

Redwoods Community College District
2016-17 Final Budget and Multiyear Summary – PRELIMINARY DRAFT

The 2016-17 Final Budget is being presented to the Board of Trustees for approval at the September 6, 2016 meeting. The Final Budget will be reported to the State Chancellor's Office by October 10 or the date in accordance with State Chancellor's Office instructions. This document includes a three year forecast for the District and the State.

To address fiscal stability at Redwoods Community College District and adhere to Accreditation Standard III, *Resources*, Eligibility Requirements 17, *Financial Resources*, and 18 *Fiscal Accountability*, the District made necessary adjustments to the 2016-17 Final Budget.

State Forecast

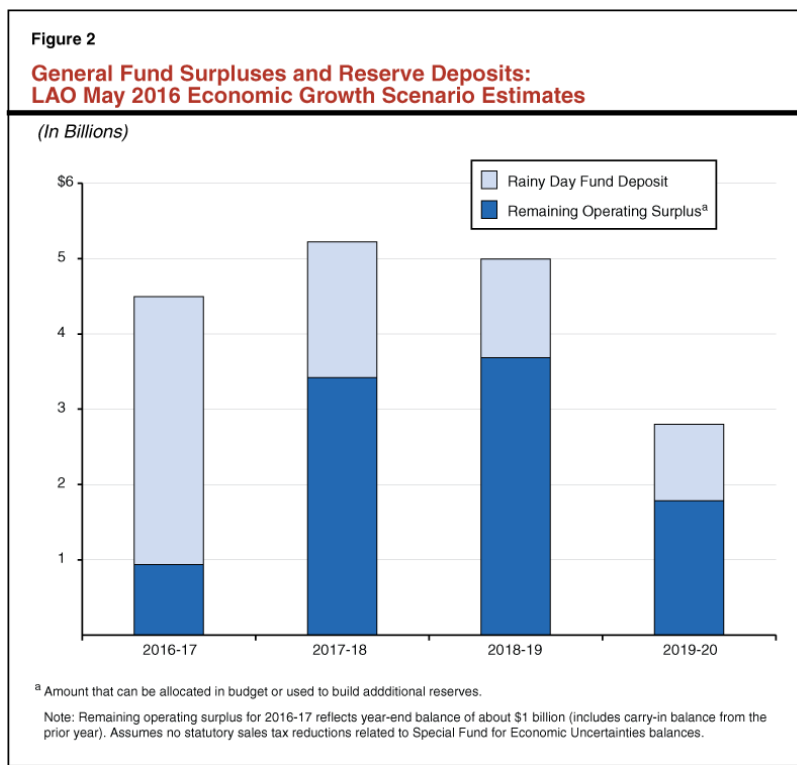
The California Legislative Analyst's Office (LAO) prepared an updated State budget forecast as of May 2016. The latest forecast chart (May 2016) is presented below with last year's forecast on the next page of this report. Last year's forecast showed steady growth in the "General Fund Surpluses and Reserve Deposits" from 2016-17 to 2018-19 and a smaller operating surplus in 2019-20. LAO's latest forecast shows 2017-18 as the high point for surpluses, and then 2018-19 and 2019-20 show smaller operating surpluses. The 2019-20 figure contracts by about .7 billion on last year's forecast, while the May 2016 chart shows a much larger reduction of about 2.1 billion in the last bar on the graph.

The Legislative Analyst's Office (LAO) May 2016 report notes:

As the figure shows, under our office's May 2016 economic growth scenario assumptions, we estimate the state's budget has the capacity to pay for the Governor's May Revision proposals over the period. After 2016-17, the state would have a few billion dollars available each year to build reserves or make additional commitments. This outlook involves various assumptions. In particular, it assumes the economy and stock prices continue to grow throughout the period and that the state makes no additional budget commitments beyond the Governor's proposals.

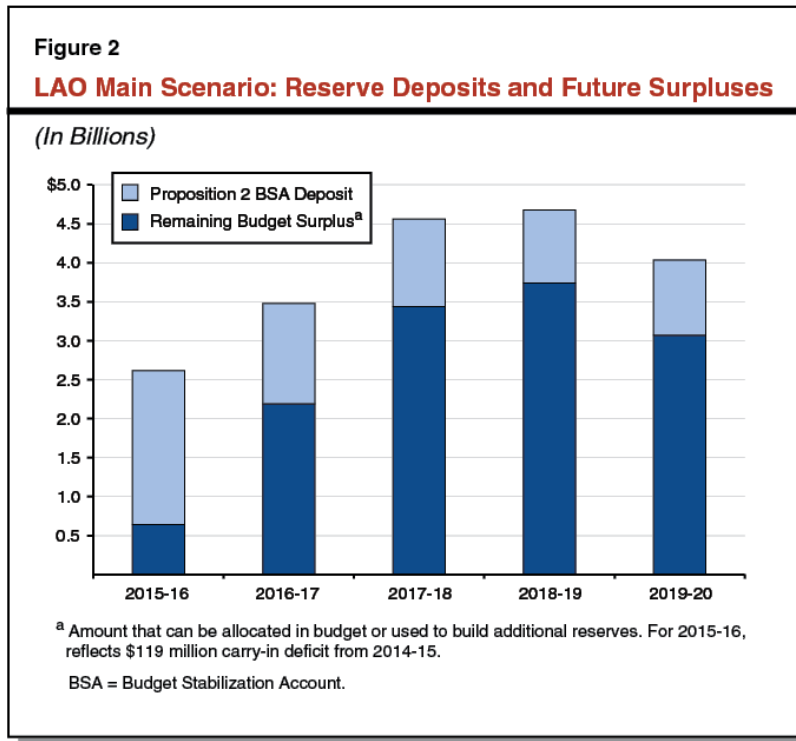
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Here is the LAO's May 2016 forecast:



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Here is last year's LAO's forecast chart from 2015:



While the LAO forecasts surpluses through 2019-20 under both 2015 and 2016 forecasts, their most recent report notes the following about the Governor's Office forecast:

The administration estimates the same set of policies results in operating deficits by 2020.

The LAO notes a primary driver of the administration's more gloomy forecast is higher Health and Human Services (HHS) spending for 2017-18 and onward. They also note:

This is now the main difference in our respective multiyear budget outlooks.

Finally, although the LAO's forecast shows positive ending reserves, they point out that the reserves projection has tightened as compared to their recent forecasts:

Operating Surpluses Have Narrowed Compared to Recent Outlooks. For several years, our office's multiyear outlooks have displayed budgetary surpluses associated with an economic growth scenario. This outlook is not an exception. However, our outlook now shows much smaller operating General Fund surpluses than our assessments in recent years. For example, in the 2013-14 Overview of the May Revision, our office displayed operating surpluses of nearly \$7 billion in the last year of the forecast period. As recently as last November, in our Fiscal Outlook publication, our office displayed operating surpluses of about \$4 billion in 2019-20—about twice the size of the operating surplus described here.

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To summarize, the important take-aways from these forecasts are:

- The LAO's main forecast continues to show a balanced State budget through 2019-20, but their most recent May 2016 forecast has softened considerably and significantly lowers the projected operating surplus in 2019-20.
- The Governor's Office forecast (Administration) is more pessimistic and actually projects problems balancing the State budget by 2019-20.

District Revenue Forecast

For the Redwoods Community College District, we have updated our multiyear forecast. The forecast mirrors the LAO's expected forecast. It assumes that State funding continues to flow to the California Community College system as both base budget augments to help pay for increasing annual pension payments to California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS), step increases, and health and welfare benefits inflation.

The following chart summarizes the Chancellor's Office 2016-17 SB361 Advance Apportionment Report for Redwoods. The top of chart reflects the Chancellor's Office (CO) revenue calculation which assumes restoration of lost enrollments and enrollment growth. Therefore, the CO calculation provides revenue for 4564 FTES. The District's is not expecting to recover all the lost enrollments. Therefore, the bottom of the chart includes a District prepared estimate to adjust the apportionment revenue budget down to the District's 2016-17 Full-Time Equivalent Student (FTES) forecast of 3950 FTES.

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| 2016-17 CO SB361 | Dollars per | FTES | Apportionment |
|---|-----------------|--------------------|-----------------------------|
| Advance Apportionment | FTES | | |
| Credit | \$ 5,004 | 4449 | \$ 22,261,937 |
| Non-Credit | \$ 3,009 | 90 | \$ 271,020 |
| CDCP | \$ 5,004 | 25 | \$ 125,597 |
| Per FTES Funding | <u>\$ 4,965</u> | <u>4564</u> | <u>\$ 22,658,554</u> |
| Center | | | \$ 3,601,294 |
| Rural | | | \$ 1,145,692 |
| DN Center | | | \$ 600,216 |
| MN Center | | | \$ 300,108 |
| Total Basic Funding | | | <u>\$ 5,647,310</u> |
| Misc revenue adjustment | | | \$ - |
| FT Faculty Hiring | | | \$ 42,430 |
| Base Increase FON | | | \$ 3,017 |
| Base Increase Non-FON | | | \$ 356,018 |
| Total Revenue Adjustments | | | <u>\$ 401,465</u> |
| Subtotal | | | \$ 28,707,329 |
| Less Deficit Coefficient | | | \$ - |
| Net Apportionment Revenue | | <u>4564</u> | <u>\$ 28,707,329</u> |
| Redwoods FTES Target | | <u>3950</u> | |
| Unrestored FTES | \$ 4,965 | -614 | \$ (3,047,271) |
| Reduce Revenue Adjustments | | | \$ (53,992) |
| 2016-17 Net Apportionment Budget | | | <u>\$ 25,606,066</u> |

The above chart shows that the SB361 Apportionment calculation for Redwoods. For 2016-17, an increase of 100 FTES equates to about \$500 thousand in additional revenue.

The SB361 revenue will be reflected on the schedules at the end of this report and on the Monthly Financial Reports presented to the Board in the “State Sources” in two rows noted as “SB361” and in “Local Sources” in two rows noted as “SB361”. This is because the SB361 model is funded through a combination of State funding augmented by property tax revenue and enrollment fees in Local Sources.

In addition to the permanent or ongoing funding in the summary chart above, the Final Budget also includes some one-time funding. At present these amounts are District estimates as the Chancellor’s Office is expected to release an allocation report shortly. Property tax backfill provides \$31,700,000 in State funds to cover any deficit coefficient that might arise if the estimated property taxes in the SB361 model come in short. If the SB361 property taxes come in “at or above” target, then the Chancellor’s Office will distribute the \$31,700,000 in property tax backfill funding to the community college districts on a per FTES basis. However, any excess funds will be allocated in the 2016-17 Recalculation Enrollment Report (Recalc) which is not due until after June 30, 2017. The Chancellor’s Office has not yet released an allocation report on the \$105,501,000 in mandate backlog payments. The Chancellor’s Office will distribute these

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funds on a per FTES basis to all community districts, including those with no outstanding mandate claims.

Therefore, Redwoods will include the estimated \$330 thousand in mandate claims payments in the 2016-17 Final Budget. The potential one-time funds of \$99,172 will not be included in the Final Budget, but could become available at Recalc. Recognizing that the deficit coefficient eventually dropped to \$0 on the 2015-16 Second Principal Apportionment Report (P-2) and that the Chancellor's Office has property tax backfill funds available, this year's Final Budget includes \$0 for a deficit coefficient. In previous years, when actual property tax receipts were less than the property tax budget in the SB 361, the deficit coefficient was used by the Chancellor's Office to pro-rata reduce Apportionment funding to each community college district.

| Additional One-Time Funds - ESTIMATES | | Redwoods | CO System |
|--|---------|----------|-------------|
| Redwoods 2015-16 P-2 FTES | 3584 | | |
| CO 2015-16 P-2 FTES | 1145637 | | |
| Redwoods Percent | 0.31% | | |
| Mandate Backlog Payments | 0.31% | 330,055 | 105,501,000 |
| Property Tax Backfill (If not needed to cover deficit coefficient) | 0.31% | 99,172 | 31,700,000 |

Adding the permanent Apportionment funding for 3950 FTES plus the \$330,055 in one-time mandate backlog payments yields a total SB361 Apportionment budget of \$25,936,121 distributed in the Monthly Financial Report as shown below:

| REVENUES: | | 2016-17 Final Budget SB361 Revenue |
|------------------------------------|----------------------|---|
| Federal Sources | | |
| State Sources (3940 FTES) | | |
| SB 361 State Support | | 10,071,890 |
| SB 361 Prop 30 EPA | | 3,940,000 |
| CA State Lottery | | |
| Other Revenue (Including One-Time) | | 330,055 |
| Local Sources | | |
| SB 361 Enrollment Fees | | 1,070,940 |
| SB 361 Property Taxes | | 10,523,236 |
| Non-Resident Tuition | | |
| Other Revenue | | |
| | Total Revenue | 25,936,121 |

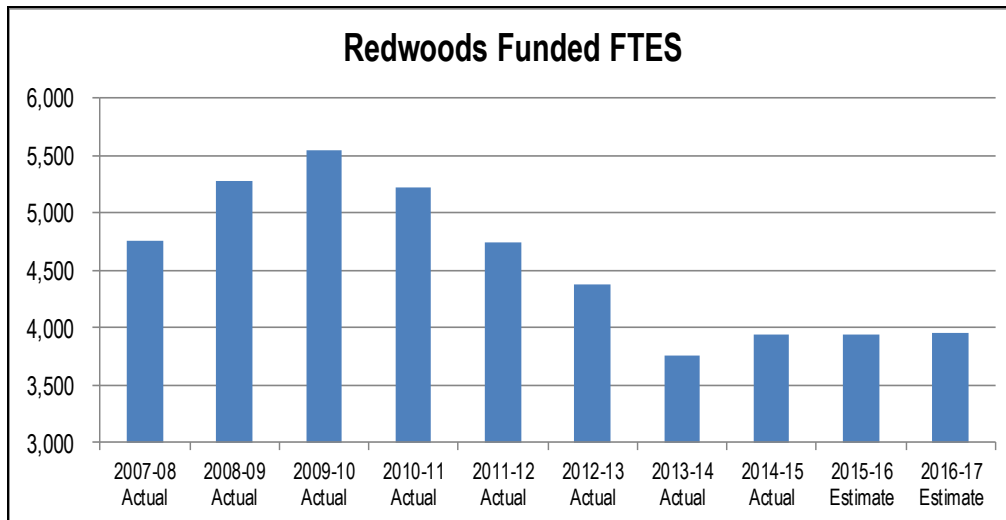
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District Enrollment Forecast - 3950 Funded FTES

For 2016-17, the District's enrollment forecast is for 3950 Full-Time Equivalent Student (FTES) eligible for apportionment funding. In 2015-16 the District was on enrollment stability, so a missed enrollment target would not reduce 2015-16 funding. However, during 2016-17, the District will not be on enrollment stability and will see revenue cut if enrollments come in below 3950 FTES.

Redwoods will include eligible enrollments from both Summer 2016 and Summer 2017 to help meet this year's FTES budget. Enrollments which the Chancellor's Office rules require to be reported during 2016-17 will be reported on CCFS-311 and 320 reports for 2016-17. All flexible enrollments for both summers, which generally include enrollments where the course meetings cross the fiscal year, will be reported in 2016-17. This strategy provides a marginal increase in funding, since portions of two summers are included in a single year. Without enrollment stability, each FTES shortfall below 3950 will cut the District's general fund apportionment by \$5,000 in 2016-17 and will reduce the 2017-18 enrollment stability floor funding level. Therefore, the multiyear impact of a one FTES shortfall is over \$10,000.

The following chart summarizes the District's funded enrollments:



When a district's enrollments drop, Chancellor's Office rules allow that district three fiscal years to restore the lost enrollments or the enrollment funding is permanently reallocated to other districts. For 2016-17 Redwoods is eligible to restore up to 569 FTES that have been lost over the previous three years for about \$2.8 million. Also, enrollment growth funding is available for an additional 45 FTES for \$223 thousand funding, which brings the total unearned funding to \$3 million.

District Multiyear Budget Forecast

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The next chart provides a high level summary of the three year budget forecast. Redwoods' fund balance must increase by \$574 thousand by 2018-19 in order to meet the 7.90% ending fund balance target. Given only a minimal increase of about 64 FTES from 2015-16 to 2018-19 and perhaps 1% annual COLAs or base budget increases for 2017-18 and 2018-19, Redwoods must secure additional non-enrollment driven resources. The earliest indication of any augment to apportionment funding will be the Governor's 2017-18 proposed budget which is scheduled for release in January 2017. The January Governor's budget will also provide the first indication if the Governor plans to accelerate State mandate claim payments.

| 2016-17 Final Budget and Multiyear Forecast | | | | |
|--|----------------|---------------|---------------|---------------|
| Unrestricted General Fund | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| Funded FTES | 3936 | 3950 | 3950 | 4000 |
| Beginning Fund Balance | \$ 1,639,410 | \$ 1,881,258 | \$ 1,927,459 | \$ 2,176,428 |
| Revenue | \$ 29,652,239 | \$ 27,859,577 | \$ 28,187,638 | \$ 28,768,111 |
| Expenditures | \$ 27,861,111 | \$ 27,360,376 | \$ 28,865,669 | \$ 30,189,314 |
| Transfers and Other | \$ (1,474,280) | \$ (453,000) | \$ 927,000 | \$ 1,677,000 |
| Net Revenue | \$ 316,848 | \$ 46,201 | \$ 248,968 | \$ 1,677,000 |
| Ending Fund Balance | \$ 1,881,258 | \$ 1,927,459 | \$ 2,176,428 | \$ 2,432,225 |
| Fund Balance Percent | 6.40% | 6.90% | 7.40% | 7.90% |
| Excess Reserve Over 5% Minimum | \$ 410,738 | \$ 532,790 | \$ 707,744 | \$ 896,109 |
| Excess Reserve Over 6% Minimum | \$ 116,634 | \$ 253,857 | \$ 414,007 | \$ 588,886 |

District 2016-17 Budget Summary

2016-17 revenue includes a base budget increase allocated through the Chancellor's Office SB361 Apportionment model and estimated one-time funding from the State. The revenue budget is actually lower in 2016-17 because 2015-16's budget included over \$2 million in one-time funds received from the State. An estimated \$285,000 transfer to Mendocino College is included in the 2016-17 revenue section instead of transfers as recommended by the District's auditors.

Expenditures include costs for employee salary steps, health and welfare benefit costs for eligible employees, pension cost increases, and other changes to payroll costs. These payroll costs increases are partially offset by moving costs to other funds and savings from positions not refilled or refilled at a lower salary step. Also, one-time pay restoration during 2015-16 has been removed from the 2016-17 payroll budget due to its non-recurring nature. This results in a \$232 thousand net increase to payroll costs. Supplies and materials and services and other operating costs have been augmented by \$358 thousand to cover anticipated increased costs for licenses, utilities, insurance, etc. This is net of a scheduled 10% reduction in most departmental supplies budgets. Also, capital outlay and contingency have been reduced to remove last years' one-time budget. A new scheduled transfer of \$25,000 is included in the budget to begin permanently funding a set-aside for unfunded pension liabilities. To further reduce expenditures, \$741 thousand in temporary savings is planned from vacant positions held open in the near term, reduced temporary staff and travel, and other miscellaneous savings. If the \$741 thousand cannot be fully covered from savings, then rental income, auxiliary funds and other eligible non-

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general fund resources will be used. Finally, a transfer of \$105,000 from other funds is scheduled to provide additional general fund support.

Interfund Transfers Out of \$478,000 include:

- About \$50,000 for final debt service payment on COP.
- \$90,000 for Child Development Center.
- \$88,000 for the Shively Farm.
- \$250,000 for the OPEB fund, up from \$225,000 the previous year. This transfer will be increased to \$300,000 over the next two years.

The net result of all of the above budget decisions is to increase the 2016-17 ending fund balance by 0.5% to the 6.90% target.

2017-18 and 2018-19 Budget Forecast Summary

The 2017-18 and 2018-19 forecasts rely heavily on non-enrollment resources to balance. 2017-18 is planned as an enrollment stability year, so enrollment funding will be fixed at whatever FTES Redwoods generates during 2016-17, 3950 FTES. A 50 FTES increase is included in the 2018-19 enrollment forecast. A one percent annual State COLA or base budget increase is included along with small growth in miscellaneous resources. Expenditures are increased by scheduled salary step increases, estimated health and welfare cost increases for eligible employees, and increased pension payments to PERS and STRS. The aggressive temporary savings target from 2016-17 is also steadily reduced which further contributes to 2017-18 and 2018-19 resource needs. The pension cost set aside is steadily increased by \$25,000 each year as well.

The net result of these budget adjustments shows that \$3.1 million in non-enrollment driven resources will be required by 2018-19. This will allow the fund balance to grow by one-half percent annually to 7.9% by 2018-19.

Legislative Advocacy and Chancellor's Office Advocacy

As the District moves forward, we have relied on two overarching resources for funding augments: State base budget increases and stable enrollments with the prospect of modest FTES growth. A third initiative involves more legislative advocacy to address small and rural college funding needs.

Two fundamental arguments support providing additional funding to smaller and rural colleges. First, reducing funding at smaller institutions can lead to a downward spiral where eventually only larger population centers are served by a viable community college. The State needs to support high quality, low cost education and training across the entire state and not abandon rural California. Second, the State needs to maintain its community college capacity across the State. Reducing funding at smaller, rural colleges leads to closing satellite classrooms, eliminating the ranks of faculty and staff, and shuttering or re-tasking empty space. As the economy moves to recession, then the same small, rural college will see an influx of students. However, it takes time to re-establish lost teaching capacity which results in turning away students seeking high

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quality, low cost higher education and retraining. Following are examples of the emerging initiatives:

- Accelerate payments to retire the \$5+ million Redwoods mandate claim receivable with the State.
- Advocating for increased basic district funding for smaller districts. Currently, there are three funding levels: \$6 million/\$4.8 million/\$3.6 million based on district size. While optically, it may appear appropriate to spread each funding category by \$1.2 million, the underlying costs typically do not neatly ramp up and down. Chancellor's Office requirements force inefficiencies upon small districts. For example, Associate Degree for Transfer (ADT) mandates restrict or limit the discretion of the administration at Redwoods to cancel low enrolled sections due to State requirements to "guarantee" course offerings. Therefore, the \$3.6 million funding level must be increased to stabilize fiscally vulnerable districts.
- Advocating for increased basic center funding. The largest centers are funded at \$1.2 million annually in basic center funding, while smaller, rural centers such as the Del Norte Center receive only \$600 thousand per year. Advocate to change the Center rules to allow KT to qualify as a small center due to its "very low income" location and predominately minority student body.
- Providing extended stability funding for districts experiencing enrollment losses. This would provide three years of enrollment stability funding to allow a district to develop new enrollment programs and restore FTES.
- Advocating to accelerate broadband expansion to rural areas of California currently experiencing limited and costly internet access. For example, the Klamath-Trinity (KT) site is especially impacted by restricted internet access. Neither the Del Norte Center nor the KT site receives any CENIC services.
- Expanding the scope of SB 1460 Community Colleges: Funding San Francisco Community College District to include Redwoods. This bill provided special funding to City College of San Francisco in recognition of the fiscal troubles caused by Accreditation problems. Redwoods was placed on Show Cause during the same time period as City College.
- Asking the Chancellor's Office to enact modest capacity controls at fast-growing college districts to drive more students to Redwoods and other smaller colleges.
 - Fast growing campuses could more strictly enforce registration deadlines and cap enrollments in programs at capacity where excess capacity exists at other colleges.
 - The Chancellor's Office could impose stronger limits on new center funding when excess capacity exists systemwide.
 - In districts with enrollment growth, the CO might allow colleges with declining enrollments to market directly in that service area, provided the TV/radio spots and other advertising do not disparage the incumbent community college. For example, Redwoods might advertise its Police Academy and associate degrees for transfer (ADTs) in areas of fast growth across California.

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- As the CO builds out its systemwide online initiative, course sections at smaller, rural colleges could simply be listed first on the page when a student searches for a particular course.
- When the Chancellor's Office moves to expand bachelor's degree offerings beyond the current limited set of community colleges, the CO needs to provide support for smaller colleges to expand into bachelor's degree programs.
- Advocate for a basic funding component for categorical funding. The Chancellor's Office often spreads categorical funds on a strictly per-FTES basis which disadvantages smaller districts. To mirror the SB361 Apportionment model's basic funding calculations, these other funds should be allocated with a fixed basic amount to each district and then allocations based on enrollments. For example, Redwoods was allocated \$482,808 in 2016-17 categorical physical plant and instructional equipment funds on the strictly enrollment driven formula. A formula with a fixed basic funding amount of \$400,000 per district which then allocated the remainder on an enrollment driven formula would increase Redwoods' allocation to \$793,000. Other small districts would benefit as well.

Impact of LAO's Slowdown Scenario

Under the LAO's economic slowdown scenario, the District could see additional revenue, since economic conditions may cause more people to go back to school for further education. However, new student revenue might be offset as the State may not have the means to provide additional base budget increases. The LAO slowdown scenario notes that the State's rainy day funds might only cover the first year of a multiyear State budget deficit.

Employee Notice Requirements

When the budget forecast remains in an unbalanced deficit position by February 1 of any given year, the District may 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 budget forecast remains in an unbalanced deficit position by March 15 of any given year, the District may consider identifying faculty and management positions and issuing formal notice of layoff/reduction in force by March 15, pursuant to California Administrative Code Title 5, sections 87740 and 87743.

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

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instructors. The intent of the statute is to limit class size and contain the relative growth of administrative and noninstructional costs.

The chart shows that the District can meet the Fifty Percent Law requirement for 2016-17. However, in order to comply, it is assumed that expenditures will occur as forecasted in the Final Budget.

| Fifty Percent Law Compliance | 2013-14 Budget | 2014-15 Budget | 2015-16 Budget | 2016-17 Budget |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Salaries of classroom instructors | \$ 13,064,984 | \$ 12,592,779 | \$ 14,021,104 | \$ 14,360,415 |
| Current expense of education | \$ 25,661,112 | \$ 25,157,946 | \$ 27,376,814 | \$ 28,348,118 |
| Percent (Must be 50% or greater) | 50.9% | 50.1% | 51.2% | 50.7% |
| Max expense allowed @ 50% | \$ 26,129,968 | \$ 25,185,558 | \$ 28,042,208 | \$ 28,720,830 |
| Cushion | \$ 468,856 | \$ 27,612 | \$ 665,395 | \$ 372,712 |

Factors influencing the 50% law budget calculation include changes in District positions and changes to associate faculty budgets related to changes in enrollments. For 2016-17 increased non-payroll budgets also contributed to the small reduction in the percentage calculation. Compliance with the Fifty Percent Law is based on a year-end calculation of actual expenditures, not budgeted expenditures. Therefore, this calculation should be viewed as a preliminary estimate for discussion only.

Full-Time Equivalent Faculty Obligation Number (FON) Compliance

California Community Colleges, Budget and Accounting Manual, 2012 edition:

The number of full-time faculty positions that are required to be maintained within a district per Title 5 Section 51025. This section requires a community college district to increase the number of full-time faculty over the prior year in proportion to the amount of growth in funded credit FTES. The inverse applies when there are Workload Measure Reduction[s].

The Chancellor's Office Advance Apportionment report includes a Fall 2017 projected Faculty Obligation Number (FON) of 75.2 for Redwoods. Compliance with the FON is based on the lower of the Advance or the Final actual FON calculation. For 2015-16, the Advance FON was 78.7 while the final FON was 60.2. Therefore, it is expected that the 2016-17 final FON will be lower than the 2016-17 Advance FON. At present, the District's position inventory estimates about 73.5 general fund full-time instructors.

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Exhibits

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

Exhibit A: 2016-17 Unrestricted, Restricted, and Total General Fund Budget

Exhibit B: 2016-17, 2017-18, 2018-19 Unrestricted General Fund Multiyear Forecast

Exhibit C: 2016-17 All Funds Budget

Restricted General Funds (Fund 10)

Certain restricted funds receive a funding allocation from the State Chancellor's Office and may be referred to as designated or categorical programs. Other restricted funds include Capital Projects, Enterprise, Associated Students, Student Financial Aid, and the Employee Benefits Trust. Enterprise funds include certain revenue generating auxiliary enterprises. These monies are provided for a specific purpose and generally cannot be used for any other District costs.

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.

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.

In October 1988, the District formed the College of the Redwoods Financing Corporation (CRFC) for the purpose of issuing \$3 million in certificates of participation (COPs). Proceeds were used for acquisition of land and buildings, for rental of facilities, for remodeling and maintenance projects, and for debt service requirements. This 30-year obligation was refinanced in November 1998 over the remaining 20 years at savings of \$376,258. The interest rate is now 5.3%. The financial statements note a principal balance of \$258,510 as of June 30, 2014 for "Refunding Lease Obligation." The District has made lease payments of about \$100K per year as assigned by CRFC for the retirement of the outstanding debt. These activities were accounted for in a debt service fund. The final payment is due during 2016-17.

Child Development (Fund 33)

The District operates child development programs on the Eureka Campus for the benefit of children from infants to age five. In addition to Federal and State support, the District charges an hourly rate to parents for its instructional activities.

The unrestricted general fund provides \$90,000 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.

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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 land, 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. The unrestricted general fund provides \$50,000 per year in support to this fund.

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 students. 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,

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purchase textbooks, and cover living expenses each semester. 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.

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EXHIBIT A: 2016-17 Unrestricted, Restricted, and Total General Fund Budget

| REDWOODS COMMUNITY COLLEGE DISTRICT | | | | | |
|--|--|------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| TENTATIVE GENERAL FUNDS BUDGET | | | | | |
| FISCAL YEAR 2016-17 | | | | | |
| | | | | | |
| REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE | Unrestricted 2015-16 June 2016 BOT | 2016-17 Adjustments | Unrestricted 2016-17 Final Bgt | 2016-17 Restricted Adjustments | All 2016-17 General Fund |
| | Enrollment Stability | | | | |
| State COLA Percent | | 0.00% | | | |
| Full-time Equivalent Students (FTES) | 3936 | 14 | 3950 | | |
| FTES Growth Percent | | 0.4% | | | |
| REVENUES: | | | | | |
| Federal Sources | 100,598 | 0 | 100,598 | 1,255,877 | 1,356,475 |
| State Sources | | | | | |
| SB 361 State Support | 10,384,177 | (312,287) | 10,071,890 | | 10,071,890 |
| SB 361 Prop 30 EPA | 4,454,436 | (514,436) | 3,940,000 | | 3,940,000 |
| CA State Lottery | 434,579 | 10,000 | 434,579 | | 434,579 |
| Other Revenue (Including One-Time) | 3,038,279 | (1,944,945) | 1,093,334 | 2,506,006 | 3,599,340 |
| Local Sources | | | | | |
| SB 361 Enrollment Fees | 1,191,321 | (120,381) | 1,070,940 | | 1,070,940 |
| SB 361 Property Taxes | 9,238,849 | 1,284,387 | 10,523,236 | | 10,523,236 |
| Non-Resident Tuition | 620,000 | 100,000 | 720,000 | | 720,000 |
| Payment to Mendocino College | | (285,000) | (285,000) | | |
| Other Revenue | 190,000 | 10,000 | 190,000 | 302,884 | 492,884 |
| Total Revenue | 29,652,239 | (1,772,662) | 27,859,577 | 4,064,767 | 32,209,344 |
| EXPENDITURES: | | | | | |
| Academic Salaries | 12,209,832 | (252,269) | 11,957,563 | 704,568 | 12,662,131 |
| Other Staff Salaries | 5,343,452 | (225,423) | 5,118,029 | 1,346,911 | 6,464,940 |
| Employee Benefits | 6,084,329 | 709,496 | 6,793,825 | 1,081,928 | 7,875,753 |
| STRS increase | | | 0 | | 0 |
| PERS increase | | | 0 | | 0 |
| Health & Welfare @ 6% increase | | | 0 | | 0 |
| Temp vacancy svgs and other svgs | | (740,875) | (740,875) | | (740,875) |
| TLU costs for FTES | | | 0 | | 0 |
| Supplies & Materials | 398,045 | 24,148 | 422,193 | 109,115 | 531,308 |
| Services & Other Operating | 3,365,877 | 333,764 | 3,699,641 | 815,454 | 4,515,095 |
| Capital Outlay & Contingency | 459,576 | (349,576) | 110,000 | 182,694 | 292,694 |
| Total Expenditures | 27,861,111 | (500,735) | 27,360,376 | 4,240,670 | 31,601,046 |
| EXCESS REVENUES (EXPENDITURES) | 1,791,128 | | 499,201 | | 608,298 |
| OTHER FINANCING SOURCES/(USES): | | | | | |
| Sale of Land & Buildings | | | 0 | | 0 |
| Interfund Transfers In | | | 0 | | 0 |
| Intrafund Transfers In | | 105,000 | 105,000 | | 105,000 |
| Debt Service | | | 0 | | 0 |
| Intrafund Transfers Out | | | 0 | | 0 |
| Interfund Transfers Out | (1,419,280) | 975,000 | (478,000) | | (478,000) |
| Student Financial Aid | (55,000) | | (55,000) | | (55,000) |
| Other Sources (Uses) | | | 0 | | 0 |
| New Pension Liability Set Aside | | (25,000) | (25,000) | | (25,000) |
| Total Other Sources (Uses) | (1,474,280) | 1,055,000 | (453,000) | 0 | (453,000) |
| BGT SAVINGS/RIF/RETIREMENT INCENTIVE | | | | | |
| FUND BALANCE INCREASE (DECREASE) | 316,848 | | 46,201 | | 155,298 |
| BEGINNING FUND BALANCE: | | | | | |
| Beginning Balance | 1,639,410 | | 1,881,258 | 175,000 | 2,056,258 |
| Reserve for PERS/STRS pension costs | 75,000 | | | | |
| Balancing adjustment | | | | | |
| Adjusted Beginning Balance | 1,714,410 | | 1,881,258 | | 2,056,258 |
| ENDING FUND BALANCE | 1,881,258 | | 1,927,459 | | 2,211,556 |
| Net Fund Balance Percent | 6.40% | | 6.90% | | |
| Excess Reserve Over 5% Minimum | 410,738 | | 532,790 | | |
| Excess Reserve Over 6% Minimum | 116,634 | | 253,857 | | |

Redwoods Community College District
2016-17 Final Budget and Multiyear Summary – PRELIMINARY DRAFT

EXHIBIT B: 2016-17, 2017-18, 2018-19 Unrestricted General Fund Multiyear Forecast

| | | | | | | | |
|--|----------------------|--------------------|---------------------|----------------------|---------------------|--------------------|---------------------|
| REDWOODS COMMUNITY COLLEGE DISTRICT | | | | | | | |
| TENTATIVE GENERAL FUNDS BUDGET | | | | | | | |
| FISCAL YEAR 2016-17 | | | | | | | |
| | | | | | | | |
| REVENUES, EXPENDITURES | Unrestricted | 2016-17 | Unrestricted | 2017-18 | Unrestricted | 2017-18 | Unrestricted |
| AND CHANGE IN FUND BALANCE | 2015-16 | | 2016-17 | | 2017-18 | | 2018-19 |
| | June 2016 BOT | Adjustments | Final Bgt | Adjustments | Forecast | Adjustments | Forecast |
| | Enrollment Stability | | | Enrollment Stability | | | |
| State COLA Percent | | 0.00% | | 1.00% | | 1.00% | |
| Full-time Equivalent Students (FTES) | 3936 | 14 | 3950 | 0 | 3950 | 50 | 4000 |
| FTES Growth Percent | | 0.4% | | 0.0% | | 1.3% | |
| REVENUES: | | | | | | | |
| Federal Sources | 100,598 | 0 | 100,598 | 2,000 | 102,598 | 2,000 | 104,598 |
| State Sources | | | | | | | |
| SB 361 State Support | 10,384,177 | (312,287) | 10,071,890 | (285,000) | 9,786,890 | 252,702 | 10,039,592 |
| SB 361 Prop 30 EPA | 4,454,436 | (514,436) | 3,940,000 | 256,061 | 4,196,061 | 255,771 | 4,451,832 |
| CA State Lottery | 434,579 | 10,000 | 434,579 | 10,000 | 444,579 | 10,000 | 454,579 |
| Other Revenue (Including One-Time) | 3,038,279 | (1,944,945) | 1,093,334 | | 1,093,334 | | 1,093,334 |
| Local Sources | | | | | | | |
| SB 361 Enrollment Fees | 1,191,321 | (120,381) | 1,070,940 | | 1,070,940 | | 1,070,940 |
| SB 361 Property Taxes | 9,238,849 | 1,284,387 | 10,523,236 | | 10,523,236 | | 10,523,236 |
| Non-Resident Tuition | 620,000 | 100,000 | 720,000 | 50,000 | 770,000 | 50,000 | 820,000 |
| Payment to Mendocino College | | (285,000) | (285,000) | | 0 | | 0 |
| Other Revenue | 190,000 | 10,000 | 190,000 | 10,000 | 200,000 | 10,000 | 210,000 |
| Total Revenue | 29,652,239 | (1,772,662) | 27,859,577 | 43,061 | 28,187,638 | 580,473 | 28,768,111 |
| EXPENDITURES: | | | | | | | |
| Academic Salaries | 12,209,832 | (252,269) | 11,957,563 | 199,721 | 12,157,284 | 199,721 | 12,357,005 |
| Other Staff Salaries | 5,343,452 | (225,423) | 5,118,029 | 173,163 | 5,291,192 | 173,163 | 5,464,355 |
| Employee Benefits | 6,084,329 | 709,496 | 6,793,825 | 41,017 | 6,834,842 | 41,017 | 6,875,859 |
| STRS increase | | | 0 | 180,000 | 180,000 | 157,000 | 337,000 |
| PERS increase | | | 0 | 320,000 | 320,000 | 113,000 | 433,000 |
| Health & Welfare @ 6% increase | | | 0 | 283,392 | 283,392 | 283,392 | 566,784 |
| Temp vacancy svgs and other svgs | | (740,875) | (740,875) | 170,000 | (570,875) | 30,000 | (540,875) |
| TLU costs for FTES | | | 0 | | 0 | 126,351 | 126,351 |
| Supplies & Materials | 398,045 | 24,148 | 422,193 | 38,000 | 460,193 | 50,000 | 510,193 |
| Services & Other Operating | 3,365,877 | 333,764 | 3,699,641 | 75,000 | 3,774,641 | 100,000 | 3,874,641 |
| Capital Outlay & Contingency | 459,576 | (349,576) | 110,000 | 25,000 | 135,000 | 50,000 | 185,000 |
| Total Expenditures | 27,861,111 | (500,735) | 27,360,376 | 1,505,293 | 28,865,669 | 1,323,644 | 30,189,314 |
| EXCESS REVENUES (EXPENDITURES) | 1,791,128 | | 499,201 | | (678,032) | | (1,421,203) |
| OTHER FINANCING SOURCES/(USES): | | | | | | | |
| Sale of Land & Buildings | | | 0 | | 0 | | 0 |
| Interfund Transfers In | | | 0 | | 0 | | 0 |
| Intrafund Transfers In (STRUCTURAL BUDGET GAP) | | 105,000 | 105,000 | 1,380,000 | 1,485,000 | 800,000 | 2,285,000 |
| Debt Service | | | 0 | | 0 | | 0 |
| Intrafund Transfers Out | | | 0 | | 0 | | 0 |
| Interfund Transfers Out | (1,419,280) | 941,280 | (478,000) | 25,000 | (453,000) | (25,000) | (478,000) |
| Student Financial Aid | (55,000) | | (55,000) | | (55,000) | | (55,000) |
| Other Sources (Uses) | | | 0 | | 0 | | 0 |
| New Pension Liability Set Aside | | (25,000) | (25,000) | (25,000) | (50,000) | (25,000) | (75,000) |
| Total Other Sources (Uses) | (1,474,280) | 1,021,280 | (453,000) | 1,380,000 | 927,000 | 750,000 | 1,677,000 |
| BGT SAVINGS/RIF/RETIREMENT INCENTIVE | | | | | | | |
| FUND BALANCE INCREASE (DECREASE) | 316,848 | | 46,201 | | 248,968 | | 255,797 |
| BEGINNING FUND BALANCE: | | | | | | | |
| Beginning Balance | 1,639,410 | | 1,881,258 | | 1,927,459 | | 2,176,428 |
| Reserve for PERS/STRS pension costs | 75,000 | | | | | | |
| Balancing adjustment | | | | | | | |
| Adjusted Beginning Balance | 1,714,410 | | 1,881,258 | | 1,927,459 | | 2,176,428 |
| ENDING FUND BALANCE | 1,881,258 | | 1,927,459 | | 2,176,428 | | 2,432,225 |
| Net Fund Balance Percent | 6.40% | | 6.90% | | 7.40% | | 7.90% |
| Excess Reserve Over 5% Minimum | 410,738 | | 532,790 | | 707,744 | | 896,109 |
| Excess Reserve Over 6% Minimum | 116,634 | | 253,857 | | 414,007 | | 588,886 |

Redwoods Community College District
2016-17 Final Budget and Multiyear Summary – PRELIMINARY DRAFT

EXHIBIT C: 2016-17 All Funds Budget

| REDWOODS COMMUNITY COLLEGE DISTRICT FINAL BUDGET FISCAL YEAR 2016-17 | | | | | | | | | | | | |
|--|-----------|-------------------------|-------------------------------------|---|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------------------|---|--------------------------------------|--------------------------------------|
| REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE | | GOVERNMENTAL FUND TYPES | | | | | | PROPRIETARY FUND TYPES | FIDUCIARY FUND TYPE - TRUST | | | TOTAL ALL FUNDS (Memo Only) |
| | | General Fund (10) | Debt Serv Fund (21) & (29) | SPECIAL REVENUE FUNDS 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) | |
| REVENUES: | | | | | | | | | | | | |
| Federal Sources | 8100-8199 | \$ 1,356,475 | \$ 0 | \$ 182,367 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 10,190,000 | \$ 0 | \$ 11,728,842 |
| State Sources | 8600-8699 | 18,045,809 | 0 | 241,159 | 100,000 | 0 | 35,967,964 | 0 | 0 | 555,000 | 0 | 54,909,932 |
| Local Sources | 8800-8899 | 12,807,060 | 2,155,764 | 6,000 | 30,000 | 595,000 | 40,000 | 950,000 | 60,000 | 0 | 278,405 | 16,922,229 |
| Total Revenue | | 32,209,344 | 2,155,764 | 429,526 | 130,000 | 595,000 | 36,007,964 | 950,000 | 60,000 | 10,745,000 | 278,405 | 83,561,003 |
| EXPENDITURES: | | | | | | | | | | | | |
| Academic Salaries | 1000-1999 | 12,662,131 | 0 | 0 | | 0 | | 0 | 0 | 0 | 0 | 12,662,131 |
| Other Staff Salaries | 2000-2999 | 6,464,940 | 0 | 278,026 | 55,809 | 218,633 | 100,777 | 122,726 | 13,347 | 0 | 0 | 7,254,258 |
| Employee Benefits | 3000-3999 | 7,875,753 | 0 | 177,031 | 31,703 | 123,987 | 56,118 | 62,870 | 1,987 | 0 | 900,000 | 9,229,449 |
| Other Payroll Adjustments | | | | | | | | | | | | 0 |
| One-Time Items | | (740,875) | | | | | | | | | | |
| Supplies & Materials | 4000-4999 | 531,308 | 0 | 48,649 | 23,500 | 8,000 | 0 | 60,000 | 9,800 | 0 | 0 | 681,257 |
| Services & Other Operating | 5000-5999 | 4,515,095 | 0 | 29,987 | 12,000 | 132,000 | 0 | 120,000 | 87,775 | 7,619 | 0 | 4,904,476 |
| Capital Outlay | 6000-6999 | 292,694 | 0 | 5,000 | 100,000 | 300,000 | 23,500,000 | 400,000 | 3,000 | 0 | 0 | 24,600,694 |
| Total Expenditures | | 31,601,046 | 0 | 538,693 | 223,012 | 782,620 | 23,656,895 | 765,596 | 115,909 | 7,619 | 900,000 | 59,332,265 |
| EXCESS REVENUES (EXPENDITURES) | | 608,298 | 2,155,764 | (109,167) | (93,012) | (187,620) | 12,351,069 | 184,404 | (55,909) | 10,737,381 | (621,595) | 24,228,738 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | |
| Interfund Transfers In | 8980-8988 | 105,000 | 57,689 | 90,000 | 88,000 | 0 | (105,000) | 0 | 0 | 0 | 250,000 | 485,689 |
| Debt Service | 7100-7199 | 0 | (2,133,681) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2,133,681) |
| Intrafund Transfers Out | 7200-7299 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interfund Transfers Out | 7300-7399 | (503,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (503,000) |
| Student Financial Aid | 7500-7699 | (55,000) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (10,737,381) | 0 | (10,792,381) |
| Total Other Sources (Uses) | | (453,000) | (2,075,992) | 90,000 | 88,000 | 0 | (105,000) | 0 | 0 | (10,737,381) | 250,000 | (12,943,373) |
| FUND BALANCE INCREASE (DECREASE) | | 155,298 | 79,772 | (19,167) | (5,012) | (187,620) | 12,246,069 | 184,404 | (55,909) | 0 | (371,595) | 11,285,366 |
| BEGINNING FUND BALANCE: | | | | | | | | | | | | |
| Beginning Balance | 9790 | 2,056,258 | 2,020,120 | 111,863 | 765 | 218,495 | 7,299,199 | 491,362 | 186,175 | 5 | 1,508,701 | 13,892,943 |
| Prior Year Adjustments | 9791-9792 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Beginning Balance | | 2,056,258 | 2,020,120 | 111,863 | 765 | 218,495 | 7,299,199 | 491,362 | 186,175 | 5 | 1,508,701 | 13,892,943 |
| ENDING FUND BALANCE | | \$ 2,211,556 | \$ 2,099,892 | \$ 92,696 | \$ (4,247) | \$ 30,875 | \$ 19,545,268 | \$ 675,766 | \$ 130,266 | \$ 5 | \$ 1,137,106 | \$ 25,178,308 |