

College of the Redwoods First Quarter 2016-17 311Q Disclosure

The District continues to maintain its unrestricted fund balance above the 5.0% minimum recommended by the Chancellor's Office for fiscal stability. While no COLA or other salary increases have been provided in 2014-15, 2015-16, or year-to-date 2016-17, permanent ongoing payroll expenditures continue to grow on increased costs for medical insurance, CalPERS/CalSTRS pension payments, and employee salary step increases, most of which are contractually mandated.

District administration identified a structural budget deficit, due to level enrollments and the receipt of minimal unencumbered new funds through the State Apportionment funding model. The structural budget deficit exists due to a funding mismatch where permanent, ongoing expenditures (such as permanent staffing costs) are funded by an unsustainable level of non-recurring, one-time resources (such as temporary vacancy savings, underfunded equipment replacement budgets, deferred maintenance). As a result, the District's year-to-year financials may appear to indicate sufficient resources, but one-time resources can fall short in any year and are therefore not an appropriate long-term resource.

A \$1.5 million target has been identified to cover annual cost increases and balance the 2017-18 budget without over-reliance on one-time resources. An additional \$800 thousand target has been identified for 2018-19. This structural budget deficit was itemized and discussed in the 2016-17 Final Budget document reported to the Board of Trustees in open session on September 6, 2016. Administration is working eliminate the structural budget deficit by June 30, 2017.