Redwoods Community College District
2012-13 Final Budget – *REVISED 9-19-2012*

SUMMARY

In order to address fiscal stability at Redwoods Community College District and adhere to Accreditation Standard III (Resources) as well as Eligibility Requirements 17 (Financial Resources) and 18 (Fiscal Accountability), the District has made necessary adjustments to its 2012-13 Final Budget. The District's 2011-12 ending fund balance was reduced by $790,000 for a write down adjustment of uncollectible bad debts in student accounts receivable. The 2012-13 unrestricted general fund budget currently stands $2 million out of balance. In order to address this structural budget deficit, $2 million in sustained budget savings, combining both increased revenues and reduced expenditures, is necessary. Without any budget savings, the District's ending fund balance will be negative four and a half percent (-4.56%) meaning the District is potentially financially insolvent, and it is illegal for the District to engage in such deficit financing. Given the State's fiscal problems, it is unlikely that an emergency appropriation would be provided. Instead, an emergency transfer of funds will be made from the employee benefits trust fund.

The multiyear forecast shows the District's budget assuming no increases in state appropriation. The forecast also assumes that the District continues the past practice of paying annual salary and benefit cost increases. The Budget Planning Committee has identified and the District has implemented other reductions by closing instructional sites, an employee early retirement incentive, reductions in operating expenditures, etc. The forecast includes the assumption that the District will successfully reduce expenditures by an additional $2,000,000 on a permanent basis. The results of this forecast show that simply reducing expenditures by $2 million will not return the District to fiscal sustainability. If the State does not provide an inflationary increase in apportionment payments, then the District cannot afford to cover annual increases in salary and benefit costs without sustained, offsetting revenue increases or expenditure reductions. The District must increase revenue and/or control expenditures to return to fiscal sustainability and avoid potential financial insolvency. This challenge may be very formidable in that controlling annual payroll cost increases will require successful negotiations with labor unions representing certain District employees.

General Background

The 2012-13 Final Budget is being presented to the Board of Trustees for approval at the September 10, 2012 meeting. The Final Budget will be reported to the State Chancellor's Office by October 10, 2012 in accordance with State Chancellor's Office instructions.

ACCJC Show Cause Finding and Appointment of a State Special Trustee

In a letter dated February 1, 2012, the Accrediting Commission for Community and Junior Colleges (ACCJC or the Commission) informed the District President/Superintendent:

> The Commission acted to place College of the Redwoods on Show Cause and to require that the College submit a Show Cause report by October 15, 2012.
>
> Show Cause is ordered when the Commission finds that an institution is in substantial non-compliance with Eligibility Requirements, Accreditation Standards, or

Commission policies, or when the institution has not responded to the conditions imposed by the Commission.

On April 6, 2012 the District Board of Trustees adopted Resolution number 656, Resolution in Support of a Special Trustee and on August 7, 2012 approved a contract for State Special Trustee Tom Henry. The appointment was a three-party agreement between the State Chancellor's Office (as the representative for the State of California), the District and the State Special Trustee and includes stay and rescind authority for the State Special Trustee.

Enrollment Stability: $1.2 million potentially at risk in 2012-13

The District's 2011-12 Apportionment Attendance Report showed 4,535 actual Full-Time Equivalent Students (FTES) which is 276 FTES short of the 4,811 enrollment target. As a result, the District received stability funding in 2011-12, so 2011-12 funding was not reduced, despite missing the resident enrollment target. For 2012-13, if actual enrollments fall below the 4,465 FTES target, funding will be cut for up to 276 FTES (Note that 4,465 is a 346 FTES reduction from the 4,811 cap for 2011-12, due to a cut in State funding for community colleges and is not related to enrolment stability.) <u>Therefore, as much as $1,260,000 could be cut from state funding if the FTES target is not reached in 2012-13.</u> This *at-risk* reduction is in addition to the other budget cuts for 2012-13. The 276 FTES shortfall could be adjusted down further as the 2011-12 Revised (Recalculation) Principal Apportionment Report is due to the State Chancellor's Office in October 2012.

Structural Budget Deficit 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, and Board of Governor's fee waivers. Apportionment revenue accounts for 92.1% of the unrestricted general fund revenue budget. 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:

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	4.5%
2009-10	3,321,545	553,591	276,795	553,591	4,705,522	0.0%
2010-11	3,321,545	553,591	276,795	553,591	4,705,522	0.0%
2011-12	3,321,545	553,591	276,795	553,591	4,705,522	0.0%
2012-13	3,321,545	553,591	276,795	553,591	4,705,522	0.0%

As the chart above documents, the State provided no increase in basic funding during 2009-10, 2010-11, 2011-12, and 2012-13. Therefore, the state's apportionment funding model did not provide districts with an overall cost increase in items covered by basic funding in the most recent four years.

During the same period, the District has funded payroll increases in both salary and benefit categories. Payroll accounts for $25 million of the District's $29 million in 2012-13 expenditure budget, or 85.6% of the expenditure budget. The next chart shows expenditure percentages for a sample of California Community Colleges based on 2011-12 budgets (the most recent year available) analyzed by the State Chancellor's Office.

REVISED/CORRECTED 9-13-2012
Source:http://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalServicesUnit/FiscalAccountability/DistrictFiscalTrendAnalysis.aspx #07-08_Actual_to_11-12_Budget

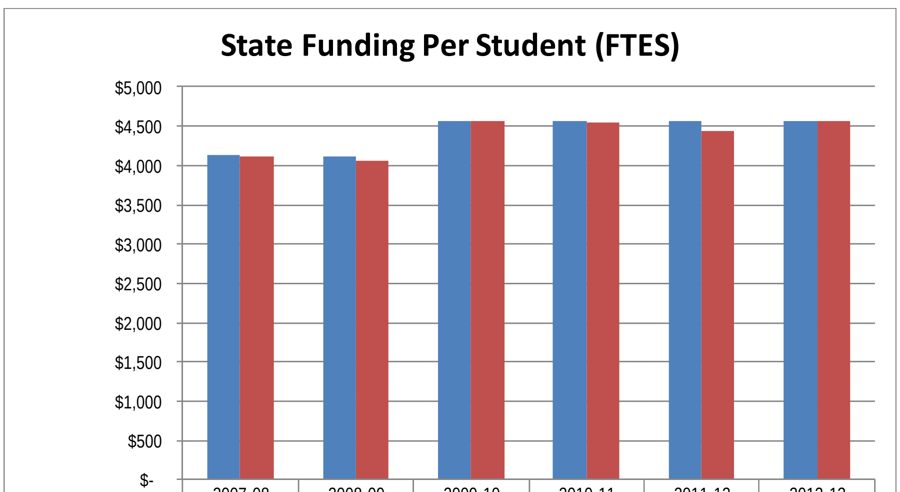
Sample of Chancellor's Office CCFS-311 Analysis of 2011-12 Budgets	Academic Salaries	Other Salaries	Benefits	Subtotal Payroll	All other operating
Butte-Glen	39.4%	20.2%	24.8%	84.4%	15.6%
Compton	37.9%	18.1%	16.2%	72.2%	27.8%
Desert	36.9%	17.6%	15.9%	70.4%	29.6%
Feather River	29.4%	20.7%	17.1%	67.2%	32.8%
Gavilan	35.0%	17.2%	19.7%	71.9%	28.1%
Kern	35.9%	15.3%	14.8%	66.0%	34.0%
Lassen	35.4%	19.1%	23.3%	77.8%	22.2%
Los Angeles	39.4%	18.0%	19.9%	77.3%	22.7%
Los Rios	45.4%	19.9%	18.4%	83.7%	16.3%
Mendocino	40.5%	20.1%	25.5%	86.1%	13.9%
Monterey	36.9%	19.5%	12.5%	68.9%	31.1%
Mt San Jacinto	34.6%	21.1%	16.3%	72.0%	28.0%
Napa	38.1%	21.7%	22.6%	82.4%	17.6%
Peralta	32.9%	17.6%	32.3%	82.8%	17.2%
San Louis Obispo	41.6%	20.0%	15.6%	77.2%	22.8%
San Mateo	36.5%	19.4%	20.3%	76.2%	23.8%
Santa Barbara	44.8%	21.5%	16.7%	83.0%	17.0%
Shasta-Tehema-Trinity	39.3%	18.9%	24.1%	82.3%	17.7%
Solano	38.9%	18.5%	28.6%	86.0%	14.0%
South Orange	29.6%	17.4%	16.0%	63.0%	37.0%
West Kern	35.4%	20.8%	17.6%	73.8%	26.2%
Yuba	41.9%	16.7%	18.8%	77.4%	22.6%
Average	37.5%	19.1%	19.9%	76.5%	23.5%
College of the Redwoods 2011-12	40.6%	21.7%	23.0%	85.3%	14.7%

Furthermore, union collective bargaining agreements control over 75% of the District's payroll budget or over 65% of the total expenditure budget. The District paid annual salary increases for all eligible active employees, despite receiving no increased state funding to cover such payroll rate increases during 2010-11, 2011-12, and 2012-13. Additionally, costs for health and welfare benefits continue to increase annually. The Budget Planning Committee (BPC) recommended payroll concessions to help balance the 2012-13 budget. The District has not yet negotiated payroll concessions with labor unions representing certain employees.

Enrollment funding is directly tied to resident student enrollments. No apportionment funding is provided for non-resident enrollments. The chart below shows the District's enrollment funding per Full-Time Equivalent Student (FTES) and documents that the State provided no cost increase in enrollment funding in 2010-11, 2011-12, and 2012-13:

Year	Funding Per FTES	Percent Change
2007-08	4,125	
2008-09	4,117	-0.2%
2009-10	4,564	10.9%
2010-11	4,564	0.0%
2011-12	4,564	0.0%
2012-13	4,564	0.0%

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.



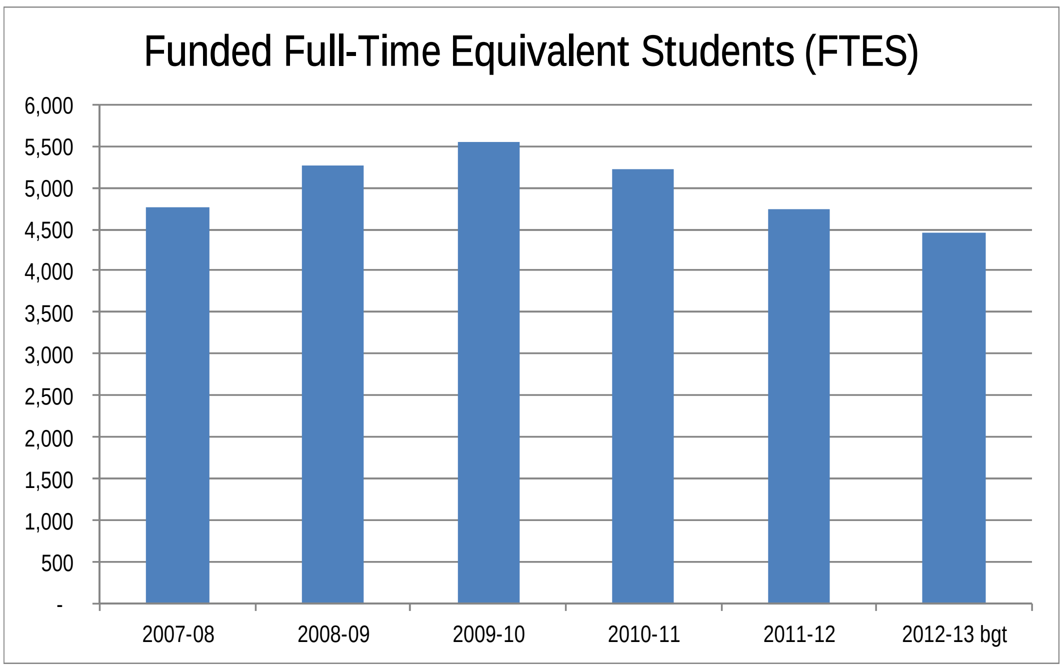
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Funding	$4,125	$4,117	$4,564	$4,564	$4,564	$4,564
With Mid-year Cut	$4,106	$4,052	$4,564	$4,546	$4,434	$4,564

Mid-Year Deficit Factor Budget Cuts						
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
$ 88,259	$ 342,344	$ -	$ 92,302	$ 626,387	$ -	$ 1,149,292

As the charts above indicate, mid-year deficit factor reductions further eroded funding per student. State Chancellor's Office practice is to make no adjustment to enrollment targets due to mid-year deficit reductions. Therefore, the State Chancellor's Office expects the District to not reduce course availability due to mid-year deficit reductions.

The State provides enrollment funding on a complicated calculation of hours of attendance or FTES basis. The charts below show the funded FTES. The State will provide no cost increase if ballot measure 30 passes because funding per FTES remains unchanged.

Year	Funded FTES	Unfunded FTES	Total FTES	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	-0.2%
2009-10	5,061	480	5,542	5.1%	4,564	10.9%
2010-11	5,209	12	5,221	-5.8%	4,564	0.0%
2011-12	4,811	(276)	4,535	-13.1%	4,564	0.0%
2012-13*	4,465	-	4,465	-1.5%	4,564	0.0%
*2012-13***	*4,860*	-	*4,860*	*7.2%*	4,564	0.0%
* Assumes November 2012 ballot measure 30 fails						
** *Assumes November 2012 ballot measure 30 passes*						



The charts above show that the state reduced the number of students it funded in 2010-11, 2011-12 and 2012-13 (assuming November 2012 ballot measure 30 fails). In 2011-12 the District's actual enrollments fell below the state funded FTES cap by 276 FTES. The actual shortfall was only 66 FTES. However, when it was determined that enrollments were short, the decision was made to move eligible Summer 2012 enrollments out of the 2011-12 year and into the 2012-13 year. The 2011-12 figures are preliminary as final enrollment numbers may be adjusted down further in October 2012.

During the same period, the District began spending down fund balance reserves. Therefore, the District funded expenditures in excess of what could be covered from ongoing annual revenue as this chart of revenue budgets shows. This chart also shows that revenue budgets contracted in 2010-11, 2011-12, and 2012-13, but during this same period the District continued to fund employee steps, negotiated COLAs and covered all increased costs for health and welfare benefit plans.

YEAR	State Apportionment (SB361)	Non-Res	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%

The Other revenue budget has been adjusted down in 2011-12 and 2012-13 to bring the budget in line with actual receipts. The 2010-11 budget was $2,478,858, but actual revenue was only $1,716,085 on the August 2, 2011 report to the Board, reflecting that the budgets in earlier years of this chart may have been too high. Other revenue is comprised of many items that have declined with the economy. The District is receiving less indirect cost recovery from grants. Interest income and insurance rebates are down. Also, certain items related to Dining Services were booked as revenue (with an identical expenditure budget noted as well). These have been removed from the general fund, since Dining is part of the Foundation.

The Higher Education Price Index (HEPI) provides a college and university inflation rate history. The HEPI website 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 five year history of the most recent HEPI rates is presented below:

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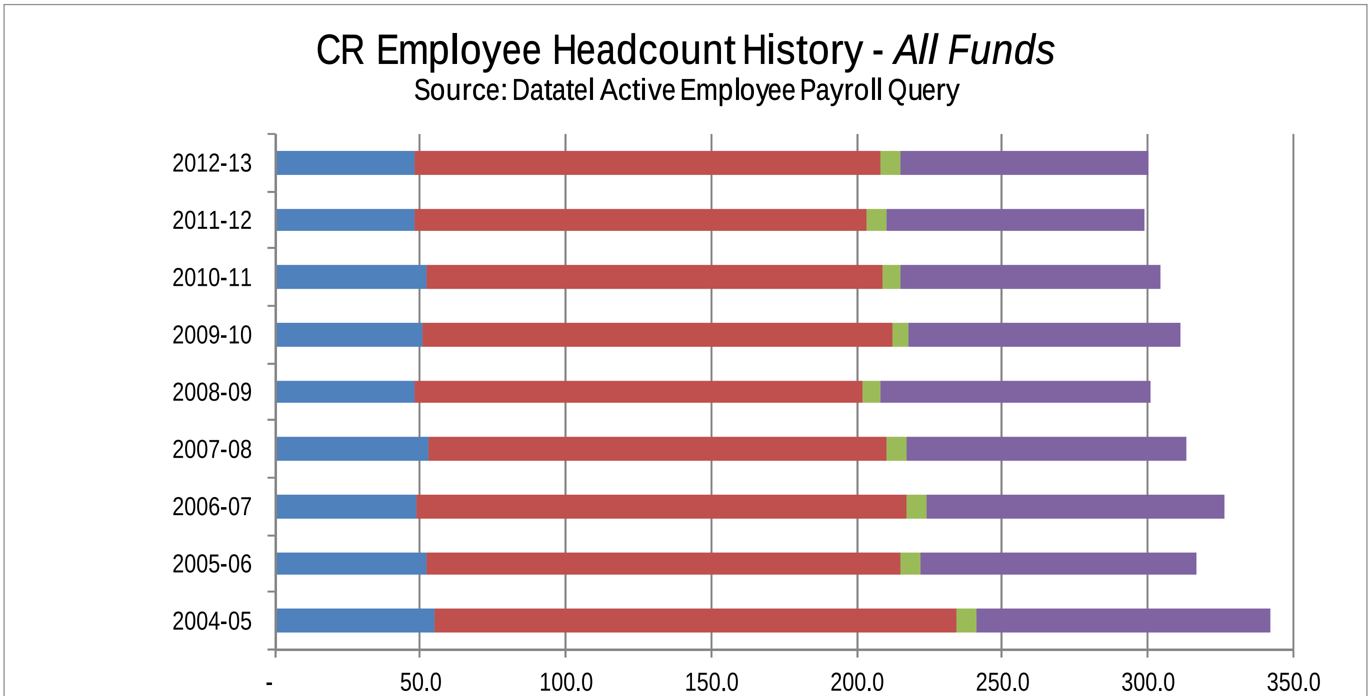
YEAR	HEPI
2007	2.8%
2008	5.0%
2009	2.3%
2010	0.9%
2011	2.3%

As stated above, nearly 86% of the expenditure budget is the result of employee payroll. The chart below shows the District's history of employees on the payroll. The history shows that total staffing from 2008-09 to 2012-13 has fallen by only seventeen employees or 5.6%, while total revenue has decreased by 10.8% over the same time period.

ALL FUNDS - GENERAL FUND AND OTHER										
CR Employee Headcout Budgets	Administrator/ Manager	Chg	Classified	Chg	Confidential	Chg	Full Time Faculty	Chg	TOTAL	Chg
2004-05	55.0		179.0		7.0		101.0		342.0	
2005-06	52.0	-5.5%	163.0	-8.9%	7.0	0.0%	95.0	-5.9%	317.0	-7.3%
2006-07	49.0	-5.8%	168.0	3.1%	7.0	0.0%	102.0	7.4%	326.0	2.8%
2007-08	48.0	-2.0%	154.0	-8.3%	6.0	-14.3%	93.0	-8.8%	301.0	-7.7%
2008-09	48.0	0.0%	154.0	0.0%	6.0	0.0%	93.0	0.0%	301.0	0.0%
2009-10	51.0	6.3%	161.0	4.5%	6.0	0.0%	93.0	0.0%	311.0	3.3%
2010-11	52.0	2.0%	157.0	-2.5%	6.0	0.0%	89.0	-4.3%	304.0	-2.3%
2011-12	48.0	-7.7%	155.0	-1.3%	7.0	16.7%	89.0	0.0%	299.0	-1.6%
2012-13 bgt	46.0	-4.2%	149.0	-3.9%	6.0	-14.3%	83.0	-6.7%	284.0	-5.0%
Change since 2004-05		-16.4%		-16.8%		-14.3%		-17.8%		-17.0%



	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Administrator/Manager	55.0	52.0	49.0	53.0	48.0	51.0	52.0	48.0	48.0
Classified	179.0	163.0	168.0	157.0	154.0	161.0	157.0	155.0	160.0
Confidential	7.0	7.0	7.0	7.0	6.0	6.0	6.0	7.0	7.0
Full Time Faculty	101.0	95.0	102.0	96.0	93.0	93.0	89.0	89.0	85.0

The chart below shows the District's salary and benefit cost increase history:

Revised 9-19-2012					
Year	Unrestricted General Fund Salary Increases (Step &/or COLA)			Health & Welfare Benefits	PERS Retirement
	Admin/Mgr/ Conf	Classified	Faculty		
2007-08	Yes	Yes	Yes	8.0%	2.0%
2008-09	Yes	Yes	Yes	18.0%	1.3%
2009-10	Yes	Yes	Yes	9.0%	3.0%
2010-11	Yes	Yes	Yes	9.6%	10.3%
2011-12	No	Yes	No	5.7%	2.0%
2012-13	Yes	Yes	Yes	6.3%	4.5%
In certain years, a one-time furlough was allowed, which delayed the impact of the increase for one year.					

Unrestricted General Fund 2012-13 Payroll Cost Increases		
Faculty	1.5% COLA	113,340
Faculty	Step	178,316
Staff	Step	121,854
Admin/Mgr/Conf	1.5% COLA	36,389
Admin/Mgr/Conf	Step	74,113
All	Benefits	188,513
All	Other	42,061
TOTAL		754,586

In addition to salary increases, the District covers the entire cost of eligible active employee and dependent health and welfare benefits, including Blue Shield major medical, Delta dental, and VSP vision coverage. Health and welfare benefit costs have progressively increased each year over many years with over a 6% increase in the District's cost for 2012-13 resulting in premiums of $14,376 per year per covered employee or $2,573,000 total. The District has historically covered the entire cost of health and welfare benefits, including all cost increases, with no cap on benefit costs. Evidence from the *2011-12 Northern Community Colleges Employee Benefits Survey* of 34 community colleges, including College of the Redwoods, shows that 68% of the community colleges surveyed have implemented a cap on benefit costs. Therefore, the District is in the minority with its policy of fully covering all health and welfare benefit costs for all eligible active employees and their dependents.

The charts and discussion in this section document the District's structural budget deficit. The District received no inflationary or cost increase funding through the State apportionment model while at the same time the State progressively reduced the number of resident students funded under the model during 2010-11, 2011-12 and 2012-13 (assuming November 2012 ballot measure 30 fails). However, the HEPI inflation rate increased by 5.5% over the most recent three years reported. Additionally, the District paid salary increases and covered all health and welfare benefit cost increases during this period as well.

To correct this structural budget deficit, the District must align changes in expenditures to mirror changes in revenues. In years without inflationary or cost increases in apportionment revenue, the District cannot provide contractual or other salary increases nor increases in health and welfare benefit payments unless other sustainable cost savings or sustainable revenue increases are clearly identified to fully offset such cost increases. In years where the State reduces the funded enrollment cap, the District must move more quickly to immediately reduce expenditure budgets.

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	45 calendar days
Classified Manager	Notice of possible layoff. Ed code section 87740	45 calendar days
Confidential	Notice of possible layoff. Ed code section 87740	45 calendar days

2012-13 Budget Preparation and BPC Budget Recommendations

At its February 1, 2012 meeting, the Budget Planning Committee (BPC) reviewed the budget forecast. At the February 26, 2012 BPC special work session, the BPC finalized its report of the estimated 2012-13 budget shortfall. The chart on the next page shows that the BPC identified a $3.3 million shortfall, divided roughly equally between revenue loss and expenditure increases.

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CR Revenue Forecast @ Feb 2012	**2011-12**	**2012-13**	**2012-13**
*Preliminary Draft - **Tentative, No Final Decisions***		*Best case*	*Worst case*
BPC Recommendation from February 26, 2012 BPC Workshop			
Student FTES (Resident/Funded)	4,811	4,811	4,548
Tier 1 Mid year cut	140,070	-	140,070
Tier 2 Mid year cut	336,167	336,167	336,167
Total Cut	476,237	336,167	476,237
2010-11 FTES Growth (Over the 6-30-2011 budget)		(167,098)	(167,098)
Governor's Jan 2012 Bgt	-	-	1,200,000
CO Deficit Factor, net of tier 1 cut	771,600	-	-
REVENUE CUT	1,247,837	169,069	1,509,139

Note: This is a preliminary revenue estimate based on the Governor's January, 2012 budget proposal. The Governor will provide a May Revised Proposal in May, 2012.

CR Expenditure Forecast @ Feb 2012	**2012-13**	**2012-13**
*Preliminary Draft - **Tentative, No Final Decisions***	*Best case*	*Worst case*
Cancel Arcata Kitchen Lease	(8,500)	(8,500)
Health Insurance	181,000	181,000
Retirement Contributions	34,000	34,000
Unemployment Insurance	50,000	50,000
Workers Compensation	-	-
All Other Step	486,000	486,000
Step CSEA 2011-12	215,000	215,000
COLA guarantee (1.5%)	315,000	315,000
Police Academy	60,000	60,000
Fire Svc	45,000	45,000
VP Instruction	170,000	170,000
Human Resources Director	150,000	150,000
EXPENDITURE INCREASE	1,697,500	1,697,500

CR Transfers Forecast @ Feb 2012	**2012-13**	**2012-13**
Preliminary Draft	*Best case*	*Worst case*
Refinance COPs from Empl Benefit Trust*	80,000	80,000
Transfer to Employee Benefits Trust*	25,000	25,000
TRANSFERS INCREASE	105,000	105,000

* In 2011-12, existing COP payment is being refinanced, so no payment in 2011-12, but payment must be added back to 2012-13. District needs to increase transfers to the employee benefits trust to properly fund this obligation.

TOTAL BUDGET SHORTFALL	**1,971,569**	**3,311,639**

The BPC identified over $1.2 million in payroll rate increases for 2012-13, comprised of employee steps, COLAs, and a health and welfare benefits rate increase.

The BPC's February 26, 2012 budget worksheet includes a scenario that assumes ballot measure 30 passes and a scenario assuming ballot measure 30 fails. The fundamental difference is that the FTES cap would increase from 4,465 to 4,860 should ballot measure 30 pass (The February BPC spreadsheet notes different FTES caps based on an earlier estimate). However, it appears unrealistic to plan for the District to substantially increase enrollments in Spring and Summer terms should the enrollment cap increase. This is due to soft enrollment results for Fall 2012. Also, a new State Chancellor's Office policy provides for faculty to drop students after the census date. The potential impact on the District's ongoing enrollments as a result of this change in practice is not known. After agreeing on the magnitude of the budget shortfall, the BPC recommended the following budget savings to balance the District's budget:

TOTAL BUDGET SHORTFALL	**1,971,569**	**3,311,639**
CR Bgt Potential Solutions @ Feb 2012	**2012-13**	**2012-13**
Preliminary Draft - ***Tentative, No Final Decisions***	*Best case*	*Worst case*
101 Corridor Sites (Lease + operating costs)	(275,000)	(275,000)
Transfer Auxiliary Support (Bookstore, Dining, Housing, Parking)	(300,000)	(300,000)
TLUs (Course Section Funding)*		(275,000)
Reduce operating expenditures (BPC recommendations)	(200,000)	(200,000)
Revenue increase	(80,000)	(80,000)
TOTAL OPERATING SOLUTIONS	(855,000)	(1,130,000)
Retirement Holds, Reductions, Reorganization Estimates:		
Administration, Management	(435,000)	(435,000)
Faculty	(800,000)	(800,000)
Staff	(650,000)	(650,000)
TOTAL PAYROLL SOLUTIONS	(1,885,000)	(1,885,000)
Accreditation Budget	100,000	100,000
TLUs for 51 growth FTES (Over the 6-30-2011 budget)	75,000	75,000
Payroll Concessions (Negotiations)		(471,639)
Unallocated		
REMAINING BUDGET SHORTFALL (Spring Reallocation)	**(593,431)**	**-**

The above chart shows that the BPC recommended a diverse set of savings, including closing leased sites, reducing payroll through an early retirement program and reorganizations, and through $471,639 in "Payroll Concessions" centered in rolling back employee payroll increases. Many of these savings have been included in the 2012-13 Final Budget. However, $794,000 in BPC recommended payroll reductions (a portion of the reductions and reorganizations and all of the payroll concessions) that required successful negotiations have not been implemented. Also, a planned $80,000 increase in non-resident tuition revenue was not implemented as non-resident tuition actually declined during 2011-12. As a result, the 2012-13 non-resident tuition budget was reduced by $105,000 instead of increasing by $80,000.

The Board of Trustees reviewed a similar report on the magnitude of the shortfall and the BPC's recommendations at the Board's January 25, 2012 and January 30, 2012 meetings. On April 3, 2012, the Board also reviewed a tentative multiyear forecast that showed the fund balance falling in 2013-14 and 2014-15 with a negative ending fund balance forecasted by the end of the three years.

2012-13 Final Budget Preparation

At the recommendation of the State Special Trustee, only those items that have already been booked into the budget have been included in the Final Budget Report. Unlike the Tentative Budget, items that have not been successfully negotiated to date have been removed from the budget figures, since these budget adjustments have not been agreed to. Also, an over budget situation in 2011-12 faculty payroll has been addressed by increasing that budget for 2012-13 and other revenue and cost changes have been recognized.

Despite implementing several BPC recommendations, the 2012-13 Final Budget remains $2 million out-of-balance. About $1.1 million of the gap is comprised of an additional cut in state funding enacted by the Legislature over the summer and savings proposed by the BPC that required negotiations, which have not yet materialized. The BPC recently reviewed and made additional recommendations for closing this revised budget shortfall. The BPC has reviewed many other budget savings ideas, but this list represents the Committee's latest recommendations.

Rank	BPC August 29, 2012 Recommendation
1	Consolidate Admissions, Financial Aid, Records
2	COLA freeze (Requires negotiations)
3	Hold open currently vacant positions (one-time)
4	Suspend Board of Trustees Stipends (one-time)
5	Step freeze (Requires negotiations)
6	Eliminate temporary staffing (one-time)
7	Furloughs (One-time and requires negotiations)
8	One-time draw from Employee Benefit Trust (one-time)
9	Associated Students funding for clerical support
10	Layoffs
11	Reduce Campus Public Safety to less than 24/7 coverage

In addition to the $1.1 million gap, $50,000 has been added for ongoing annual write down adjustments to bad debts, and $300,000 has been added for State Special Trustee Recovery and Accreditation. The budget for ongoing write downs is needed as the District expects some level of bad debts each year, despite best efforts at collection. Based on last year's actual results at 2011-12 year-end, adjustments were also made to the faculty TLU expenditure budget and the other revenue budget. An estimated $500,000 in temporary savings was removed, so that only budget savings that can be counted on are included in this budget. These budget adjustments increase the total shortfall to $2 million. The next chart shows a summary of the various budget adjustments that comprise this $2 million deficit:

REVISED/CORRECTED 9-13-2012				
Composition of Estimated Budget Shortfall	BPC @ Feb 2012	Final Bgt Estimate	Delta	Notes
State Funding cut from Jan Gov's Bgt to Final Bgt	(1,208,891)	(1,576,819)	367,928	State bgt cut increased.
Temporary savings estimate	(500,000)	-	500,000	Was assumed in the payroll bgt. Removed, since not guaranteed.
Remove reserve for possible 2012-13 defict factor	135,000	-	(135,000)	If the CO issues a deficit factor, it will increase the bgt shortfall.
Retirement Holds, Reductions, Reorganization Esimates:				
Administration, Management	(435,000)	(457,000)	(22,000)	Additional savings
Faculty	(800,000)	(808,000)	(8,000)	Additional savings
Staff	(650,000)	(250,000)	400,000	Full savings not yet negotiated
Payroll Concessions (Negotiations)	(471,639)	-	471,639	Savings not yet negotiated
Accreditation Budget	100,000	300,000	200,000	Increased costs for State Special Trustee and CR recovery
Permanent bad debt write down budget	-	50,000	50,000	Recognizes that there will be some write downs every year
Other adjustments, TLU bgt, removed non-res tuition increase	(80,000)	180,075	260,075	Other miscellaneous budget changes
Total Budget Shortfall (rounded)			2,000,000	2012-13 budget deficit

The beginning fund balance includes a $790,000 write down adjustment to the allowance for uncollectible accounts/bad debts. During 2011-12 administration has raised the problem of the District's unusually large uncollected student accounts receivable with the Board of Trustees. Administration implemented several measures to address the problem, including implementing a deregistration system, tighter controls on staff overrides, continued participation in the Chancellor's Office Tax Offset Program (COTOP), revising District disclosures to delinquent account holders, changing District practice to charge delinquent accounts for collection costs, and preparing to send delinquent accounts to an outside collection agency.

Annually, as part of its closing of the books processes, the District's allowance for uncollectible accounts is reviewed and an adjustment is made to the allowance based on estimated bad debt write offs. This procedure ensures that the net accounts receivable reported in the financial statements reflects only accounts receivable expected to actually convert to cash over a reasonable period of time. This write down mostly relates to prior years, but none-the-less reduces the District's fund balance. In recent years, the District relaxed its practice of annually writing down all delinquent accounts from the prior year. This $790,000 write down adjustment returns the District to its more conservative historical write down practice and restores the accounts receivable to a conservative amount that can reasonably be expected to be collected. For future years, the annual budget will include a $50,000 budget for bad debt write downs.

To recover from this budget deficit, a comprehensive list of budget cut options for consideration has been prepared. This list includes all BPC recommendations as well as additional items reviewed at the August 29, 2012 and September 6, 2012 BPC meetings to create and present to the Board a comprehensive list of budget savings options for discussion. Some items on the list do not include a savings estimate, either because the savings depends on the level of the budget cut or additional research is needed to develop a savings estimate. This document will be updated often, whenever additional savings suggestions are received, to ensure that all reasonable options receive consideration.

2012-13 Final Budget Ending Fund Balance

The District's projected 2012-13 unrestricted general fund ending fund balance is negative. California Administrative Code Title 5, sections 41320 to 41329 address emergency apportionments and note a district that *determines that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment*. Section 58310, Report on District's Financial Condition, addresses community college districts requiring an emergency apportionment. Title 5 requires the adoption of a final budget that provides a positive ending fund balance to avoid an emergency apportionment. Given the State's fiscal problems, it is unlikely that an emergency appropriation would be provided to the District. Instead, an emergency transfer of funds will be made from the Employee Benefit Trust Fund in the amount necessary to eliminate the deficit in the unrestricted general fund ending balance. These funds must be transferred back to the Employee Benefit Trust Fund as soon as sufficient unrestricted general fund balance exists. To address the deficit in future years, the District must realize a sustained increase in revenue and a sustained reduction in expenditures. Title 5 also addresses the appointment of a State Special Trustee in such situations; however, the State of California has already appointed a State Special Trustee to the Redwoods Community College District as a preventive, proactive measure to maintain fiscal stability, and fiscal solvency. The State Special Trustee is also charged with assisting the District with adherence to Accreditation Standards, Eligibility Requirements, and Commission Policies.

Exhibits

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

Exhibit A: 2011-12 to 2012-13 Unrestricted General Fund Budget
Exhibit B: 2012-13 Unrestricted, Restricted, and Total General Fund Budget
Exhibit C: Unrestricted General Fund Multiyear Forecast
Exhibit D: 2012-13 All Funds Budget

Discussion of Exhibit C: Unrestricted General Fund Multiyear Forecast

Exhibit C shows the unrestricted general fund multiyear forecast for three years. For revenue, the forecast assumes no change in federal or state funding. Therefore, the revenue forecast includes no funded enrollment growth and no inflation adjustment in state apportionments. For local revenue sources, a 2.0% inflation factor was added to account for a potential increase in non-resident students and/or an increase in the non-resident tuition rate.

For expenditures, estimated cost increase factors are included. Academic salaries are increased by 4.0% per year and other staff salaries are inflated by 3.0%, about the value of one step in those categories. Employee benefits are inflated by 8.0% per year and services and supplies categories are increased 2.0% per year. A planned increased transfer of $50,000 per year in 2013-14 and 2014-15 is included to support the employee benefit trust fund (Note that this transfer is in addition to returning the $1,425,000). Presented next is a chart of the forecast factors:

Inflation Factors for Multiyear Forecast	
Revenue:	
Federal Sources	0.0%
State Sources	0.0%
Local Sources	2.0%
Expenditures:	
Academic Salaries	4.0%
Other Staff Salaries	3.0%
Employee Benefits	8.0%
Supplies & Services	2.0%
Services & Other Operating	2.0%
Capital Outlay	2.0%

The multiyear forecast includes the assumption that the District will successfully reduce expenditures by $2,000,000 on a permanent basis (<u>Note that $2 million in budget savings has not yet been identified</u>). The results of this forecast show that simply reducing expenditures by $2 million will not return the District to fiscal sustainability. If the State does not provide an inflationary increase in apportionment payments, then the District cannot afford to cover annual increases in salary and benefit costs. The District must increase revenue and control expenditures in order to return to fiscal sustainability and avoid continued financial instability and potential insolvency. However, controlling annual payroll cost increases will require successful negotiations with labor unions representing certain District employees.

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	2010-11 Actual	2011-12 Budget	2012-13 Budget
Salaries of classroom instructors	14,002,193	12,998,953	13,634,111
Current expense of education	28,462,727	25,996,403	27,153,727
Percent	49.2%	50.0%	50.2%
Required expense @ 50%	14,231,364	12,998,202	13,576,864
Shortfall (Cushion)	229,171	-	(57,248)
Amount not exempted	42,940	-	-

The chart shows that the District can meet the Fifty Percent Law requirement for 2012-13. However, in order to comply, it is assumed that some savings may come from reductions in instructional payroll costs, but a larger share of the savings must come from non-instructional costs.

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.

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).

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 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 $103,000 are required to service the COP.

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.

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)

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 UNRESTRICTED GENERAL FUND BUDGET
FISCAL YEAR 2012-13

REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	Object Code	2011-12 Final Bgt **Unrestricted**	2012-13 Final Bgt **Unrestricted**
REVENUES:			
Federal Sources	8100-8199	$ 158,705	$ 158,705
State Sources	8600-8699	17,250,127	14,557,304
Local Sources	8800-8899	11,058,173	12,515,356
Total Revenue		28,467,005	27,231,365
EXPENDITURES:			
Academic Salaries	1000-1999	12,438,269	12,195,434
Other Staff Salaries	2000-2999	6,113,957	6,266,959
Employee Benefits	3000-3999	6,496,624	6,541,135
Supplies & Materials	4000-4999	465,329	378,010
Services & Other Operating	5000-5999	3,163,331	3,773,818
Capital Outlay	6000-6999	135,335	47,086
Total Expenditures		28,812,845	29,202,442
EXCESS REVENUES (EXPENDITURES)		(345,840)	(1,971,077)
OTHER FINANCING SOURCES/(USES):			
Interfund Transfers In	8980-8988	0	0
Intrafund Transfers In	8989	0	306,959
Debt Service	7100-7199	(102,661)	(80,000)
Intrafund Transfers Out	7200-7299	(12,846)	(20,799)
Interfund Transfers Out	7300-7399	(328,000)	(255,632)
Student Financial Aid	7500-7699	(103,024)	(20,000)
Other Sources (Uses)	8999	0	0
Total Other Sources (Uses)		(546,531)	(69,472)
FUND BALANCE INCREASE (DECREASE)		(892,371)	(2,040,549)
BEGINNING FUND BALANCE:			0
Beginning Balance	9790	2,389,219	706,848
Prior Year Adjustments	9791-9792	(790,000)	0
Adjusted Beginning Balance		1,599,219	706,848
ENDING FUND BALANCE		$ 706,848	$ (1,333,701)
Fund Balance Percent		**2.41%**	**-4.56%**
Emergency Transfer from Employee Benefit Trust			1,425,000
Net Fund Balance			91,299
Net Fund Balance Percent			0.32%
FY 2012-13 Potential Budget Cuts			2,000,000
Ending Fund Balance Without Additional Cuts			(1,333,701)
Net Fund Balance			666,299
Net Fund Balance Percent			2.25%

Note: Title 5 requires the adoption of a final budget that provides a positive ending fund balance. Therefore, a transfer of funds will be made from the Employee Benefit Trust Fund in the amount necessary to eliminate the deficit Unrestricted General Fund Ending Balance. These funds must be transferred back to the Employee Benefit Trust Fund as soon as sufficient Unrestricted General Fund Balance exists. To address the deficit in future years, the District must realize an increase in revenue and a reduction in expenditures.

Exhibit B

REDWOODS COMMUNITY COLLEGE DISTRICT
FINAL GENERAL FUND BUDGET
FISCAL YEAR 2012-13

REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	Object Code	2012-13 Final Bgt **Unrestricted**	**Restricted**	General Fund **2012-13**
REVENUES:				
Federal Sources	8100-8199	$ 158,705	$ 1,264,109	$ 1,422,814
State Sources	8600-8699	14,557,304	2,521,542	17,078,846
Local Sources	8800-8899	12,515,356	700,668	13,216,024
Total Revenue		27,231,365	4,486,319	31,717,684
EXPENDITURES:				
Academic Salaries	1000-1999	12,195,434	646,425	12,841,859
Other Staff Salaries	2000-2999	6,266,959	1,616,111	7,883,070
Employee Benefits	3000-3999	6,541,135	811,783	7,352,918
Supplies & Materials	4000-4999	378,010	153,450	531,460
Services & Other Operating	5000-5999	3,773,818	560,275	4,334,093
Capital Outlay	6000-6999	47,086	274,608	321,694
Total Expenditures		29,202,442	4,062,652	33,265,094
EXCESS REVENUES (EXPENDITURES)		(1,971,077)	423,667	(1,547,410)
OTHER FINANCING SOURCES/(USES):				
Interfund Transfers In	8980-8988	0	0	0
Intrafund Transfers In	8989	306,959	0	306,959
Debt Service	7100-7199	(80,000)	0	(80,000)
Intrafund Transfers Out	7200-7299	(20,799)	20,799	0
Interfund Transfers Out	7300-7399	(255,632)	0	(255,632)
Student Financial Aid	7500-7699	(20,000)	(353,667)	(373,667)
Other Sources (Uses)	8999	0	0	0
Total Other Sources (Uses)		(69,472)	(332,868)	(402,340)
FUND BALANCE INCREASE (DECREASE)		(2,040,549)	90,799	(1,949,750)
BEGINNING FUND BALANCE:		0	0	0
Beginning Balance	9790	706,848	(64,947)	641,901
Prior Year Adjustments	9791-9792	0	0	0
Adjusted Beginning Balance		706,848	(64,947)	641,901
ENDING FUND BALANCE		$ (1,333,701)	$ 25,852	$ (1,307,849)

Fund Balance Percent	**-4.56%**
Emergency Transfer from Employee Benefit Trust	1,425,000
Net Fund Balance	91,299
Net Fund Balance Percent	0.32%
FY 2012-13 Potential Budget Cuts	2,000,000
Ending Fund Balance Without Additional Cuts	(1,333,701)
Net Fund Balance	666,299
Net Fund Balance Percent	2.25%

Note: Title 5 requires the adoption of a final budget that provides a positive ending fund balance. Therefore, a transfer of funds will be made from the Employee Benefit Trust Fund in the amount necessary to eliminate the deficit Unrestricted General Fund Ending Balance. These funds must be transferred back to the Employee Benefit Trust Fund as soon as sufficient Unrestricted General Fund Balance exists. To address the deficit in future years, the District must realize an increase in revenue and a reduction in expenditures.

REDWOODS COMMUNITY COLLEGE DISTRICT
FINAL UNRESTRICTED GENERAL FUND BUDGET
FISCAL YEAR 2012-13

REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	Object Code	2012-13 Final Bgt **Unrestricted**	2013-14 **Unrestricted**	2014-15 **Unrestricted**
REVENUES:				
Federal Sources	8100-8199	$ 158,705	$ 158,705	$ 158,705
State Sources	8600-8699	14,557,304	14,557,304	14,557,304
Local Sources	8800-8899	12,515,356	12,765,663	13,020,977
Total Revenue		27,231,365	27,481,672	27,736,986
EXPENDITURES:				
Academic Salaries	1000-1999	12,195,434	12,683,251	13,190,581
Other Staff Salaries	2000-2999	6,266,959	6,454,968	6,648,617
Employee Benefits	3000-3999	6,541,135	7,064,426	7,629,580
Supplies & Materials	4000-4999	378,010	385,570	393,282
Services & Other Operating	5000-5999	3,773,818	3,849,294	3,926,280
Capital Outlay	6000-6999	47,086	48,028	48,988
***ASSUME* PERMANENT BGT CUTS**			(2,000,000)	(2,000,000)
Total Expenditures		29,202,442	28,485,537	29,837,328
EXCESS REVENUES (EXPENDITURES)		(1,971,077)	(1,003,865)	(2,100,342)
OTHER FINANCING SOURCES/(USES):				
Interfund Transfers In	8980-8988	0	0	0
Intrafund Transfers In	8989	306,959	306,959	306,959
Debt Service	7100-7199	(80,000)	(103,000)	(103,000)
Intrafund Transfers Out	7200-7299	(20,799)	(20,799)	(20,799)
Interfund Transfers Out	7300-7399	(255,632)	(305,632)	(355,632)
Student Financial Aid	7500-7699	(20,000)	(20,000)	(20,000)
Other Sources (Uses)	8999	0	0	0
Total Other Sources (Uses)		(69,472)	(142,472)	(192,472)
FUND BALANCE INCREASE (DECREASE)		(2,040,549)	(1,146,337)	(2,292,814)
BEGINNING FUND BALANCE:		0		
Beginning Balance	9790	706,848	666,299	(480,038)
Prior Year Adjustments	9791-9792	0	0	0
Adjusted Beginning Balance		706,848	666,299	(480,038)
ENDING FUND BALANCE		$ (1,333,701)	$ (480,038)	$ (2,772,852)
Fund Balance Percent		**-4.56%**	**-1.68%**	**-9.23%**

Emergency Transfer from Employee Benefit Trust	1,425,000
Net Fund Balance	91,299
Net Fund Balance Percent	0.32%
FY 2012-13 Potential Budget Cuts	2,000,000
Ending Fund Balance Without Additional Cuts	(1,333,701)
Net Fund Balance	666,299
Net Fund Balance Percent	2.25%

The forecast includes the assumption that the District will successfully reduce expenditures by $2,000,000 on a sustained basis. The results of this forecast show that simply reducing expenditures by $2 million will not return the District to fiscal sustainability. If the State does not provide an inflationary increase in apportionment payments, then the District cannot afford to cover annual increases in salary and benefit costs, without sustained revenue increases or sustained expenditure reductions. The District must increase revenue and control expenditures to return to fiscal sustainability and avoid potential financial insolvency. However, controlling annual payroll cost increases will require successful negotiations with labor unions representing certain District employees.

Note: Title V requires the adoption of a final budget that provides a positive ending fund balance. Therefore, a transfer of funds will be made from the Employee Benefit Trust Fund in the amount necessary to eliminate the deficit Unrestricted General Fund Ending Balance. These funds must be transferred back to the Employee Benefit Trust Fund as soon as sufficient Unrestricted General Fund Balance exists. To address the deficit in future years, the District must realize an increase in revenue and a reduction in expenditures.

Exhibit D

REDWOODS COMMUNITY COLLEGE DISTRICT
FINAL BUDGET
FISCAL YEAR 2012-13

		GOVERNMENTAL FUND TYPES						*PROPRIETARY FUND TYPES*	*FIDUCIARY FUND TYPE - TRUST*			
				SPECIAL REVENUE FUNDS								
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE		***General Fund*** *(10)*	***Debt Serv Fund*** *(21) & (29)*	***Child Devel-opment*** *(33)*	***Student Farm*** *(34)*	***Other Sp Rev Funds*** *(39)*	***Capital Projects*** *(41)*	***Enterprise Funds*** *(5X)*	***Associated Student Body*** *(71)*	***Student Financial Aid Trust*** *(74)*	***Employee Benefit Trust*** *(78)*	***TOTAL ALL FUNDS*** *(Memo Only)*
REVENUES:												
Federal Sources	*8100-8199*	$ 1,422,814	$ 0	$ 70,864	$ 0	$ 0	$ 0	$ 0	$ 0	$ 13,792,100	$ 0	$ 15,285,778
State Sources	*8600-8699*	17,078,846	0	312,718	100,000	0	14,864,537	0	0	466,000	0	32,822,101
Local Sources	*8800-8899*	13,216,024	1,963,701	19,237	15,000	1,130,224	0	2,108,193	60,000	0	280,000	18,792,379
Total Revenue		31,717,684	1,963,701	402,819	115,000	1,130,224	14,864,537	2,108,193	60,000	14,258,100	280,000	66,900,259
EXPENDITURES:												
Academic Salaries	*1000-1999*	12,841,859	0	0		0		0	0	0	0	12,841,859
Other Staff Salaries	*2000-2999*	7,883,070	0	275,702	23,753	142,302	0	337,143	25,000	0	0	8,686,970
Employee Benefits	*3000-3999*	7,352,918	0	159,730	9,045	54,773	0	120,494	900	0	1,329,500	9,027,360
Supplies & Materials	*4000-4999*	531,460	0	30,500	10,961	491,517	0	975,059	9,000	0	0	2,048,497
Services & Other Operating	*5000-5999*	4,334,093	1,375	21,987	10,550	119,000	0	542,877	80,510	2,000	0	5,112,392
Capital Outlay	*6000-6999*	321,694	0	4,900	100,000	200,000	18,000,000	2,620	0	0	0	18,629,214
Total Expenditures		33,265,094	1,375	492,819	154,309	1,007,592	18,000,000	1,978,193	115,410	2,000	1,329,500	56,346,292
EXCESS REVENUES (EXPENDITURES)		(1,547,410)	1,962,326	(90,000)	(39,309)	122,632	(3,135,463)	130,000	(55,410)	14,256,100	(1,049,500)	10,553,966
OTHER FINANCING SOURCES (USES):												
Proceeds on Sale of Bonds	*8941*	0	0	0	0	0	7,200,000	0	0	0	0	7,200,000
Interfund Transfers In	*8980-8988*	0	37,632	90,000	28,000	0	0	0	0	0	100,000	255,632
Intrafund Transfers In	*8989*	306,959	0	0	0	0	0	0	0	0	0	306,959
Debt Service	*7100-7199*	(80,000)	(2,060,220)	0	0	0	0	0	0	0	0	(2,140,220)
Intrafund Transfers Out	*7200-7299*	0	0	0	0	(200,000)	0	(106,959)	0	0	0	(306,959)
Interfund Transfers Out	*7300-7399*	(255,632)	0	0	0	0	0	0	0	0	0	(255,632)
Student Financial Aid	*7500-7699*	(373,667)	0	0	0	0	0	0	0	(14,256,100)	0	(14,629,767)
Total Other Sources (Uses)		(402,340)	(2,022,588)	90,000	28,000	(200,000)	7,200,000	(106,959)	0	(14,256,100)	100,000	(9,569,987)
FUND BALANCE INCREASE (DECREASE)		(1,949,750)	(60,262)	0	(11,309)	(77,368)	4,064,537	23,041	(55,410)	0	(949,500)	983,979
BEGINNING FUND BALANCE:												
Beginning Balance	*9790*	641,901	1,769,279	39,029	14,189	922,752	7,812,324	364,646	145,639	5	3,017,615	14,727,379
Prior Year Adjustments	*9791-9792*	0	0	0	0	0	0	0	0	0	0	0
Adjusted Beginning Balance		641,901	1,769,279	39,029	14,189	922,752	7,812,324	364,646	145,639	5	3,017,615	14,727,379
ENDING FUND BALANCE		**(1,307,849)**	$ 1,709,017	$ 39,029	$ 2,880	$ 845,384	$ 11,876,861	$ 387,687	$ 90,229	$ 5	2,068,115	$ 15,711,359
Interfund Transfer		1,425,000									(1,425,000)	
ENDING FUND BALANCE		$ 117,151									$ 643,115	

Note: Title 5 requires the adoption of a final budget that provides a positive ending fund balance. Therefore, a transfer of funds will be made from the Employee Benefit Trust Fund in the amount necessary to eliminate the deficit Unrestricted General Fund Ending Balance. These funds must be transferred back to the Employee Benefit Trust Fund as soon as sufficient Unrestricted General Fund Balance exists. To address the deficit in future years, the District must realize an increase in revenue and a reduction in expenditures.