

**REDWOODS COMMUNITY COLLEGE DISTRICT  
BOARD OF TRUSTEES MEETING**

September 5, 2017  
Agenda Item No. 3.2

**SUBJECT:** APPROVE 2017-18 FINAL BUDGET

RECOMMENDATION

Action is required. The President/Superintendent recommends that the Board of Trustees approve the 2017-18 Final Budget for all funds, as attached, pursuant to BP 6200 *Budget Preparation*.

BACKGROUND

The revenue budget is growing by 4.0% while expenditures are only increasing by 3.2%. This year's transfers out were reduced because the COP is paid off, and the Shively Farm needs less support.

During 2015-16 the District received over \$2 million in unrestricted one-time funding from the State. The Budget Planning Committee recommended setting aside \$1 million, by placing \$300,000 in a pension reserve and \$700,000 in the capital fund. A portion of these funds will help support the general fund this year. The 2% retroactive pay increase for 2016-17 will be covered with a capital fund transfer to the general fund, and the pension cost increase will be covered by the pension reserve. Should the Garberville property be sold, the proceeds will be restricted to capital and maintenance projects. These proceeds will replenish the capital fund. High priority capital and maintenance projects include residence hall and student center renovations. This will also reduce the reliance on auxiliary funds for general fund costs and further allow the auxiliary maintenance projects to proceed sooner.

Overall, this year's budget will meet the District's needs and continue to grow the unrestricted fund balance for long term fiscal stability.

REVENUE

The total unrestricted general fund revenue budget for 2017-18 totals \$28,648,406, which is an increase of \$1,089,163 or 4.0% from 2016-17 revenue.

The 2017-18 Final Budget includes State apportionment revenue for 3966 FTES. Revenue is estimated from the Chancellor's Office 2017-18 Advance Apportionment Report, which includes a 1.56% COLA and a base budget increase. The 2017-18 Final Budget is based on enrollment stability funding for 3966 FTES, up from the 3950 FTES budget from last year. Actual FTES last year were reported at 3966.

Non-resident enrollments have been increased by 15 FTES, and the fee was increased by two dollars per unit. These adjustments increase the non-resident tuition budget by \$50,174.

## EXPENDITURES

The total unrestricted general fund expenditure budget for 2017-18 totals \$28,334,643, which is an increase of \$873,267 or 3.2% from 2016-2017 expenditures.

Increases to the salary budget were driven by an annual step increase costing \$435,185 and a 2.0% salary increases costing \$344,323, together costing about \$780,000 for all employees. Salary step increases range from 2.0% to 4.0% per year, depending on where in the step schedule a particular employee is located. The salary increase budget for classified employees is a placeholder pending negotiations.

The benefits budget was increased by \$281,000 for health and welfare benefits premiums and \$262,000 for CalPERS and CalSTRS pension costs. The District set aside \$300,000 in 2015-16 to help address rising pension costs, and so the 2017-18 increase can be covered from that reserve. For health and welfare benefits, medical premiums increased by 5.9%. The District included a 6.0% increase per year in the three year forecast. Also, a portion of the 5.9% medical increase is being set-aside by the District's JPA to shore up the JPA's fund balance reserve after two years of higher claims payouts.

In non-payroll expenditures, two favorable budget adjustments helped to partially offset the increased payroll budgets. A \$150,000 reduction to the Supplies budget reflects that the District will begin billing eligible instructional supplies directly to the restricted lottery budget. For several years, expenditures have been transferred out of the general fund during year-end closing. Eliminating this step will help the District to close the books more quickly. In the Services budget, a \$142,980 budget reduction reflects the impact on utility and other budgets from an itemized list of energy and cost savings items. For example, during 2016-17 the District paid for the network link between Eureka and Del Norte. CENIC recently upgraded that link to a one gigabit connection. CENIC now pays the network cost, resulting in a \$10,800 annual savings. The total savings identified totals to \$213,403 with two-thirds being recognized in this year's budget and one-third of the savings reserved for next year. For example, the District is planning to drill a well for water for the PE/Athletic fields to begin savings about \$6,000 per year starting next year.

The net result is an \$873,267 increase to the 2017-18 expenditure budget, comparing favorably to revenue budget growth of \$1,089,163, by a positive \$215,896.

A 2.0% retroactive payment has been added for the 2016-17 budget year. To cover this expenditure and to maintain the unrestricted fund balance, the 2016-17 cost will be funded from \$700,000 in one-time funds set aside in the capital fund. The salary increase budgets for classified employees are a placeholder pending negotiations.

## TRANSFERS

For 2017-18, budgeted transfers-out were reduced by \$13,000 to \$465,000. A \$50,000 COP payment was eliminated with the payoff of the COP. The transfer-out to the Shively Farm fund was lowered by \$33,000, reflecting its favorable budget trend. Transfers-out are increased by \$50,000 for the OPEB fund and \$25,000 for the pension fund.

The 2017-18 Final Budget for transfers-out provides \$90,000 for the Child Development fund, \$50,000 for the Shively Farm fund, \$300,000 for the OPEB fund, and \$25,000 for the Pension fund, for \$465,000 total.

## FUND BALANCE

The fund balance budget is increased by \$206,763 or 0.5% for 2017-18. With the 2017-18 revenue, expenditure, and transfers-out discussed above, a \$388,000 transfer-in from other funds is budgeted. Most of this transfer will be covered from the \$700,000 in capital funds. A 2017-18 ending unrestricted fund balance of 7.4% represents a 0.5% increase from the prior fiscal year. This increase to fund balance is in line with the Board of Trustees' direction to increase the unrestricted fund balance by at least 0.5% per year, until the 10.0% fund balance goal in Board Policy 6200 is reached.

## GENERAL FUND COST SAVINGS

Through a series of open forum listening sessions, online postings, and email messages, the District identified several cost savings measures to reduce operating costs. We have started to analyze the results of these efforts. The District identified \$213,403 in cost savings from these initiatives. As noted above, two-thirds of this savings is recognized in 2017-18 in the Services budget and one-third of the savings is reserved for the 2018-19 budget.

Also as noted above, \$150,000 in Supplies savings is included in the 2017-18 operating expenditure budget to recognize that instructional supplies (books, paper, toner, etc. used in classrooms and labs) can be paid from restricted lottery funding in lieu of general fund expenditures.

Also, as any employee position becomes vacant, the Executive Cabinet will consider whether the position can be reduced or restructured for savings. During 2017-18 the District will rely on enrollment stability funding. The District will set a priority of improving course load efficiencies. The Executive Cabinet will hold each approved employee position request for two months or longer before beginning the search to realize additional temporary savings. Exceptions to this practice will include immediate life safety positions and positions that impact enrolled course sections. Temporary savings from these initiatives are included in the 2017-18 Final Budget with \$363,558 for Academic Salaries and \$151,262 for Other Staff Salaries.

## EXHIBITS

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

- Exhibit A: 2017-18 Unrestricted, Restricted, and Total General Fund Budget
- Exhibit B: 2017-18, 2018-19, and 2019-20 Unrestricted General Fund Multiyear Forecast
- Exhibit C: 2017-18 All Funds Budget

## OTHER FUNDS

Restricted General Funds (Fund 10) includes certain funding allocations from the 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.

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/B bonds. Responsibility for the operation of this fund is vested with the Humboldt County Auditor in accordance with State law.

The Child Development fund (Fund 33) includes monies for the 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.

The Student Farm fund (Fund 34) 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.

The Other Special Revenue fund (Fund 39) provides services to students 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.

The Capital Projects fund (Fund 41) 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. During 2015-16 \$700,000 in unrestricted one-time funds from the State were transferred into this fund. This year funds will be transferred into the general fund to cover retroactive pay raises and to support the increased fund balance. If the Garberville property is sold, the proceeds will be replenish the capital fund and will be restricted to only future capital and maintenance projects. High priority capital and maintenance projects include residence hall and student center renovations.

The Enterprise fund (Funds beginning with 5) includes Community Education and the student house built by the Construction Technology program are recorded here.

The Associated Student Trust fund (Fund 71) includes 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.

The Student Financial Aid Trust fund (Fund 74) 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. Federal Department of Education regulations prohibit the accumulation of a fund balance.

The Employee Benefit Trust fund (Fund 78) 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. A \$300,000 transfer-in to this fund is budgeted for 2017-18.

The Pension Contribution Reserve Trust fund (Fund 79) was established in 2015-16 with an initial deposit of \$300,000 from one-time mandate reimbursement payments received that year from the State. A \$25,000 transfer of unrestricted general fund support is budgeted for 2017-18.

The 2017-18 Final Budget Exhibits are included at the end of this report.

## BUDGET IMPLICATIONS

The 2017-18 Final Budget will be reported to the State Chancellor's Office by October 10, 2018 or the date in accordance with State Chancellor's Office instructions.

<b>Exhibit A: 2017-18 Unrestricted, Restricted, and Total General Fund Budget</b>					
Fiscal Year 2017-18 Final Budget					
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE					
			<b>2017-18</b>	<b>2017-18</b>	<b>2017-18</b>
<i>Description</i>	<i>Object Range</i>		<i>Unrestricted Budget</i>	<i>Restricted Budget</i>	<i>General Fund Budget</i>
Full-Time Equivalent Students (FTES)					
Resident			3966		
Non-Resident			269		
REVENUES:					
Federal Sources	8100-8199	\$	100,598	1,208,677	1,309,275
State Sources (3950 FTES)					
SB 361 State Support	8611		11,047,119		11,047,119
SB 361 Prop 30 EPA	8630		3,940,000		3,940,000
CA State Lottery	000 / 8681		436,339		436,339
Other Revenue (Including One-Time)	8600-8699		620,000	6,377,457	6,997,457
Local Sources					
SB 361 Enrollment Fees	8874		1,070,940		1,070,940
SB 361 Property Taxes	8811-8818		10,523,236		10,523,236
Non-Resident Tuition	8880		770,174		770,174
Other Revenue	8820-8899		140,000	579,206	719,206
	Total Revenue	\$	28,648,406	8,165,340	36,813,746
EXPENDITURES:					
Academic Salaries	1000-1999	\$	12,220,091	881,758	13,101,849
Other Staff Salaries	2000-2999		5,260,757	2,381,669	7,642,426
Employee Benefits	3000-3999		7,146,941	1,522,430	8,669,371
Supplies	4000-4999		190,193	304,967	495,160
Services	5000-5999		3,446,661	1,063,109	4,509,770
Capital Outlay	6000-6999		70,000	1,199,635	1,269,635
	Total Expenditures	\$	28,334,643	7,353,568	35,688,211
EXCESS REVENUES (EXPENDITURES)		\$	313,763	811,772	1,125,535
OTHER FINANCING SOURCES/(USES):					
Transfers In	8981-8999	\$	388,000		388,000
Transfers Out	7200-7399		(465,000)		(465,000)
Student Financial Aid	7500-7699		(30,000)	(710,977)	(740,977)
	Total Other Sources (Uses)	\$	(107,000)	(710,977)	(817,977)
FUND BALANCE INCREASE (DECREASE)			206,763	100,795	307,558
BEGINNING FUND BALANCE:					
Beginning Balance	9790	\$	1,926,125		1,926,125
ENDING FUND BALANCE		\$	2,132,888	100,795	2,233,683
Fund Balance Percent			<b>7.40%</b>		

<b>Exhibit B: 2017-18, 2018-19, 2019-20 Unrestricted General Fund Multiyear Forecast</b>							
Fiscal Year 2017-18 Final Budget							
	REVENUES, EXPENDITURES						
	AND CHANGE IN FUND BALANCE		<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	
<b>Description</b>	<b>Unaudited</b>		<b>Final</b>		<b>Final</b>		<b>Final</b>
	<b>Budget</b>	<b>Adjustments</b>	<b>Budget</b>	<b>Adjustments</b>	<b>Budget</b>	<b>Adjustments</b>	<b>Budget</b>
Full-Time Equivalent Students (FTES)							
Resident	3950	16	3966	30	3996	30	4026
Non-Resident	254	15	269	10	279	5	284
REVENUES:							
Federal Sources	100,598		100,598		100,598		100,598
State Sources (3950 FTES)							
SB 361 State Support	9,879,890	1,167,229	11,047,119	1,357,650	12,404,769	1,426,011	13,830,780
SB 361 Prop 30 EPA	3,940,000		3,940,000		3,940,000		3,940,000
CA State Lottery	434,579	1,760	436,339	3,301	439,640	3,301	442,941
Other Revenue (Including One-Time)	700,000	(80,000)	620,000		620,000		620,000
Local Sources							
SB 361 Enrollment Fees	1,070,940		1,070,940		1,070,940		1,070,940
SB 361 Property Taxes	10,523,236		10,523,236		10,523,236		10,523,236
Non-Resident Tuition	720,000	50,174	770,174	36,285	806,459	14,453	820,911
Other Revenue	190,000	(50,000)	140,000		140,000		140,000
<b>Total Revenue</b>	<b>27,559,243</b>	<b>1,089,163</b>	<b>28,648,406</b>	<b>1,397,235</b>	<b>30,045,641</b>	<b>1,443,764</b>	<b>31,489,405</b>
EXPENDITURES:							
Academic Salaries	11,919,416	300,675	12,220,091	430,104	12,650,195	187,256	12,837,451
Other Staff Salaries	4,959,172	301,585	5,260,757	357,200	5,617,956	258,808	5,876,765
Employee Benefits	6,582,954	563,987	7,146,941	619,172	7,766,113	519,626	8,285,739
Supplies	340,193	(150,000)	190,193		190,193	20,000	210,193
Services	3,589,641	(142,980)	3,446,661	(70,423)	3,376,238	50,000	3,426,238
Capital Outlay	70,000		70,000		70,000	22,000	92,000
<b>Total Expenditures</b>	<b>27,461,376</b>	<b>873,267</b>	<b>28,334,643</b>	<b>1,336,053</b>	<b>29,670,695</b>	<b>1,057,691</b>	<b>30,728,386</b>
EXCESS REVENUES (EXPENDITURES)	97,867		313,763		374,946		761,019
OTHER FINANCING SOURCES/(USES):							
Transfers In	405,000	(17,000)	388,000	(17,744)	370,256	(370,256)	0
Transfers Out	(428,000)	(37,000)	(465,000)		(465,000)	(25,000)	(490,000)
Student Financial Aid	(30,000)		(30,000)		(30,000)		(30,000)
<b>Total Other Sources (Uses)</b>	<b>(53,000)</b>	<b>(54,000)</b>	<b>(107,000)</b>	<b>(17,744)</b>	<b>(124,744)</b>	<b>(395,256)</b>	<b>(520,000)</b>
FUND BALANCE INCREASE (DECREAS	44,867		206,763		250,202		241,019
BEGINNING FUND BALANCE:							
Beginning Balance	1,881,258		1,926,125		2,132,888		2,383,090
ENDING FUND BALANCE	1,926,125		2,132,888		2,383,090		2,624,110
Fund Balance Percent	<b>6.90%</b>		<b>7.40%</b>		<b>7.90%</b>		<b>8.40%</b>



<b>EXHIBIT C: 2017-18 Final Budget All Funds</b>			<b>Government Funds</b>				
			<b>Debt Service</b>		<b>Special Revenue Funds</b>		
<b>REVENUES, EXPENDITURES</b>			General	Fund	Child Devel-	Student	Other Sp
<b>AND CHANGE IN FUND BALANCE</b>			Fund	(21) &	opment	Farm	Rev Funds
	Object		(10)	(29)	(33)	(34)	(39)
	Codes						
<b>REVENUES:</b>							
Federal Sources	8100-8199		1,309,275		88,750		
State Sources	8600-8699		22,420,915		296,240	100,000	
Local Sources	8800-8899		13,083,556	2,155,764	37,000	25,000	945,500
Total Revenue			36,813,746	2,155,764	421,990	125,000	945,500
<b>EXPENDITURES:</b>							
Academic Salaries	1000-1999		13,101,849				
Other Staff Salaries	2000-2999		7,642,426		296,128	24,000	261,500
Employee Benefits	3000-3999		8,669,371		208,395	5,520	115,000
Supplies & Materials	4000-4999		495,160		52,300	14,000	285,000
Services & Other Operating	5000-5999		4,509,770		18,600	12,000	265,000
Capital Outlay	6000-6999		1,269,635		10,000	100,000	25,000
Total Expenditures			35,688,211	-	585,423	155,520	951,500
<b>EXCESS REVENUES (EXPENDITURES)</b>			1,125,535	2,155,764	(163,433)	(30,520)	(6,000)
<b>OTHER FINANCING SOURCES (USES):</b>							
Interfund Transfers In	8980-8988		388,000		90,000	50,000	
Debt Service	7100-7199		-	(2,133,681)			
Interfund Transfers Out	7300-7399		(465,000)				
Student Financial Aid	7500-7699		(740,977)				
Total Other Sources (Uses)			(817,977)	(2,133,681)	90,000	50,000	-
<b>FUND BALANCE INCREASE (DECREASE)</b>			307,558	22,083	(73,433)	19,480	(6,000)
Beginning Balance	9790		1,926,125	2,099,892	92,696	(4,247)	30,875
Prior Year Adjustments	9791-9792		-		60,304	24,566	245,645
Adjusted Beginning Balance			1,926,125	2,099,892	153,000	20,319	276,520
<b>ENDING FUND BALANCE</b>			2,233,683	2,121,975	79,567	39,799	270,520

<b>EXHIBIT C: 2017-18 Final Budget All Funds</b>			<b>Proprietary Funds</b>	
<i>REVENUES, EXPENDITURES</i>			Capital	Enterprise
<i>AND CHANGE IN FUND BALANCE</i>			Projects	Funds
		Object	(41)	(5X)
		Codes		
<b>REVENUES:</b>				
	Federal Sources	8100-8199		
	State Sources	8600-8699		
	Local Sources	8800-8899	7,206,000	1,009,774
	Total Revenue		7,206,000	1,009,774
<b>EXPENDITURES:</b>				
	Academic Salaries	1000-1999		
	Other Staff Salaries	2000-2999	283,030	145,072
	Employee Benefits	3000-3999	120,979	96,125
	Supplies & Materials	4000-4999		407,400
	Services & Other Operating	5000-5999		129,100
	Capital Outlay	6000-6999	9,000,000	7,500
	Total Expenditures		9,404,009	785,197
<b>EXCESS REVENUES (EXPENDITURES)</b>			(2,198,009)	224,577
<b>OTHER FINANCING SOURCES (USES):</b>				
	Interfund Transfers In	8980-8988		
	Debt Service	7100-7199		
	Interfund Transfers Out	7300-7399		
	Student Financial Aid	7500-7699		
	Total Other Sources (Uses)		-	-
<b>FUND BALANCE INCREASE (DECREASE)</b>			(2,198,009)	224,577
	Beginning Balance	9790	19,545,268	675,766
	Prior Year Adjustments	9791-9792		
	Adjusted Beginning Balance		19,545,268	675,766
<b>ENDING FUND BALANCE</b>			17,347,259	900,343

EXHIBIT C: 2017-18 Final Budget All Funds				Fiduciary Funds - Trust				TOTAL
				Associated	Student	Employee	Pension	
REVENUES, EXPENDITURES				Student	Financial	Benefit	Contribution	FUNDS
AND CHANGE IN FUND BALANCE				Body	Aid Trust	Trust	Reserve	
				(71)	(74)	(78)	(79)	
<b>REVENUES:</b>								
		Object Codes						
	Federal Sources	8100-8199			9,315,700			10,713,725
	State Sources	8600-8699			76,300			22,893,455
	Local Sources	8800-8899		92,000		229,200		24,783,794
	Total Revenue			92,000	9,392,000	229,200	-	58,390,974
<b>EXPENDITURES:</b>								
	Academic Salaries	1000-1999						13,101,849
	Other Staff Salaries	2000-2999		-				8,652,156
	Employee Benefits	3000-3999		-		881,761		10,097,150
	Supplies & Materials	4000-4999		27,500				1,281,360
	Services & Other Operating	5000-5999		59,500	7,619			5,001,589
	Capital Outlay	6000-6999		5,000				10,417,135
	Total Expenditures			92,000	7,619	881,761	-	48,551,239
<b>EXCESS REVENUES (EXPENDITURES)</b>				-	9,384,381	(652,561)	-	9,839,735
<b>OTHER FINANCING SOURCES (USES):</b>								
	Interfund Transfers In	8980-8988				300,000	25,000	853,000
	Debt Service	7100-7199						(2,133,681)
	Interfund Transfers Out	7300-7399						(465,000)
	Student Financial Aid	7500-7699			(9,384,381)			(10,125,358)
	Total Other Sources (Uses)			-	(9,384,381)	300,000	25,000	(11,871,039)
<b>FUND BALANCE INCREASE (DECREASE)</b>				-	-	(352,561)	25,000	(2,031,304)
	Beginning Balance	9790		130,266	5	1,137,106	300,000	25,933,752
	Prior Year Adjustments	9791-9792		59,734		(45,692)		344,557
	Adjusted Beginning Balance			190,000	5	1,091,414	300,000	26,278,309
<b>ENDING FUND BALANCE</b>				190,000	5	738,853	325,000	24,247,005