ACCREDITING COMMISSION for COMMUNITY and JUNIOR COLLEGES

Western Association of Schools and Colleges

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MEMO TO: Ms. Denise Whittaker, Interim Superintendent/President
Palo Verde College
One College Drive
Blythe, CA 92225

FROM: Barbara A. Beno, President Barbara A. Beno

DATE: December 10, 2012

SUBJECT: Enclosed Report of the External Evaluation Team

Previously, the chairperson of the External Evaluation Team (Evaluation Team) that recently visited Palo Verde College sent you a draft External Evaluation Report (Report) affording you the opportunity to correct errors of fact. We assume you have responded to the Team Chair. The Commission now has received the final version of the Report, a copy of which is enclosed for you. Please examine the enclosed Report.

- If you believe that the Report contains inaccuracies, you are invited to call them to the attention of the Commission. To do so, you should submit a letter stating recommended corrections to the ACCJC President. The letter should arrive at the Commission office by end of day **December 14, 2012,** in order to be included in Commission materials. The letter may also be sent electronically as a PDF.
- ACCJC policy provides that, if desired, the Chief Executive Officer (CEO) may request an appearance before the Commission to discuss the Report. The Commission requires that the institution notify the Commission office **by noon on Monday December 17, 2012,** or earlier, of its intent to attend the meeting. This enables the Commission to invite the Team Chair to attend.
- If the institution also wishes to submit additional material to the Commission, it should exercise care, keeping in mind the Commission cannot read and absorb large amounts of material on short notice. Material should arrive at the ACCJC office with the written notification that the CEO has accepted the invitation to address the Commission, no later than December 17, 2012.

The next meeting of the Accrediting Commission will be held on **January 9-11, 2013,** at The Hyatt Regency Hotel, San Francisco Airport, 1333 Bayshore Highway, Burlingame, California. The enclosure, "Procedures for an Institutional Chief Executive Officer's Appearance Before the Commission," addresses the protocol of such appearances.

Please note that the Commission will not consider the institution as being indifferent if its chief administrator does not choose to appear before the Commission. If the institution does request to be heard at the Commission meeting, the chairperson of the Evaluation Team will also be asked to be present to explain the reasons for statements in the Report. Both parties will be allowed brief testimony before the Commission deliberates in private.

The enclosed Report should be considered confidential and not given general distribution until it has been acted upon by the Commission and you have been notified by letter of the action taken.

BAB/tl

Enclosure

cc: Mr. Brian Thiebaux. Accreditation Liaison Officer (w/o enclosure)

Special Visit Report

Palo Verde College
One College Drive Blythe, California 92225

A Confidential Report Prepared for the
Accrediting Commission for Community and Junior Colleges
This report represents the findings of the evaluation team that visited

Palo Verde College
on

November 20, 2012

- Mr. W. Andrew Dunn, Team Chair, Vice Chancellor, Coast Community College District
- Dr. Lawrence Serot, Vice President, Administrative Services, Retired, Glendale Community College District
- Dr. Norval Wellsfry, Associate Vice President, Accrediting Commission for Community and Junior Colleges

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Follow-Up Visit Report

DATE: November 20, 2012

TO: Accrediting Commission for Community and Junior Colleges

FROM: W. Andrew Dunn, Team Chair

SUBJECT: **Special Visit to Follow-Up on Special Report dated October 24, 2012**

Introduction:

In fall 2011, the Accrediting Commission for Community and Junior Colleges received third-party information about Palo Verde Community College District's financial and administrative leadership conditions that gave it concern. The Commission requested a report from the college on the apparent fiscal crisis and the events that led to it. In January 2012, after receiving a Special Report submitted by Palo Verde College, the Commission took action to place the college on Probation for deficiencies in meeting Accreditation Standards IIID, and IV.B.1.c, and Eligibility Requirement 17. The Commission requested that the college submit a Special Report, which was to be followed by a Special Visit Team. The Special Visit Team conducted a visit to Palo Verde Community College District on May 3, 2012.

At the ACCJC meeting of June 2012 6-8, 2012, the Commission reviewed and analyzed the District's Special Report, the report of this team dated May 4, 2012, and testimony offered at the meeting by Denise Whittaker, Superintendent/President, Palo Verde Community College District (District).

Following the June Commission meeting, a letter dated July 2, 2012, from the Commission was directed to the District and reflected the following key activities and requests:

1. The Commission took action to continue the District in its Probationary status.
2. The District was required to submit a follow-up report by November 1, 2012.
3. The Follow Up Visit Team was scheduled to return to review the institution's compliance with Accreditation Standards and Eligibility Requirements, with special attention to the changes made at the institution since the Spring 2012 Special Visit.

In a letter dated September 19, 2012, the Commission asked this team to re-visit the campus and validate statements and content of the follow-up Special Report dated October 24, 2012.

Background:

The July 2, 2012, Commission letter made observations and sought clarification and/or requested the following:

1. The Commission believes the District has not yet demonstrated it has sufficient resources to meet Accreditation Standards as financial viability is contingent on future events.
2. The Commission recognizes the steps President Whittaker has taken to improve the Districts standing but voiced concern that certain key steps were not complete:
    a. Adoption of the 2012-13 FY Budget and the validation of underlying budgetary assumptions
    b. The seating of a permanent College President
    c. Filling key administrative leadership positions
3. An exemption sought by the District from the federal government to allow correspondence students to exceed 25% of total student enrollment.
4. Evidentiary materials should include a pro-forma budget and other supporting materials that demonstrate an ability to meet the debt service requirements of the Certificates of Participation (COP) and the Supplemental Employee Retirement Program (SERP).
5. Evidence that the District meets the following Eligibility Requirements and Accreditation standards:
    a. Eligibility Requirement 5: Administrative Capacity
    b. Eligibility Requirement 17: Financial Resources
    c. Standard II, A, B and C: Student Learning Programs and Services
    d. Standard III.A: Human Resources
    e. Standard III.D (all) Financial Resources
    f. Standard IV.B. 1.c: Board Governance

The October 24, 2012, Palo Verde College Follow Up Report (Report) was the culmination of a great deal of work that began last year and builds on the progress reflected in the college report of March 27, 2012. The Report, authored by Interim Superintendent/President Whittaker, addresses significant financial concerns that came to light in the documents described above and charts a path for the District to return to financial stability.

The following documents were made available to the team in advance of the visit:

1. Palo Verde Community College District Follow-Up Report, dated October 24, 2012.
2. Appendices (1)
    a. 2012-13 FY Final Budget
    b. Board Resolution on Financial Responsibilities and Integrity
    c. CSEA Incentive Proposals MOU
    d. Administrative Services Program Review
    e. Debt Mitigation Options
3. Appendices (2)
    a. Hard copy of e-mail regarding Incarcerated Student Waiver Approval Verification
    b. Magis Financial Advisors – Study Summary Letter
    c. Hard copy of e-mail response from Magis regarding refinancing of COP's

4. Appendices (3)
    a. Board Finance and Audit Committee Agenda and meeting Minutes.
5. Appendices (4)
    a. Comparison of Job Duties: VPAS
    b. Job Description: Chief Business Officer
    c. Job Description: Director of Human Resources
    d. Justification for A & R reorganization
6. Appendices (5)
    a. SCE Energy Audit Report
    b. Noel Levitz Student Satisfaction Excerpts
    c. 2011 Strategic Plan
7. Appendices (6)
    a. PowerPoint: Institute Day
    b. PowerPoint: PVCCD Budget Development
    c. PowerPoint: Final Budget Presentation
    d. PowerPoint: Planning
    e. PowerPoint: Board Self Evaluation, Board Goals and Board Institutional Goals
    f. PowerPoint: Board Self Evaluation, Board Goals and CEO Goals

An Evidence Listing, dated November 20, 2012, noting all on-site evidence is on file.

The team made requests to meet with appropriate personnel and consultants who had knowledge of the issues and who were felt to be best able provide information about the issues which gave rise to the Commission's requirement of the visit.

In general, the team found that the college had prepared well for the visit by arranging for meetings with the individual and groups agreed upon earlier with the team chair. To that end, the District made the following persons/groups available for discussion and interview.

November 20, 2012 Tentative ACCREDITATION VISITATION SCHEDULE

TIME	**PVC Rep or Group**	**Meeting Location**	**Chair, W. Andrew Dunn** **Mr. Lawrence Serot** **Dr. Norval Wellsfry**
8:15am			Team Arrival / review lunch menu options
8:30am-9:00am	Student Leaders	PE	Associated Student Government Officers
9am – 9:45am	Deni Whittaker & Sheri Jones	PE	Interim Superintendent/President & Interim VP Instructional & Student Services
9:45 – 10:15	CM /TBD		Special Financial Consultant (CM Brahmbhatt) 949-300-0580
10:15 – 10:45am	TBD		External Auditor - Representative by phone from Messner and Hadley
10:45 – 11:15am	Russi Egan	PE	CBO
11:15 – 11:45am	Mike	PE	Facilities Planning Acting Director of M&O

	Rhoades		
11:45am – 12:30pm			Lunch Meeting (we will bring it to you)
ANDY 12:30 – 2pm	Board Members	CL 101 & ITV Needles	Board Members (CL 101 and by ITV from Needles)- May need to divide team pending on the # of Board Members
12:30-1:15pm	AC. SEN	PE	Senate leadership:
1:15-1:45pm	CTA	PE	CTA Faculty Union Leaders:
1:45-2:15pm	CSEA	PE	CSEA Classified Union Leaders:
2:30 – 2:45pm	BREAK		
2:45pm – 3:15pm	All Staff	CL 101	College Council and Budget Committee & ALL STAFF
3:20 – 3:50pm	Debbie Mitchell (HR)	PE	Director of Human Resources
3:20 – 3:50pm	Drop-In	TBD	Open Session for Drop-Ins (**Dr. Norval Wellsfry)**
4:00 – 4:30pm		PE	Team Meeting
4:30 – 5:00pm	Deni	PE	Exit Interview

On-Site Participation By District Personnel:

A Sign-In sheet with names and organizational affiliations of those the team met with is on file. It reflects a broad base of institutional participation in this process.

Report Organization

This report generally follows the outline of issues identified in the July 2012 Commission letter, the October 24, 2012 Follow-up report and the Accreditation Standards. Where any ambiguity lies, the format adheres to the Standard.

In its letter of July 2, 2012, the Commission acted to continue Probation for the district due to the deficiencies associated with Eligibility Requirements 5 and 17 and accreditation Standards II.A, B and C, all components of Standard III and Standard IV.B.1.c

Section I: Eligibility Requirement Compliance

Eligibility Requirement #5: Administrative Capacity

The institution has sufficient staff, with appropriate preparation and experience to provide the administrative services necessary to support its mission and purpose

General Observations: Palo Verde College presently has two full-time administrators. A recent recruitment effort to seat a new Superintendent/President did not result in the Board identifying a viable candidate. The current Interim Superintendent/President, Denise. Whittaker, is now under contract through December 2013.

The College has decided to fill the some of its vacant administrative positions that have become vacant either through natural attrition or because prior incumbents chose to opt in to a Supplemental Employee Retirement Program (SERP). The College is currently reviewing its administrative structure and additional administrative appointments will be made after this structure is finalized.

The College Report describes two recommendations for a revised administrative structure:

Administrative Recommendation #1 deals with instructional and student support services. The Academic Senate is reviewing the organizational structure of the Instruction office and will make a recommendation to the CEO. This may result in a change involving the key management/leadership within Instructional Services. There ~~is~~ has been a preliminary discussion to not replace what was a combined Vice-President of Instruction and Student Services with two positions, a Chief Instructional Officer and a Chief Student Services Officer at a level to be determined but probably less the Vice-President. However a final recommendation regarding this structure has not yet been made.

Administrative Recommendation #2 concerns administrative services.

This~~-~~includes a recommendation to eliminate the current Vice President of Administrative Services (VPAS) position. The current Fiscal Services Manager has been re-classed to the position of Vice President of Administration (Chief Business Officer). Lastly, the services of a special fiscal consultant will be continued at least through June 2014.

Changes within the ranks of Classified staff and management are as follows:

- Classified Management Staffing
    - Current staffing = 11 (25% reduction since 2010-11 FY)
- Classified Staffing:
    - Current staffing = 32.5 (21% reduction since 2010-11)

Findings and Evidence: As the figures above indicate, staffing reductions have been an integral part of the district's fiscal recovery plan. The Administration acknowledges that they have reached a critical tipping point and can eliminate no more staffing (classified, management and administration) and further vacancies will require backfill. The 2012-13 budget provides sufficient funds to allow filling of academic leadership positions as noted in Administrative Recommendation #1 above. However, a budget saving strategy that reduces raw numbers of employees is no longer a viable option.

The District has also identified what it refers to as critical "hot spot" personnel areas where needs for additional staffing may emerge. These seven key areas include custodial, Distance Education, Financial Aid, Library, Maintenance and Operations, Marketing and Outreach and a programmer/data base administrator.

Eligibility Requirement #17 – Financial Resources –

The institution documents a funding base, financial resources, and plans for financial development adequate to support student learning programs and services, to improve institutional effectiveness, and to assure financial stability.

The College has made continuous progress towards financial solvency and addressing its long term debt obligation. With the passage of Proposition 30, the team can conclude that the College's budget for 2012-13 is a conservation one in terms of both revenue projections and appropriations. The budget has a 7% reserve and provides funding for academic leadership positions as noted in ER #5. An agreement has been reached with both CTA (a one year Memo of Understanding) and CSEA to provide compensation concessions to insure an adequate budget for the current fiscal year. Enrollment projections for the Fall indicate that the College is on track to restore its FTES and move away from State Stability Funding. The budget contains funds to meet its current obligations with regards to its long term debt.

The College has recently evaluated, with the help of external professionals, its options for addressing the repayment of its $32 million COP (Certificates of Participation) debt. Four options were evaluated and one option was selected as preferred, although the college will continue to evaluate the market with regards to interest rates which might make another option more attractive. The preferred option will involve a refinancing in 2016 of the COPs with the use of Local Agency Investment Fund (LAIF) funds, less $350,000 maintained as a capital reserve, to reduce the annual debt service. Until 2016, the current annual debt service of $2,353,000 (2012-2016) is covered with $855,000 in annual operating budget funds and $1.5 million drawn annually from the capital funds in the LAIF account The preferred option will require the college to identify an additional $125,000 over and above the approximately $1.6 million ($855,000 in operating budget and $760,000 in operating funds freed up by the completion of the SERP(Supplemental Employee Retirement Program) already identified within the College budget for debt service beginning in 2017. The College has yet to identify the source for these funds.

The College is to be commended for its efforts to balance its budget and develop a realistic program for addressing its long term debt. Concern remains with the financial stability of the institution. The October 24 Special Report did not include a multi-year budget projection and therefore the team is unable to comment on the out-year effects of current year budget planning, assumptions and impacts.

To demonstrate its continued financial stability the College should develop a realistic five year budget projection that includes several scenarios regarding State financing, and cost increases related to necessary staffing increases, step and column increases, increases in health and welfare benefits, retirement costs and routine operating expense increases.

Section II: Accreditation Standard Compliance

Standard II.A, B, C – Student Learning Programs and Services

Findings and Evidence: The financial crisis that the College has experienced has been the dominant issue for the college and its greater community. However, as the necessary adjustments have been made, there has been a major effort to ensure minimum impact on the students and the instruction and services that are provided to them.

The College has identified three factors that demonstrate that it is ensuring that the quality of the College's academic programs are maintained; SLO assessment, Program Review, and faculty evaluation.

The College indicates that it is on-tract to have SLOs developed and assessed for 100% of its courses by the time that the SLO report is submitted in March 2013. Course SLOs have been identified and are included in course outlines. Program SLOs have also been developed. Program SLO assessment are intended to be integrated into the College's Program Review process.

The Program Review process is being modified to facilitate this integration. It is an incomplete process at this time. However, the Academic Senate indicated that it is committed to completing this modification. The template used for the Program Reviews is being revised so that requests and needs are prioritized in addition to the integration of SLOs. The frequency of review is also being increased. Although the full review happens on a five year cycle, annual snapshots have been added to facilitate more frequent updating. The College Council's evaluation of Program Reviews ensures their integration into the Strategic Planning process.

Full time and adjunct faculty are currently evaluated on a regular basis. This evaluation includes SLO assessment, the matching of course syllabi with the outlines of record, and student feedback. The evaluations that were unclear were those done in the Instructional Service Agreement (ISA) program (contracted public safety instruction). It appears that these evaluations are done by the contractor. Because many of the courses are very short term and geographically dispersed, the feasibility of a normal evaluation process is problematic. The College should review the evaluation of the ISA program to ensure it complies with the standards of the College.

At present there is no permanent administrative leadership responsible for Instruction and Student Services. All of the prior Instructional and Student Services administrators are no longer in their positions. Instruction and Student Services have been combined at present under an interim Vice President of Instruction and Student Services. Although it was the original intent of the College to withhold appointment of a permanent replacement until a permanent President was appointed, the failure of the recent Presidential search forced reconsideration. The Board of Trustees recently rescinded that decision. The College is currently analyzing the administrative structure. A recommendation from the Academic Senate is expected in the near future. When the structure is adopted, the position(s) will be advertised and filled. A tentative recommendation includes no Vice Presidents but will include two Deans, one of which will be the Chief Instructional Officer and the other will be the Chief Student Services Officer. This structure has not been finalized at this time.

The College appears to have sufficient staff to provide necessary and appropriate services to students. The level of full time faculty has been largely unchanged. The restrictions of the California 50% law limited the district's discretion in the reduction of full time faculty positions. Therefore the Classified and Administrative categories were targeted for the reductions. Classified staffing, included many student services positions, has had significant reductions. Most other reductions were in Management positions. Classified staff has been reduced by 6.5 FTE to a current level of 32.5 FTE. The current level is not considered to be detrimental to effective delivery of services. However the College has determined that this is a baseline/minimum level. It is expected that future attrition will require replacement.

The College has identified 7 “hot spots,” critical positions for the College if funding is restored. Three of these positions are in student services; Distance Education, Financial Aid, and the Library. However all of the positions are on the “wrong side” of the California 50% requirement.

The College has struggled recently with the California 50% law. At present, instruction is at 52.1%. Faculty, largely because of the requirements of the 50% law, was not reduced. However faculty accepted a one year increase of 4 instructional units to their basic loads. The base load was increased from 30 to 34 instructional units over the academic year. The College is closely monitoring its position to remain compliant with this State regulation.

The College has received a Waiver from the US Department of Education for the 25% incarcerated student limitation. This will enable the College to expand its Correspondence Education program within the prison system.

Counseling has been significantly reduced. At present 2 counselors are available for regular student counseling. Two counselors were reassigned to classroom teaching, 2 have left the College, 1 has been transferred into a Categorical program, and 1 is assigned to DSPS/TRIO. Counseling has been augmented with some part time assistance and at present this appears to be a sufficient level.

Although the College has determined that the current staffing level is sufficient to maintain quality and effectiveness, it is necessary that the College develop a staffing plan to ensure continued quality.

As the College looks to the future, it has identified that it needs to find the right niche for enrollment growth. The waiver on the 25% incarcerated student rate provides some opportunities for growth. Additionally, the ISA has identified an interest in expanding its contract as it identifies additional enrollment growth opportunities. The Needles Center also provides potential for growth, especially in partnership with Arizona colleges. Mohave CC in Arizona has indicated preliminary interest in having Palo Verde College provide services to Native American students on a reservation near Needles. ISA has identified the potential for programming at the site. The Needles community incurred significant bond debt to build the Needles site and the College identifies a need to provide educational programming at the site. Although enrollment has dropped below the minimum threshold level for Center status, enrollment growth at the site would result in reinstatement of Center funding. All options need to be carefully evaluated by the College before specific actions and commitments are made.

Standard III. A – Human Resources

The institution employs qualified personnel to support student learning programs and services wherever offered and by whatever means delivered, and to improve institutional effectiveness. Personnel are treated equitably, are evaluated regularly and systematically, and are provided opportunities for professional development. Consistent with its mission, the institution demonstrates its commitment to the significant educational role played by persons of diverse backgrounds by making positive effort to encourage such diversity. Human resource planning is integrated with institutional planning.

Note: Under this standard the commission is concerned with recent and significant staffing reductions

Findings and Evidence: As noted above, the College has had a significant reduction in staff, especially in Classified and Administrative staffing. There have also been significant reassignments and reclassifications of staff to ensure continuation of critical services. The College has managed its fiscal crisis and its personnel actions have been a critical factor in that process. At present, the College appears to have stabilized its financial structures and it staffing levels.

The College does not appear to have a long range staffing plan. It has identified 7 critical staffing needs. However the implementation of these positions has not progressed beyond the identification of the need. It was unclear as to whether these positions had been prioritized. Although the College clearly recognizes its need for identified funding before any additional positions are implemented, it is also necessary to have a broader and more comprehensive plan that identifies critical institutional needs, identifies the positions needed to support these needs, and prioritizes these needs. A more comprehensive Staffing Plan is essential to ensure the continued stability and viability of the College.

Standard IIID – Financial Resources

Financial resources are sufficient to support student learning programs and services and to improve institutional effectiveness. The distribution of resources supports the development, maintenance, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. A financial resource planning is integrated with institutional planning.

General Observations

The College has made continuous progress towards financial solvency and addressing its long term debt obligation. With the passage of Proposition 30, the team can conclude that the College's budget for 2012-13 is a conservative one in terms of both revenue projections and appropriations. The budget has a 7% reserve and provides funding for several replacement academic leadership positions. An agreement has been reached with both CTA (a one year Memo of Understanding) and CSEA to provide compensation concessions to insure an adequate budget for the current fiscal year. Enrollment projections for the fall semester indicate that the College is on track to restore its FTES and move away from State Stability Funding. The budget contains funds to meet its current obligations with regards to its long term debt.

The College has recently evaluated, with the help of external professionals, its options for addressing the repayment of its $32 million Certificate of Participation (COP) debt. Four options were evaluated and one option was selected as preferred, although the college will continue to evaluate the market with regards to interest rates which might make another option more attractive. The preferred option will involve a refinancing in 2016 of the COPs with the use of Local Agency Investment Fund (LAIF) funds, less $350,000 maintained as a capital reserve, to reduce the annual debt service. Until this time the current annual debt service of $2,353,000 (2012-2016) is covered with $855,000 in annual operating budget funds and $1.5 million drawn annually from the capital funds in the LAIF account The preferred option will require the college to identify an additional $125,000 over and above the approximately $1.6 million ($855,000 in operating budget and $760,000 in operating funds freed up by the completion of the Supplemental Employee Retirement Program (SERP) already identified within the College budget for debt service beginning in 2017. The College has yet to identify the source for these funds.

The College Council and the Budget Committee are the two primary bodies for overseeing the financial planning of the College. The principal constituency groups are comfortable with the functioning of these two groups and with the transparency of the budget planning process.

Findings and Evidence

The Special Report of March 28, 2012 indicated that the Interim Superintendent/President planned to introduce several models for integrated financial planning for consideration by the College Council and Budget Committee. The Follow-Up Report of October 24, 2012 describes the new (as of October 2011) Budget Development Process and Budget Priority Funding Process and introduces a Draft Integrated Strategic Planning Process. A review of the College's budget development documents and their 2011 Strategic Plan indicate that the College is engaged in extensive planning activities. The integrated strategic planning process is new and has yet to complete a full cycle against which to evaluate its effectiveness. According to the Special Report dated March 28, 2012 (page 21), the link between budget planning and Program Review has been suspended. (Standard III.D.1a)

The information presented in the Follow-Up Report and in the Final Budget document indicate that the administration, the College Council and the Budget Committee have made a realistic assessment of current revenues and expenditures in light of the passage of Proposition 30. The College is currently focused on the question of payment of current COPs obligations and how to mitigate the impact of debt service on operations. The College has also experienced a significant reduction in staff and has a staff that is considered baseline to the operations of the college. College revenue projections are conservative in nature. The College has a new collective bargaining agreement with CSEA that takes its current fiscal condition and difficulties into consideration. The College has also completed a Memo of Understanding with CTA for the current fiscal year reflecting fiscal realities but must sit down to revise its faculty contract. Current projections, based on fall enrollment numbers, indicate that it should be successful in this effort. (Standard III.D.1b)

The current statewide fiscal crisis and the College's unique difficulties revolving around the repayment of COPs has forced the college to consider its long-range financial condition and priorities as it develops short-range financial plans and as it makes day to day spending decisions. Recent presentations to the Board of Trustees and evidence that the College community is very aware of the COPS repayment issue provides evidence that the College is clearly focused on developing a plan to repay its current and future obligations as relates to debt service. A plan for the repayment of its COPS obligation has been in the forefront of all recent planning activity and in the development of the current budget. A local bond measure passed by the citizens of Needles is to be repaid by a local tax increase. (Standard III.D.1c)

The College provides constituencies with an opportunity to participate in the development of institutional plans and budgets through representation on the Budget Committee and the College Council. The College has introduced a new budget development process and is considering the implementation of a new Integrated Strategic Planning Process. Discussions with faculty and staff and a review of the minutes of the College Council and Budget Committee confirm that the College provides constituencies with appropriate opportunities to participate in planning and budgeting. (Standard III.D.1d)

The College relies on the Riverside County Galaxy financial management system. The Galaxy system is accessible by all members of the College Community. The College Council and Budget Committee members are of the opinion that the appropriate financial information is available to anyone interested. Minutes of the College Council and Budget Committee indicate that the administration is currently providing accurate and timely information on finances to the College community. A review of 2012-13 Final Budget and the 2010 and 2011 Audits indicate that these financial documents reflect the current fiscal condition of the College and the difficulties arising from the College's COP debt. College business office staff responds to Audit comments as part of the Audit document. The establishment of a new Board Finance and Audit Committee will provide staff the opportunity to communicate on the audit to the Board and public. (Standard III.D.2a, 2b and 2c)

The failure to properly manage and evaluate the acquisition of the College's Certificates of Participation is at the heart of the College's current fiscal problems. The College believes it has taken and is continuing to take steps to correct this problem. The College maintains that all other financial resources are managed properly and that the college is in compliance with all governmental regulations. New Board of Trustees' policies should prevent a repeat of the current crisis. These policies and a new Board Finance and Audit Committee should insure a more educated and better prepared Board of Trustees. Board policies and new administrative regulations should insure a more comprehensive review of all major expenditures and contracts. (Standard III.D.2d)

The 2010 and 2011 audits indicated that the College's internal control systems were adequate and the new audit firm conducted a review of management systems in June 2012. The new Chief Business Officer is conducting a review of all current business offices processes. The College uses Survey Monkey to evaluate new procedures and processes as evidence by the recent automation of the purchasing process. (Standard III.D.2e)

The College prepares an annual cash flow statement and issues Tax Revenue Anticipation Notes (TRANs) each year to insure adequate cash flow. It has budgeted a 7% reserve this fiscal year and plans to increase this reserve each year until it achieves a 12% reserve level. The College provides adequate risk management services and insurance for property, liability and workers compensation. (Standard III.D.3a)

The College did not provide adequate oversight of its long term debt financing as evidenced by its current fiscal crises. However, it has taken several steps to improve its oversight of finances including a new Board Finance and Budget Committee and a comprehensive review of Board policies and Administrative regulations and procedures as evidenced by minutes from the last two Board Finance and Budget Committee meetings. The new Business Officer has been appointed to the College's foundation finance committee and reviews or prepares all financial reports for grants and externally funded programs. The College recently received a renewal of its Federal Financial Aid program. (Standard III.D.3b)

The College has completed an actuarial plan to Determine Other Post-Employment Benefits and has recently updated the plan with current employment data. The College funded its OPEB reserve requirement for five fiscal years (2006-2010) prior to the current fiscal crises but has subsequently suspended its contribution. Compensated absence costs are accrued when earned by employees and accumulated unpaid employee vacation benefits are recognized as liabilities of the District. Unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees. (Standard III.D.3c and 3d)

The College has had difficulty allocating sufficient resources for the repayment of COPs issued. The College originally issued Certificates of Participation for $18.6 million in order to complete several capital projects. The College subsequently refinanced these COPs and increased its level of debt to $31.995 million as part of a plan to earn arbitrage on the excess funds. This plan failed with the decline of interest rates leaving the college in a serious financial condition. The College has hired a financial adviser, Magis Financial Advisors, to assist it with the development of options to refinance and apply reserve capital funds located in a LAIF account in order to reduce its debt and its annual debt service obligation. The Board of Trustees recently received a presentation outlining four options. The Board indicated support for one of the options but is keeping its options open in case interest rates change. The College has identified sufficient ongoing funds to service most of this debt. The preferred Board option requires the College to identify an additional $125,000 necessary, beginning in 2016, to fully service its debt. The administration indicated that it is beginning to identify the funds necessary to be able to support this additional ongoing expense beginning in 2016. (Standard III.D.3e)

Approximately 80% of the College's students receive some form of financial aid but no student loans are provided. The College has established procedures that verify student enrollments prior to the issuing of aid checks which helps insure that it does not provide unjustifiable grants to students. (Standard III.D.3f)

Contractual agreements are consistent with the mission and goals of the College and are reviewed by the College Business Office. Policies and procedures regarding contracts are developed and implemented in compliance with the appropriate state codes. A review of the contract for a new solar installation provided evidence that the institution provides adequate oversight of contracts. This contract was developed with the assistance of an outside legal firm to insure the quality of the contract. The new Board Finance and Audit Committee will provide the opportunity to insure that contracts are consistent with the mission and goals of the institution. (Standard III.D.3g)

The College has recently undergone a review of a number of its management systems performed by the new audit firm. The College made necessary corrections and adjustments. The Administrative Services operation undergoes regular program review.

The baseline nature of the administrative staff makes it necessary for one person to be responsible for a particular financial area. This creates a lack of checks and balances and a potential for problems. A long term staffing plan should be created to plan for the replacing of staff critical to the proper functioning of the business office. (Standard III.D.3h)

While the College has a history of planning and the previous Accreditation Team (2008) verified efforts to integrate planning and budgeting the College is in the process of implementing a new Integrated Strategic Planning process that would meet the requirements of this standard. However, the process has yet to run a complete cycle. Discussions with the College Council, Budget Committee and the College community in a general meeting indicated that the majority of those present are aware of the new planning process and many of those present indicated that they have participated in its development. Until a complete cycle of this new process is completed it is not possible to determine if the College is in compliance. (Standard III.D.4)

Standard IV.B.1.c – Leadership and Governance

Standard IV, B. and 1.c states *In addition to the leadership of individuals and constituencies, institutions recognize the designated responsibilities of the governing board for setting policies and of the chief administrator for the effective operation of the institution. Multi-college districts/ systems clearly define the organizational roles of the district/system and the colleges.*

1. The institution has a governing board that is responsible for establishing policies to assure the quality, integrity, and effectiveness of the student learning programs and services and the financial stability of the institution. The governing board adheres to a clearly defined policy for selecting and evaluating the chief administrator for the college or the district/system.

c. The governing board has ultimate responsibility for educational quality, legal matters, and financial integrity.

The Commission also sought evidence that policies regarding governance and shared decision-making are complete and that the college submit evidence that the governing board has a clearly defined role for fiscal integrity.

General Observations: In response Board Policy 2510 which defines leadership roles of the Academic Senate, Staff, Students and recognize the board has the "ultimate decision-maker in those areas assigned to it by state and federal law." was first approved by the Board in 2006. The Community College League of California (CCLC) template has been used for policy development. These policies and procedures are posted on-line on the District's web site. The College's Special Report outlines a policy development process that provides for constituent input.

Administrative Procedure 2510 (AP 2510) was presented as an information item to the Board in October 2010. AP 2510 is quite granular and clearly outlines roles of key constituent groups and recognizes the preeminence of the PV governance structure in the decision making process.

The Board Self Evaluation for the 2011-12 FY was completed on September 11, 2012. In summary this evaluation acknowledges the following:

- Board awareness of financial matters is a must.
- Transparency with financial information must be enhanced
- Board member training in fiscal affairs has been taking place
- Work is needed focused on Master Plan and Budget Coordination

A First draft reading of Board Institutional Goals, developed in October 2012, reflect the following key issues:

- Collegiality and Transparency
- Restoration of Accreditation Status
- Meet FTES Goals
- Optimize Resource use
- Examine options for new resource development
- Ensure effective service delivery

The following summarizes Board Performance Goals:

- Proficiency in understanding District fiscal information
- Annual review of college unmet needs
- Clarity on Budget Development Process
- Regular meetings of Board Finance and Audit Committee with follow on reports to full board
- Review and update of finance-related policy and procedure.

To further emphasize the Boards understanding of their fiscal and governance responsibilities a resolution focused on ethical leadership, responsibility for educational quality, legal affairs and fiscal integrity, policies to ensure effectiveness, financial stability, selecting and evaluating a CEO, was executed October 23, 2012. This is a broad statement on leadership addressing requirements of Standard IV.B.1.c. Specifically, it addresses the following:

- Continuous improvement
- Ethical and effective leadership
- Empowerment ,innovation and institutional excellence
- Discussion of ideas and effective communications through existing governance structures
- Honesty and Integrity in dealing with external entities
- Leadership role to be regularly evaluated.

Evidence that policies regarding shared governance and clarity concerning the board's responsibility regarding fiscal integrity are reflected in the following:

- Board meeting agendas and minutes
- Finance and Audit Committee agendas and minutes
- 11/12 Board self-evaluation
- First reading and pending approval
- Board performance goals
- Board institutional goals
- Fiscal Resolution
- Policy language and construct

Findings and Evidence: The Special Report from spring 2012 notes that the Board was caught off-guard with the revelations surrounding PVCCD's financial state. The aforementioned policies, procedures and resolution point to a more engaged Board; one that has established controls and guidelines in place to help ensure such a situation does not recur.

As new members transition on to the Board, It is of great importance that this training is not seen as a one-time event, that the institution creates an infrastructure of continuous improvement that will allow future members to quickly assimilate and become effective elected leaders. This same environment of continuous improvement takes on an even greater significance as the Board looks to seat a new CEO in the next year.