		28,941,022	735,278	29,676,300	5,611,055	35,287,355
EXCESS REVENUES (EXPENDITURES)		875,955	(735,278)	140,677	1,524,153	1,664,830
OTHER FINANCING SOURCES (USES):						
Interfund Transfers In	8980-8988	0	735,278	735,278	0	735,278
Intrafund Transfers In	8989	0	0	0	68,416	68,416
Debt Service	7100-7199	0	0	0	0	0
Intrafund Transfers Out	7200-7299	(68,416)	0	(68,416)	0	(68,416)
Interfund Transfers Out	7300-7399	(438,455)	0	(438,455)	0	(438,455)
Student Financial Aid	7500-7699	(67,400)	0	(67,400)	(826,587)	(893,987)
Reserve for Contingencies	7900-7999	(301,684)	0	(301,684)	(765,982)	(1,067,666)
Other Sources (Uses)	8999	0	0	0	0	0
Total Other Sources (Uses)		(875,955)	735,278	(140,677)	(1,524,153)	(1,664,830)
FUND BALANCE INCREASE (DECREASE)		0	0	0	0	0
BEGINNING FUND BALANCE:						
Beginning Balance	9790	1,527,613	0	1,527,613	0	1,527,613
Prior Year Adjustments	9791-9792	0	0	0	0	0
Adjusted Beginning Balance		1,527,613	0	1,527,613	0	1,527,613
ENDING FUND BALANCE		\$ 1,527,613	\$ 0	\$ 1,527,613	\$ 0	\$ 1,527,613

Unrestricted General Fund Budget Assumptions

Category	Current Assumption
REVENUE	
SB 361 State General Apportionment	
COLA Rate	No COLA (Conference Committee version is 2.45%)
Budget Augmentations	\$354,400 for partial backfill of property tax shortfall from 2007-08
Enrollment Growth (or Restoration)	68 growth FTES for Academy of the Redwoods (AOR) from 74 FTES to 142 or an increase of \$310,420 in state revenue - \$648,230 total AOR state funding
Center Funding	CRDN based on >500 FTES; CRMC based on <500 FTES, but over 250
Other Revenue	
Forest Reserve	Not reauthorized - prior year revenue was \$210,983
Lottery	As projected by the state system office
Interest Income	Estimate \$50,000
Non-resident Tuition	100% of prior year at new board adopted rates
One-time Resources	Transfer-in from Fund 41 \$735,278 to cover the following one-time expenditures: \$ 61,841 Action Plans 150,000 Education/Facilities Master Plans 368,057 Enrollment Growth 155,380 Medical benefit rate increase above 12% \$735,278
EXPENDITURES	
Personnel Costs	
FTE Administration	Includes proposed salary schedule for Deans and VPs Also, net savings from proposed administration reorganization
FTE Support Staffing	As proposed by Cabinet and approved by Board
Faculty Load (Student/Faculty Ratio)	27.2 - Same as prior year actual
Part-time Faculty Workload	Cost for 250 growth FTES paid from one-time funds
Full-time Faculty Positions	Decrease 9 positions from 2007-08 - increase 4 positions in fall, 3 more in Spring.
Reassigned Time for FTF	\$547,387 - 5.13 FTE, no change from 2007-08 Adopted Budget
Employee cost of living adjustments	As negotiated or approved by board
Faculty Sabbaticals	3 one-semester sabbaticals

REDWOODS COMMUNITY COLLEGE DISTRICT
 FINAL BUDGET
 FISCAL YEAR 2008-09

Unrestricted General Fund Budget Assumptions

<i>Category</i>	<i>Current Assumption</i>
Health & Welfare Rate Changes	Medical 18%, Dental 0%, Vision 0% Excess over 12% medical rate increase paid from one-time resources
Retiree Benefits	Prior service liability funded from 2008-09 ending reserves in excess of 5%
Administrative Reorganization Proposal	Proposed new organization structure and administrative salary schedule provisions with an estimated current year net cost of \$6,002
Special Projects	Part-time hires for distance education, program development projects, and backfill of open positions
<i>Other Expenditures</i>	
District Projects & District-wide General	Trimmed based on review of 2007-08 budget vs. actual
Action Plans & Ed/Facilities Mstr Plans	Paid from one-time funds
Special Initiative	Assist students with bus fares \$75,000
<i>GENERAL</i>	
Reserve for Economic Uncertainties	Target at minimum of 5% of unrestricted expenditures and other outgo