Chancellor’s Message

California’s 72 community college districts, including Los Rios, are primarily dependent upon the State for funding educational and support programs. And, consistent with the State’s persistent budget challenges, the community college system has experienced significant funding reductions since 2007-08. And while the 2012-13 budget year presented many challenges to Los Rios and other community colleges up and down the state, several positive events of the past year have set the stage for a promising future for our District.

In November 2012, California voters sent a clear message with the passage of Proposition 30 that public education is a top priority that should be protected financially from additional reductions. While Proposition 30 does not provide full or immediate relief to the reductions of the last five years, it does effectively protect education from further cuts and establishes a method to gradually restore funding levels over the measure’s seven-year term. Governor Jerry Brown’s budget proposals for 2013-14 signal his commitment to community colleges and, to a degree, to reshaping the mission and expectations of our colleges. These expectations provide many challenges to our system, yet provide exciting opportunities and a focus for addressing and improving outcomes for our students.

In January, the Governor described his spending plan as a “live within our means budget.” He went on to describe the “wall of debt” and other challenges that face the State, but characterized California as on the road to recovery. As a result, the Governor’s initial proposal increased apportionment funding for the first time in more than five years for California’s community colleges. In addition, the Governor proposed nearly $197 million in increased apportionment funding, provided $179 million to buy down existing deferrals in an effort to address the “wall of debt,” provided nearly $50 million to support energy-efficiency efforts and provided funding to expand online instruction in California through a centralized virtual-campus approach. He also proposed several policy changes, including the shifting of Adult Education from K-12 (where much of Adult Education currently resides), a phasing in of an outcome-based funding model and a lifetime unit limit for our students.

In spring 2013, various constituents joined state lawmakers to provide significant feedback and input regarding the Governor’s January proposal. As a result of this input and the improving financial condition of the State, the Governor’s May Revision, released May 14, 2013, included several adjustments to his initial January proposal. At the same time, state revenues continued to rise to a level approximately $4.5 billion above the original budget projections for the 2012-13 year. While many believe the biggest share of the increase is one-time in nature, the result of prepayment of taxes, everyone including the Governor recognized more funds would be available for education. Ultimately, the Governor signed into law the State Budget Act on June 27, 2013 which provided further compromise and improvements for community colleges from his May Revise. The final budget results in nearly $265 million more in programmatic appropriations for the new year, including funding for additional student access, a cost of living adjustment, partial categorical restoration and funds for implementation of the Student Success Act. Additionally, the budget provides for continued progress toward paying down deferrals reducing the debt from $961 million before the passage of Proposition 30 to about $592 million at the end of the budget year. Lastly, he modified his proposal to shift Adult Education to community colleges in 2013-14 to a two-year horizon, including $25 million in planning funds to help facilitate the transition.

As a system and a District, we are grateful for the Governor’s willingness to commit additional funding to community colleges and for listening to concerns raised regarding his initial January proposals. While $265 million will allow all community college districts to begin
Chancellor’s Message

the process of rebuilding, in fact it is a relatively modest sum compared with the reductions throughout the last five years. Therefore, it is our hope that the Governor will continue to recognize the importance of community colleges in the State’s recovery and provide additional support in the days and years ahead.

For Los Rios, the improved budget climate is significant, though it provides limited flexibility for the upcoming budget year. In an effort to “smooth” the reductions of the past five years, Los Rios has needed to dip into reserves, reduce spending and required employees to sacrifice to help minimize the impact on our 80,000 students. The additional funding would allow us to become less reliant on those three solutions, but we could not totally eliminate them if we are to begin to add back programs. Therefore, the 2013-14 budget will be a relatively status quo budget for Los Rios. We were not forced to implement the more significant reductions in the past several years that many other colleges had to absorb. That said, we anticipate that Los Rios’ true recovery will be able to commence in 2014-15. At that time, we anticipate there will be little or no reliance on reserves and the District will be able to gradually add back or create new programs to meet the needs of our students and the community.

One significant budget-related issue that has emerged in recent years for community colleges has been a focus on Student Success. While always a priority for Los Rios, we believe that the improving financial picture – combined with emerging expectations and requirements – will allow us to focus even more on these desired outcomes and provide an exciting opportunity for us to address the changing needs of our students and our society. Los Rios, with an extremely dedicated faculty and staff, is certainly up to this challenge and is invigorated by the opportunity it presents. Yes, there will be lingering effects of the budget reductions of the past five years, affecting our ability to fully restore programs and create new ones in the short term. However, we are very excited about the future and the support that we have received from all Californians.

In February 2013, I began my term as the new Chancellor of the Los Rios Community College District, replacing our long-term Chancellor, and now Chancellor of the California Community College System, Brice W. Harris. During the past four months, I have had the opportunity to engage with the various district programs and offerings and our community at large. I am especially appreciative and grateful for the commitment that the greater Sacramento region has made to the colleges of Los Rios. I have been extremely impressed with the quality of programs within our colleges and everyone’s recognition that we share a common goal of improving the opportunities and outcomes for our students. The Los Rios Community College District is a unique place, a vibrant and innovative learning community that is committed to providing service to the region and students, but understands the importance of fiscal stability and responsibility.

As Los Rios’ new Chancellor, and on behalf of our Board of Trustees and all employees, we pledge to be good stewards of our financial resources and to work together with all our partners to provide opportunities to change the lives of our students and enrich our community. While this tentative budget for 2013-14 is a relatively “status quo” spending plan, I believe it is a fiscally sound road map that will lead us to an even brighter future.

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Executive Summary

INTRODUCTION
The Los Rios Community College District serves the population of the greater Sacramento region totaling nearly two million residents. The District operates four accredited colleges, three State approved centers, and multiple outreach centers serving local communities.

The annual budget is a basic component in communicating to the district’s constituents. It is one of the most significant responsibilities and requirements for a community college district. The budget outlines the utilization of the available financial resources and serves as a planning document for the year.

The budget process begins with the Governor’s proposed budget for the upcoming year released in early January. The January budget proposal is the State’s Executive Officer’s initial proposal for allocation of projected resources to the multitude of programs guaranteed and offered through the State of California. The next formal step is known as the May Revise where the Governor updates the initial proposal to reflect changes in projected revenues as well as appropriations, which generally are the result of dialog and negotiations that have taken place with the State’s legislative bodies regarding the January proposal. Following the issuance of the May Revise, the legislature begins its final budget process which, by law, is to result in a budget by June 15th for the Governor to sign by June 30th. These deadlines were rarely met until 2011-12. For three straight years, the budget has been enacted timely.

Community colleges in California are largely dependent upon the State for the necessary revenues to operate and provide educational programs. The District’s budget and funding is therefore contingent upon the adoption of the State Budget Act.

STATE BUDGET OVERVIEW
California’s budget appears to have turned the corner in 2012-13. The State had been operating with a structural deficit since the dot.com ‘bust’ in 2000. Deficits were rolled to future years with the hope that revenue growth would outpace spending. However, the recession and slow recovery compounded the budget issues resulting in, by most standards, the State’s worst budget crisis. In 2011-12, the State made progress on closing the gap between revenues and expenditures through spending reductions and pulled the “trigger” on additional cuts when revenues came in short of forecast. However, the reductions were not sufficient and some anticipated savings were not realized as actions were blocked or delayed by court proceedings. The Governor’s initial budget proposal for 2012-13 was based upon a forecasted $9.2 billion shortfall spanning the current and budget years. His proposal was to increase revenues through passage of a ballot measure raising the State sales tax rate and taxes on high income individuals. Reductions were enacted through the legislative process, including trigger reductions if the tax initiative did not pass. The measure, Proposition 30, passed resulting in a collective sigh of relief as plans for implementing drastic reductions were set aside. Revenues generated by Prop. 30 support base funding and paying down “the wall of debt” accumulated since 2000. In addition, revenue growth from the economic recovery is providing the opportunity to restore funding for critical programs and services in 2013-14.

January Proposal – Community Colleges
The January proposal for fiscal year 2013-14 included an increase in general apportionment funding of $196.7M. The funds were not designated for COLA or Restoration/Growth. Rather, the proposal left the allocation method to the Board of Governors to determine. COLA was projected at 1.65% and there appeared to be broad support for funding the COLA and 2% Restoration/Growth with the funds. The Governor also proposed $179M toward reducing cash deferrals.
Executive Summary

Prior budgets had included deferring payment of revenue entitlements both within the current year (intra-year deferrals) and to the following year (inter-year deferrals). Deferrals are described as primarily being about cash flow. However, they are a component of what the Governor refers to as “the wall of debt” the State has amassed through deferrals and other borrowing since 2000. The 2011-12 budget had inter-year deferrals of $961M. For 2012-13, the first installment on paying down the deferral was made lowering the deferral to $801M. The Governor’s proposal for $179M for 2013-14 would have reduced the deferral to $622M.

Enrollment fees were maintained at $46 per credit unit. However, it should be noted that enrollment fees were $20 per unit in 2008-09, reflecting a 130% increase in the intervening years.

The Governor proposed $49.5M for energy efficiency efforts and/or training from funding realized by the passage of Proposition 39. Finally, $16.9M was provided to enhance online education in the California Community Colleges (CCCs) and create a Statewide portal.

Two provisions in the proposal related to shifting responsibility for two programs from K-12 districts to CCDs. One was $15.7M for apprenticeship programs. The other was $300M for Adult Education.

Adult Education in the State has primarily resided in K-12 districts although some CCDs have large programs. The determination as to which entity(ies) would offer adult education was a local decision between the K-12 districts and the CCD for that region established years ago. During the budget downturn, K-12 districts were allowed to “flex” their adult education funding. Many districts chose to reduce or even eliminate their adult programs and use the funds for compulsory K-12 programs. Recognizing the need for adult education still existed and that CCDs might be better equipped to serve adult learners, the Governor made a proposal to shift all Adult Education to the CCCs but only provided $300M for a program that had previously been funded at $1B. Setting aside the discrepancy in funding, there are many programmatic and logistics issues which need to be addressed for a shift of this magnitude. There was fairly significant pushback to this proposal, at least as far as the expectation that this could be proposed in January and implemented in July.

May Revise/Enacted Budget

The Governor’s May Revise for 2013-14 reflected changes to revenue forecasts since the January proposal for both the current and budget year. The May Revise also typically includes modification in funding and or policy proposals based upon legislative and constituent responses to the January proposal.

The State experienced a significant increase in revenues following the January proposal. The May Revise reflected this influx, but as one-time funds. Proposition 98 which is the required funding level for K-12 and the CCCs was increased by $2.9B for 2012-13. The Governor proposed using the increase to further pay down the CCC deferral in 2012-13 by $179.9M to $621.2M. The 2013-14 deferral buy down was lowered to $65.5M. Including the additional payment in 2012-13 the deferral would have been reduced from $961M to $557.5M in two years. The enacted budget though only provided $30M for 2013-14 toward reducing the deferral, bringing the total to $592.5M.

The Governor abandoned his January proposal to give discretion to the Board of Governor’s for determining the allocation of increased apportionment. $30M was added to bring the total to $227M designated as $87.5M for COLA (1.57%); $89.4M for access (formerly growth/restoration) (1.63%); and $50M for Student Success and Support (formerly Matriculation).
Executive Summary

While withdrawing his January proposal for Adult Education, the May Revise included $30M for planning related to regional Adult Education programs to occur over two years with a plan to appropriate $500M in 2015-16. The enacted budget appropriates $25M for planning.

Property Tax Revenues from Redevelopment Agencies

The dissolution of redevelopment agencies (RDAs) was part of the 2011-12 enacted budget. Property tax revenues are a significant component of the State’s funding for Proposition 98 (K-14). Redevelopment agencies divert property tax revenues from local agencies, including K-12 and community colleges, to be used to improve blighted areas. RDAs were established by cities and counties throughout the State dating back as far as 1945.

While not necessarily judging the value that RDAs have brought to their local areas, the property tax revenues are needed to help fund education and other local agencies such as water and fire.

The California Supreme Court upheld the dissolution. The impact to California Community Colleges from the dissolution is as follows: if colleges receive the additional property tax revenues, the State will reduce apportionment by the same amount. Essentially, zero change to total funding. Typically, if property tax receipts are short of budget projections, the State does not backfill the difference. In May 2012, community college apportionments were reduced by $116M in anticipation of increased property taxes from RDA’s. The actual amount received was significantly below the $116M, but fortunately the State backfilled the difference.

For 2012-13, the dissolution of the RDAs was anticipated to generate $341M toward community college funding. This was comprised of ongoing revenues of $140.3M and $200.9M from asset recoveries (one-time). The concern again was the projections were unrealistic. At the first principal apportionment, RDA revenues were $295M short of the budget projection. Districts were deficited 6.3%. A trailer bill was passed guaranteeing backfill for any shortfall from the RDA projections. Although the shortfall was lower at the June calculation, it was still significant and only a slight amount of backfill provided due to differences in reported revenue between the COCCC and the Dept. of Finance. There is reasonable assurance that most of the shortfall will be paid by February 2014 when the recalculation is issued.

Structural Deficit

For 2012-13, non-RDA property taxes and enrollment fees are exceeding budget projections. However, the System has a $50M structural deficit, about 1% of the total entitlement. Currently, there is no backfill for this and it is unclear if the excess property taxes and enrollment fee revenues can be applied to the structural deficit.

Categorical Programs, Mandate Reimbursements

The May Revise proposal maintained funding for most categorical programs at the 2009-10 level. Many programs were significantly reduced and some eliminated in 2009-10. There was no change to the flexibility provision which enables districts to move funds from some categorical programs to support other categorical programs. The $50M proposed for the Student Success (Matriculation) program almost doubles that program, essentially restoring it to the 2008-09 level although $14M of the increase will be appropriated to the COCCC to fund improvements to their system necessary to assist with tracking and reporting. The program’s funding formula is being revised to re-focus it on the delivery of student services such as orientation, assessment and student educational plans in an effort to improve outcomes for the System. Los Rios’ share is around $2.0M. The Senate and Assembly Conference committee proposed additional categorical funding and the enacted budget included some
Executive Summary

of those increases for other programs also reduced in 2008-09. A detailed schedule is included on page 7.

The budget proposal for the second consecutive year included funding for mandated costs on a block grant basis. Districts have the option to waive the claims process each fiscal year to receive $28 per FTES for providing the prescribed programs. Los Rios’ share is approximately $1.5M. A district can decline the funding and file a claim, but may wait years for the claim to be paid.

Cost of Living Adjustment (COLA)

The 2013-14 COLA will be the first since 2007-08 at a rate of 1.57%. The cumulative increase, including 2012-13 which statutorily should be funded, is 15.8%, totaling $994M in lost funding. For Los Rios, the foregone revenue through 2012-13 totaled nearly $100M.

Restoring Access

Workload for community colleges is measured in terms of Full-Time Equivalent Students (FTES). Districts must serve their base level FTES to receive full funding. A large share of the reductions was to general apportionment accompanied by a workload reduction. Los Rios’ 2008-09 funded level was 53,013 FTES. For 2012-13, the initial funded level is 48,740. If access is funded as proposed, Los Rios could be funded for an additional 800-900 FTES, still around 3,400 fewer than 2008-09.

Enacted Budget

The enacted budget reflected the May revise plus the increases shown on the next page for certain categorical programs and the reduction to $30M for deferral buy down and the reduction to $25M for the adult education planning grants.

OTHER SIGNIFICANT BUDGET FACTORS

In spite of billions of dollars needed for community college capital facility projects (current estimates total $35.8M), there is currently no education bond slated for any upcoming statewide ballot. Additional information regarding Los Rios’ projects that are eligible for State bond funds, as well as those supported by Measure ‘A’ and ‘M’ bonds, can be found in the Information section under “Capital Facilities Program.”

Another area for possible concern is the underlying change in the sources supporting the annual funding for California’s community colleges. The shift to higher reliance on property taxes, enrollment fees and temporary taxes (EPA) without guaranteed backfill by State general fund is problematic. In 2008-09, 66% of the funding for CCCs was State General fund. In 2012-13, that same source is 35%.

<table>
<thead>
<tr>
<th>CCC Funding Source</th>
<th>2008-09</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>66%</td>
<td>35%</td>
</tr>
<tr>
<td>Enrollment Fees</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>30%</td>
<td>36%</td>
</tr>
<tr>
<td>EPA</td>
<td>-</td>
<td>16%</td>
</tr>
<tr>
<td>RDA Dissolution</td>
<td>-</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: COCCC, 2013-14 Budget Workshop
### Executive Summary

#### Schedule of Historical and Budget Year Categorical Program Funding

<table>
<thead>
<tr>
<th>Program Name</th>
<th>Flexibility</th>
<th>2008-09</th>
<th>2012-13</th>
<th>May Revise</th>
<th>Enacted Budget</th>
<th>Increase over 2012-13</th>
<th>2013-14 Adopted Budget*</th>
<th>%Reduction 2013-14 to 2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Senate for the Community Colleges</td>
<td>N</td>
<td>467</td>
<td>318</td>
<td>318</td>
<td>468</td>
<td>150</td>
<td>758</td>
<td>758</td>
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<tr>
<td>Apprenticeship</td>
<td>N</td>
<td>14,641</td>
<td>7,147</td>
<td>7,174</td>
<td>7,174</td>
<td>-</td>
<td>1,917</td>
<td>1,173</td>
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<tr>
<td>Apprenticeship Training</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>15,694</td>
<td>15,694</td>
<td>-</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Basic Skills</td>
<td>N</td>
<td>33,100</td>
<td>20,037</td>
<td>20,037</td>
<td>-</td>
<td>811</td>
<td>507</td>
<td>507</td>
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<tr>
<td>Career Technical Education</td>
<td>N</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>-</td>
<td>1,917</td>
<td>1,173</td>
<td>227</td>
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<tr>
<td>Child Care Tax Bailout</td>
<td>Y</td>
<td>6,836</td>
<td>3,350</td>
<td>3,350</td>
<td>-</td>
<td>369</td>
<td>181</td>
<td>181</td>
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<tr>
<td>Disabled Students Programs and Services</td>
<td>N</td>
<td>115,011</td>
<td>67,873</td>
<td>69,223</td>
<td>22,000</td>
<td>4,618</td>
<td>2,989</td>
<td>3,078</td>
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<tr>
<td>Economic Development</td>
<td>N</td>
<td>46,790</td>
<td>22,929</td>
<td>22,929</td>
<td>-</td>
<td>3,374</td>
<td>997</td>
<td>437</td>
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<tr>
<td>EOPS</td>
<td>N</td>
<td>106,786</td>
<td>64,209</td>
<td>64,273</td>
<td>-</td>
<td>4,639</td>
<td>2,333</td>
<td>3,233</td>
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<tr>
<td>CARE</td>
<td>N</td>
<td>15,505</td>
<td>9,239</td>
<td>9,332</td>
<td>-</td>
<td>764</td>
<td>417</td>
<td>417</td>
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<tr>
<td>Faculty &amp; Staff Diversity</td>
<td>Y</td>
<td>1,747</td>
<td>767</td>
<td>767</td>
<td>-</td>
<td>42</td>
<td>18</td>
<td>18</td>
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<tr>
<td>Foster Care Education Program</td>
<td>N</td>
<td>5,254</td>
<td>5,254</td>
<td>-</td>
<td>169</td>
<td>177</td>
<td>168</td>
<td>-1%</td>
</tr>
<tr>
<td>Fund for Student Success (MESA)</td>
<td>N</td>
<td>6,158</td>
<td>3,792</td>
<td>3,792</td>
<td>-</td>
<td>219</td>
<td>144</td>
<td>144</td>
</tr>
<tr>
<td>Student Success (Matriculation)**</td>
<td>Y</td>
<td>101,803</td>
<td>49,192</td>
<td>99,192</td>
<td>50,000</td>
<td>4,583</td>
<td>2,206</td>
<td>2,415</td>
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<tr>
<td>Nursing</td>
<td>N</td>
<td>22,100</td>
<td>13,378</td>
<td>13,378</td>
<td>-</td>
<td>304</td>
<td>244</td>
<td>244</td>
</tr>
<tr>
<td>Online Education Platform &amp; Professional Dev.</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,910</td>
<td>-</td>
<td>16,910</td>
<td>-1%</td>
</tr>
<tr>
<td>Part-Time Faculty Compensation</td>
<td>Y</td>
<td>50,828</td>
<td>24,907</td>
<td>24,907</td>
<td>-</td>
<td>2,249</td>
<td>1,102</td>
<td>1,102</td>
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<tr>
<td>Part-Time Faculty Health Insurance ¹</td>
<td>Y</td>
<td>1,000</td>
<td>490</td>
<td>490</td>
<td>-</td>
<td>104</td>
<td>51</td>
<td>51</td>
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<tr>
<td>Part-Time Faculty Office Hours ¹</td>
<td>Y</td>
<td>7,172</td>
<td>3,514</td>
<td>3,514</td>
<td>-</td>
<td>204</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Physical Plant and Instructional Support</td>
<td>N</td>
<td>27,345</td>
<td>-</td>
<td>-</td>
<td>30,000</td>
<td>1,108</td>
<td>-</td>
<td>1,215</td>
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<tr>
<td>Professional Development</td>
<td>N</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-100%</td>
</tr>
<tr>
<td>Special Services for CalWORKs Recipients</td>
<td>N</td>
<td>43,580</td>
<td>26,695</td>
<td>26,695</td>
<td>8,000</td>
<td>2,770</td>
<td>1,487</td>
<td>1,862</td>
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<tr>
<td>Student Financial Aid Administration (BFAP)</td>
<td>N</td>
<td>51,269</td>
<td>50,547</td>
<td>50,474</td>
<td>(1,754)</td>
<td>2,356</td>
<td>2,924</td>
<td>2,826</td>
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<tr>
<td>Telecommunications &amp; Technology (TTIP)</td>
<td>Y</td>
<td>26,197</td>
<td>15,290</td>
<td>15,790</td>
<td>-</td>
<td>144</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Transfer Education and Articulation</td>
<td>Y</td>
<td>1,424</td>
<td>698</td>
<td>698</td>
<td>-</td>
<td>289</td>
<td>92</td>
<td>92</td>
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<tr>
<td><strong>Total Categorical Funds</strong></td>
<td></td>
<td>$ 705,013</td>
<td>$ 409,626</td>
<td>$ 478,070</td>
<td>$ 560,660</td>
<td>$ 132,590</td>
<td>$ 32,579</td>
<td>$ 18,336</td>
</tr>
</tbody>
</table>

* 2013-14 amounts for protected programs estimated for most major programs as the 2013-14 allocations have not been released as of the adopted budget. Some programs are grant based and only known current year awards are listed. Proposition 39 not shown although funded at $47M. Carryover from prior years is not included.

** Budget language provides up to $14M can be allocated to the COCCC to aid in implementation of program.

¹ Under flexibility provisions, the District may transfer funding from any unprotected program to any other program and typically moves funds between these two programs Apprenticeship and SSSP were under flexibility prior to 2013-14.
Budget Forecast

Beginning with the 2009-10 year, the District developed a plan to manage programs and services for the current year and the next two budget years. While both 2012-13 and 2013-14 contain new/restored revenues, the District’s projections for 2013-14 are still almost $17M less than 2008-09 funded levels. While not including a formal projection for 2014-15 at this time, it is anticipated that revenue levels for that year may be close to 2008-09 and that the District may not require reserves to cover a shortfall between revenues and appropriations.

Up through 2012-13, the District developed three budget scenarios to correspond to the Governor’s budget proposals which included provisions for mid-year reductions if revenues did not materialize or, for 2012-13, if the ballot measure did not pass.

The plans adopted by the Board for addressing the reductions in revenue focused on three primary interests:

- Preserving core programs and services for students
- Protecting regular employees
- Maintaining fiscal stability

The plans reflected a combination of cost reductions, supporting on-going costs with one time resources and the use of reserves from the Capital Outlay Projects Fund. Per Board action, the limit on the use of reserves was set at $26M.

Following is a summation of the draws on reserves including projections for 2013-14:

For 2009-10, the District did not draw upon reserves. This was accomplished primarily through the deferral of continuing and one-time resources from the 2008-09 year as well as the receipt of American Recovery and Reinvestment Act funds to offset categorical program reductions.

For 2010-11, the District ended the year with an increase in General Fund reserves of over $6.9M realized, from Growth funds of $6.1M, and a one-time payment for mandate claims.

The increase in reserves from 2010-11 was mostly consumed in 2011-12 and $6.4M in reserves were drawn from the District’s Capital Outlay Projects Fund as planned.

For 2012-13, $5.6M in reserves were required bringing the cumulative draw to $12.0M. However, 2013-14 likely will require only $3.8M bringing the total draw to $15.8M, $4M less than what was forecast for 2013-14 at the adopted budget for 2012-13.

Revenue Assumptions

With the enacted budget for 2013-14, there is no longer a need to adopt contingency plans for potential mid-year reductions. Rather, the District will return to the process of adopting three potential revenue assumptions. As has been long-standing practice prior to the 2008-09 reductions, the revenue assumptions assume a base level expenditure plan (X budget) that is then increased corresponding to the higher revenue levels in the Y and Z budgets.

For 2013-14, the revenue projected on the schedule shown on page 11 is the Z budget forecast. The forecast does not reflect any funding deficits. The 2012-13 final does include a 1% projected deficit. The actual deficit for 2012-13 will not be known until February 2014.
Executive Summary

Cost Increases

The revenue reductions were compounded by the need to fund normal cost increases such as salary step and column movement, health and welfare benefits, other payroll related costs, and utilities. The cumulative increase in health premiums since 2008-09 is 42%. For 2013-14, premiums for the District's lowest cost provider will increase a modest 5.6% bringing the total increase to $371 per month since 2008-09. Employees have shouldered part of that increase by paying $96 per month. Employer contributions to the Public Employees Retirement System (PERS), covering classified employees, have increased 2 points since 2008-09, an average increase of almost $1,100 per classified employee. State Unemployment Insurance was .33% of payroll in 2008-09. For 2011-12, it was 1.8515% of payroll and 2012-13 is at 1.265%. Other cost increases are projected based upon forecasted step increments net of decrements, and dental insurance.

Operational costs initially increased as utility costs rose due to rate increases and the increase in total square footage. However, the District is actively working to reduce its utility costs by lowering consumption through multiple initiatives. In 2011-12, utility costs were lower than the prior two years and the plans reflect that additional savings will be realized sufficient to offset rate increases, including those for water and sewage in 2012-13.

Projected Resources

On-going resources are continuing resources from 2008-09 that were deferred to support future cost increases. District employee groups all agreed to forego a continuing salary schedule improvement that would have been implemented retroactive to 7/1/2008 to reserve those resources for future compensation increases. This deferral was instrumental in maintaining the salary schedules and avoiding layoffs. Additionally, on-going operational funds were set-aside in 2008-09 to be used for future increases in utilities and other operational costs. One-time resources are also being redirected to offset the reductions and cost increases. These include lottery funds, staff development allocation reductions and savings and other one-time funds such as carry forward of amounts set-aside by employee groups as well as use of college reserves in 2012-13.

Savings

The District has reduced its course offerings each year corresponding to the apportionment and workload reductions. The cumulative reduction through 2012-13 is 10.9%, the equivalent of 177 faculty and 1,665 sections. Savings from public safety training instructional contracts and apprenticeship work experience classes were realized as those agencies, impacted by funding reductions and a weak job market, reduced their training programs. Even with the reductions to the instructional program, the District anticipates serving close to 2,000 full time equivalent students (FTES) above the funded level for 2012-13. That is down significantly from over 8,900 unfunded FTES in 2009-10.

The budget includes savings in regular staffing costs achieved through attrition and proportionate to the instructional program reductions.

Another savings was from the suspension of an increase to the District contribution toward retiree healthcare costs for 2012-13. For 2013-14, the District has increased the contribution to $225 per month to eligible retirees. The District is fully funded for its Other Post-Employment Benefits (OPEB). Fortunately, the premiums for many retirees have not increased and so the increase in the
contribution will result in an overall reduction to their healthcare cost for 2013-14. The District made an OPEB contribution for 2012-13 and is finalizing its actuarial report as of 7/1/2013, that indicates the District continues to be fully funded.

Other savings are achieved primarily through operational reductions and re-direction of appropriations. These include reductions in college and district discretionary allocations, staff development allocations, and other operational allocations.

The plan going forward into 2013-14 continues to rely on three basic components to cover the loss in revenue: one-time resources, cost reductions, and reserves. The one-time resources identified are reliable in nature and therefore a conservative short-term use until revenues are restored. Cost reduction measures are implemented to a level that is reasonable given the circumstances, but not excessive in terms of reductions to programs and services as the primary goals remain student success and access. The last component is utilization of District reserves up to $26 million. The following page compares the Z budget forecast for 2012-13 and 2013-14 when the budget was adopted in September, 2012 to the current projections for those years.
Executive Summary

Los Rios Community College District
Budget Projections for 2013-14 Compared to Adopted Budget (Sept. 2012) Projections - Z Budget

<table>
<thead>
<tr>
<th>Projected Revenue Reductions</th>
<th>2012-13 Actual</th>
<th>FTE*</th>
<th>Adopted Budget</th>
<th>Final Budget Projected</th>
<th>As Projected in 2012-13 Budget</th>
<th>Adopted Budget</th>
<th>FTE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 General Purpose Reductions - 2009-10, offset by Growth in 2010-11</td>
<td>$2,638,000</td>
<td></td>
<td>$2,638,000</td>
<td>$2,638,000</td>
<td>$2,638,000</td>
<td>$2,638,000</td>
<td></td>
</tr>
<tr>
<td>2 Projected General Purpose Reductions</td>
<td>23,800,000</td>
<td></td>
<td>16,200,000</td>
<td>17,970,000</td>
<td>8,500,000</td>
<td>6,220,000</td>
<td></td>
</tr>
<tr>
<td>3 Final Recalculation/Mandatory Costs Funding</td>
<td>(499,000)</td>
<td></td>
<td>(1,460,000)</td>
<td>(2,440,000)</td>
<td>(1,460,000)</td>
<td>(1,460,000)</td>
<td></td>
</tr>
<tr>
<td>4 Total General Purpose Reduction</td>
<td>26,399,000</td>
<td></td>
<td>17,378,000</td>
<td>18,168,000</td>
<td>9,678,000</td>
<td>7,398,000</td>
<td></td>
</tr>
<tr>
<td>5 Categorical Reduction - Ongoing since 2009-10</td>
<td>12,257,000</td>
<td></td>
<td>12,257,000</td>
<td>12,257,000</td>
<td>12,257,000</td>
<td>9,557,000</td>
<td></td>
</tr>
<tr>
<td>6 Total Apportionment / Categorical Reductions</td>
<td>38,196,000</td>
<td></td>
<td>29,635,000</td>
<td>30,425,000</td>
<td>21,935,000</td>
<td>16,955,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projected Cost Increases above 2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 Step Costs</td>
</tr>
<tr>
<td>8 Health Premium Increases</td>
</tr>
<tr>
<td>9 Compensation Based Benefits / Dental / Utilities</td>
</tr>
<tr>
<td>10 Total Cost Increases</td>
</tr>
</tbody>
</table>

| Total Revenue Reductions and Cost Increases | $52,946,000       |      | $48,635,000   | $48,151,000            | $45,085,000               | $37,875,000      |      |

<table>
<thead>
<tr>
<th>Projected Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Continuing 2008-09 Set-asides by Units &amp; PDF</td>
</tr>
<tr>
<td>13 OT O Funding - Lottery (80%), PDF Net of Required Use, Staff Development, Carryover</td>
</tr>
<tr>
<td>14 Total Resources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Potential Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 Total Sections / % Reduction to Instructional Program</td>
</tr>
<tr>
<td>16 Classroom Faculty Reduction</td>
</tr>
<tr>
<td>17 Non-Classroom Faculty Reduction</td>
</tr>
<tr>
<td>18 Regular Faculty Positions (attrition)</td>
</tr>
<tr>
<td>19 Regular Management Reduction (attrition)</td>
</tr>
<tr>
<td>20 Regular Classified Reduction (attrition)/Charge Portion of Planners to Bond</td>
</tr>
<tr>
<td>21 Graduated Savings</td>
</tr>
<tr>
<td>22 Reduce Apprenticeship Public Safety Contracts</td>
</tr>
<tr>
<td>23 Step 1 Savings of Open Positions; 2011-12 OPEB, Other</td>
</tr>
<tr>
<td>24 Discretionary reduction - 10% - 12.5%</td>
</tr>
<tr>
<td>25 Categorical Program Reduction - 40% of S&amp;B for operational</td>
</tr>
<tr>
<td>26 Health Premium Increases</td>
</tr>
</tbody>
</table>

| Employee Out of Pocket | 560,000 | | 1,000,000 | 1,000,000 | | | 1,000,000 |
| District Contribution Increase over 2008-09 level - 100% of 2011-12 through 2013-14 | 6,410,000 | | 12,621,000 | 12,035,000 | | | 19,874,000 |

<table>
<thead>
<tr>
<th>Total FTE Reduction / Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>28 Total FTE Reduction / Savings</td>
</tr>
<tr>
<td>29 Total Resources and Savings</td>
</tr>
<tr>
<td>30 Shortfall funded from District Reserves</td>
</tr>
<tr>
<td>31 Total Resources, Savings and Reserve</td>
</tr>
<tr>
<td>32 Cumulative Draw on Reserve</td>
</tr>
</tbody>
</table>

*All regular FTE reductions were from attrition
The Los Rios Community College District was formed in 1965 as a result of the consolidation of ten separate K-12 “feeder” districts. At the time of its organization, the District consisted of two colleges; Sacramento City College and American River College. In 1970, the California Community College Board of Governor’s (BOG) and California Post Secondary Educational Commission (CPEC) approved the creation of Cosumnes River College serving the southern portion of the District. In February 2004, Folsom Lake College achieved college status.

In 2012-13, the District’s four colleges and three approved Centers, the Folsom Lake College – El Dorado Center, the American River College – Natomas Center, and the Sacramento City College – Davis Center, served over 81,000 students. While this is down from the District’s peak of 92,000 in spring 2009, this contrasts to nearly 61,000 students served only fifteen short years ago. The past decade and half, even adjusted for down years in 2009-10 through 2012-13 has been a period of remarkable growth.

Based upon enrollment, the District is the second largest community college system in California and one of the largest in the nation.

Covering nearly 2,440 square miles, the District operates in five contiguous counties including Sacramento County, El Dorado County, Placer County, Yolo County, and Solano County. It encompasses major incorporated areas including the City of Sacramento, Elk Grove, Davis, Folsom, West Sacramento, Rancho Cordova, Citrus Heights, and various other Sacramento County municipalities. The area is predicted to experience significant growth in future years.

During the next eight years, Los Rios Community College District is projected to grow from over 80,000 students to nearly 100,000 students. Of course, the State economic situation will have a large impact on the District's actual growth during this period. Plans call for the addition of three official Centers in the following locations: Rancho Cordova, Elk Grove, and West Sacramento.

Los Rios Community College District is proud of its past and very optimistic about its future. That so many Sacramento residents will enroll in our colleges signals a healthy community with an educated workforce and a growing economy.
Values, Vision, Mission and Goals

During the 2010-11 year, faculty, staff and students from throughout the District came together to review and revise the Los Rios Community College District Strategic Plan. Originally developed in 1997, the current plan, adopted in January 2011, serves as the fourth official strategic plan for the District. The planning process again involved taking a look at where we are and where we want to go as a community college district. The 2011 strategic plan, which serves to guide the District in 2013-14, provides a thoughtful vision of the future of Los Rios. The vision centers on promoting student success through ongoing collaboration, evidence-based improvements, and the positive interdependence we achieve by being a “community of colleges.”

The 2013-14 District budgets were developed to reflect the educational programs of the Los Rios Community College District. The programs of the District are consistent with the mission of the California Community Colleges.

CALIFORNIA COMMUNITY COLLEGES MISSION

The mission of the California Community Colleges is to provide high quality, lower division instruction for students who wish to obtain associate degrees, transfer to a baccalaureate institution, or prepare for an occupation as well as the provision of remedial English as a Second Language (ESL) and literacy instruction to all who require those services.

Primary missions of the Colleges are to offer academic and vocational education at the lower division level for recent high school graduates and those returning to school; and to advance California’s economic growth and global competitiveness through education, training, and services that contribute to continuous workforce improvement. Essential and important functions of the colleges include: basic skills instruction, providing English as a second language, adult noncredit instruction, and providing support services that help students to succeed. Fee-based Community Service education is designated as an authorized function. The Colleges conduct institutional research concerning student learning and retention to facilitate their educational missions and to foster student success.

By law, the California Community Colleges are required to admit any California resident with a high school diploma or the equivalent and may admit anyone who is capable of benefiting from the instruction offered.

LOS RIOS COMMUNITY COLLEGE DISTRICT VISION

Like all plans, a vision builds upon past successes, but it does much more. The Los Rios Community College District coordinates our district and college planning activities by establishing a flexible framework of goals and directions to support innovative planning at each college and unit within the District. The current vision for the District is as follows:

VISION STATEMENT

We, the Los Rios community colleges, provide outstanding programs and services so that all students meet and exceed their personal, educational, career, and social goals. We meet the social and economic needs of the community.

In order to accomplish our vision, the District has adopted the following mission, strategic goals, and values:

OUR MISSION

Relying on their professional and organizational excellence, the Los Rios community colleges:
Values, Vision, Mission and Goals

- Provide outstanding undergraduate education, offering programs that lead to certificates, associate degrees, and transfer;

- Provide excellent career and technical educational programs that prepare students for job entry and job advancement through improved skills and knowledge, including the demands of new technologies;

- Provide a comprehensive range of student development programs and services that support student success and enrich student life;

- Provide educational services that address needs in basic skills, English as a second language, and lifelong learning; and

- Promote the social and economic development of the region by educating the workforce and offering responsive programs such as service learning, business partnerships, workforce literacy, training, and economic development centers.

In order to achieve its mission, the District has identified and embraced five strategic goals which serve as the guidelines that our colleges, centers, and offices will use in developing their own strategies for achieving our vision.

OUR FIVE STRATEGIC GOALS

1. **Student Success**
   Our primary goal is student success: in their education, work lives, and ability to engage in an increasingly complex world.

2. **Teaching and Learning Effectiveness**
   We are committed to providing the highest quality programs in transfer, vocational, and general education, using the best current and emerging methods and technologies.

3. **Access and Growth**
   We will respond to the changing needs of the Sacramento region through new delivery approaches and support services.

4. **Community, Economic and Workforce Development**
   We will promote the health and economic vitality of the region through partnerships with community groups, business and industry; staff involvement in civic affairs; occupational programs; and programs that are open to the public.

5. **Organizational Effectiveness**
   We will continually improve organization processes to ensure institutional effectiveness, fiscal accountability and integrity.

CORE VALUES
As part of the District’s plan to achieve the vision for our students and communities, the District has adopted core values which serve as guiding principals. These core values serve as the very foundation under which the District operates. The District’s adopted core values include:

**Student Access**
We are committed to providing educational opportunity to all who can benefit in the greater Sacramento region.

**Student Success**
We strive to help our students achieve success in their educations, in their careers, and as contributing members of society.
## Values, Vision, Mission and Goals

### Lifelong Learning
We inspire a spirit of openness and intellectual curiosity as enduring pursuits.

### Serving the Community
We serve the needs and goals of our communities.

### Social and Economic Development of the Community
Los Rios supports the social and economic development of our region.

### Quality
We strive for the highest quality in all programs, services, and activities.

### Academic Rigor
Los Rios’ educational standards emphasize critical thinking and high quality educational experiences. Faculty members challenge themselves and their students to prepare for the future by expanding the body of knowledge in an atmosphere of thoughtful, unfettered expression, discussion, testing, and proof of ideas.

### Career and Professional Development
We encourage and promote the continuous professional development of all administrators, staff and faculty.

### Academic Integrity
Los Rios exhibits academic integrity by demonstrating forthright, honest and ethical behavior in all interactions.

### Embracing Diversity and Building Community
We recognize and value the strength of our diverse backgrounds and perspectives and seek to build a community in which all constituencies are highly qualified.

### Social Justice
Because diverse perspectives support the District’s commitment to equality, equity, and justice, our communities are best served by ensuring that all populations are represented equitably throughout the Los Rios community colleges.

### Respect, Civility, Collegiality, and Ethical Integrity
These hallmarks of a collegial environment enhance our cooperative efforts and shared use of resources for providing education, training, student services, and community service.

### Blame-Free Culture
Los Rios strives to create a supportive, problem-solving culture, and we recognize the proven usefulness of an interest-based approach (IBA) for achieving cooperation and effective problem solving.

### The Contributions Of All Our Members
All members of the Los Rios community are encouraged to contribute to our organizational success.

### Informed and Decentralized Decision-Making
We value informed decisions made by people close to the issues.

### Democratic Practices
We observe democratic practices in our internal governance.

### Financial Stability
Our continuing success is based on careful management of our resources.
## 2013-14 SPECIFIC GOALS

Following are the goals established by Los Rios Community College District for the 2013-14 fiscal year. Costs associated with these adopted goals are included in the district budget.

- Provide access for students to accommodate the community needs within the constraints of the budget reductions.
- Minimize programmatic impact of significant budget reductions.
- Continue to implement the District’s Education Initiative, designed to improve student services and educational support to new and continuing students, again within the constraints of the budget.
- Enhance the security of information systems including student and employee data.
- Achieve ‘Center’ status by the Board of Governors and California Post Secondary Education Commission (CPEC) for the SCC – West Sacramento Center Education Center.
- Continue to implement the GreenForce Initiative designed to develop academic programs to meet the workforce needs for the growing clean and green technology sectors.
- Continue to enhance the diversity of the District’s workforce to better mirror the community and students we serve.
- Maintain staff development programs to provide training for faculty, classified and management employees.
- Continue to implement energy conservation measures to effectively reduce the District’s energy consumption.
- Complete multiple capital facility improvements consistent with the District’s Plan for Educating a Region.
- Enhance and expand the program offerings in Workforce and Economic Development.
- Continue to manage the District’s enrollment demand in conjunction with State funding and legislative direction/intent.
- Commence a process to identify and prioritize the restoration, or addition, of programs to the District’s offerings.
- Meet new Student Success criteria and improve outcomes for student completion and achievement.
- Continue to develop and implement strategies to reduce the achievement gap.
- Establish strategies with our K-12 partners to enhance the college readiness of incoming students.