APPENDIX 1
Cover Sheet - Special Report Update

Palo Verde Community College District

Special Report Update
April 1 – May 15, 2012

Submitted by: Palo Verde College
(Name of Institution)
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Contact Person: Denise Whittaker, Interim Superintendent/President

To: Accrediting Commission for Community and Junior Colleges
Western Association of Schools and Colleges
10 Commercial Boulevard, Suite 204
Novato, CA 94949

Date Submitted to the Commission: May 18, 2012

Date Reviewed by the Board of Trustees: May 11, 2012
Date Approved by the Board of Trustees: May 22, 2012
Distrubuted to College Community Including College Council & the Budget Committee: May 11, 2012
Date Approved by the College Council & the Budget Committee: May 15

Palo Verde College

Dr. Barbara Beno May 14, 2012

The Accrediting Commission for Community and Junior Colleges
10 Commercial Boulevard, Suite 204
Novato, CA 94949

Dear Dr. Beno,

Palo Verde College's Special Report, submitted on March 27, 2012, addressed the Commission's concerns associated with Standard IIID and Standard IV.B.1.c. as identified in the Commission's letter dated 2-1-12.

The attached *Special Report Update* provides additional information and evidence as to the work the College has accomplished since the Special Report was submitted, further emphasizing its ability to attain short and long term financial stability and justifying the removal of the *Probationary Sanction.*

Finally, I continue to be confident, based on what I have observed and experienced, that Palo Verde College is equipped to work through and resolve its fiscal problems, with or without me serving as their President, to maintain a stable, although tight, fiscal outlook.
Sincerely,

Denise Whittaker

Denise Whittaker, Interim Superintendent/President

PALO VERDE COMMUNITY COLLEGE DISTRICT
SPECIAL REPORT UPDATE

ACCREDITING COMMISSION FOR COMMUNITY AND JUNIOR COLLEGES
WESTERN ASSOCIATION OF SCHOOLS AND COLLEGES
MAY 14, 2012

The purpose of this *Special Report Update* is to provide an update of the additional work accomplished by Palo Verde College for the timeframe of March 27 – May 15, 2012 regarding the status of the Palo Verde College budget.

The *Special Report Update* was written by the Interim Superintendent/President with information and evidence demonstrated through the continued work of the Budget Committee, College Council, constituent leadership, and the Board of Trustees as reported. The *Special Report Update* was disseminated in draft and final form to the entire college community, with final approvals by the College Council on May 15th, the Budget Committee on May 17th , and the anticipated approval by the Board of Trustees on May 22nd (mailed prior to the Board meeting to provide ample time for the Commission to read prior to their June meeting).

Continued Progress: As shown in the updated table below, meetings continued to be held after the Special Report submittal (as noted in **red**), demonstrating evidence of an on-going commitment to address and finalize short and long term budget decisions. Although not included in the Special Report Update, roll sheets are available to demonstrate continued interest and involvement in the budget decision-making process.

Updated Meetings Providing Evidence of Involvement

College Council	Budget Committee	Full Administration	All Staff/Presentations
January 17 February 7, 21 March 6, 13, 20, 22, 27 **April 17** **May 1, 15**	February 6, 7, 8, 13, 15, 21, 23 March 1, 15, 20, 22, 27 **April 10, 26** **May 8, 17, 24, 31**	January 17 February 21 March 19 **April 16** **May 14**	January 31 February 7 March 6 **April 9** **May 1**

Classified Management/ Confidential	Academic Senate	Associated Students	Board of Trustees
January 24 February 23 **March 26** **April 19** **May 1**	January 27 Exec. Officers February 28 March 27 **April 24** **May 22**	February 14 Town Hall	February 14 - Special March 6, 13 – Special **May 8 – Special Budget Training**

CTA/NEA Faculty Union	CSEA Classified Union	Other
February 1, 13, 29 March 7, 14, 22 **April 18, 20, 25, 27** **May 9, 11, 16, 18, 23, 25, 30**	March 23 **April 16, 25** **May 9, 21**	February 8 – Insurance Mtg. March 1 – Community Economic Outlook Conference March 5 – Board of Governors

The College community understands that the fiscal situation is serious but stable and have worked together to continue to finalize operational cuts and savings. Unions are acting in good faith to negotiate significant salary and benefit cuts, recognizing their role in being part of the fix.

The College has been successful in going through an ethical and deliberative process of designing a short and long-term budget process that meets the 50% Law, achieved a 5% Board Reserve, and established a balanced budget for 2012-13 taking into consideration long-term debt, while maintaining academic, student support, and operational integrity.

Action-to-Date & Evidence to Justify the Removal of the College from Sanction

Much activity and action have continued since the submittal of the March 27th Stability Plan, resulting in verifiable budget savings.

1. **Status of Human Resources Incentives:** Significant short and long-term budget savings have been realized (as shown in the tables below and on the following page) as a result of the various incentive plans as shown in the tables provided, decreasing expenditures or reducing 2012-13 salary and benefits costs.

VOLUTARY OPT-OUT OF INSURANCE INCENTIVE PLAN

With proof of insurance, $6000 paid to the employee for 2012-13

EMPLOYEES THAT OPTED-OUT	BENEFIT COSTS	INCENTIVE COSTS	2012-13 SAVINGS
Employee 1	$18,312.24	$6,000.00	$12,312.24
Employee 2	$ 9,156.12	$3,000.00	$ 6,156.12
Employee 3	$18,312.24	$6,000.00	$12,312.24
Employee 4	$16,501.08	$6,000.00	$10,501.08
Employee 5	$18,312.24	$6,000.00	$12,312.24
Employee 6	$18,312.24	$6,000.00	$12,312.24
Employee 7	$18,312.24	$6,000.00	$12,312.24
Employee 8	$18,312.24	$6,000.00	$12,312.24
Employee 9	$18,312.24	$6,000.00	$12,312.24
Employee 10	$18,312.24	$6,000.00	$12,312.24
Employee 11	$ 5,916.24	$3,000.00	$ 2,916.24
Employee 12	$18,312.24	$6,000.00	$12,312.24
Employee 13*	$15,000.00	$6,000.00	$ 9,000.00
*Pending proof of insurance	$211,383.60	$72,000.00	$139,383.60

VOLUNTARY RESIGNATION INCENTIVE PLAN:

Option 1: Resign by April 14 or Option 2: Resign by June 30

Incentive: Receive full salary, H&W through Dec. 2012

NAME	CURRENT SALARY	CURRENT BENEFITS	INCENTIVE COSTS	2012-13 SAVINGS	ANNUAL FUTURE SAVINGS
Option 1:					
Employee A	47,928	15,734	31,831	31,831	63,662
Employee B	147,087	18,128	82,608	82,607	165,215
Employee C	64,799	12,522	38,661	38,660	77,321
Employee D	34,920	15,734	25,327	25,327	50,564
Employee E	51,828	14,534	33,181	33,181	66,362

Employee F	39,432	15,734	27,583	27,583	55,166
	Totals			**239,189**	**478,290**
Option 2:					
Employee G	74,208	18,567	46,388	46,387	92,775
Employee H	87,354	12,522	49,938	49,938	99,876
	Totals			**96,325**	**192,651**

VOLUNTARY REDUCED ASSIGNMENT to 49% INCENTIVE PLAN:
Reduce the employee's full time, 12 month assignment to 49%
Incentive: Receive full salary, H&W through Dec. 2012

NAME	CURRENT SALARY	CURRENT BENEFITS	INCENTIVE COSTS	2012-13 SAVINGS	ANNUAL FUTURE SAVINGS
Employee I	90,060	18,312	42,082	31,671	63,342

VOLUNTARY REDUCED ASSIGNMENT INCENTIVE PLAN: <u>NON-CONFIRMED</u> PENDING FINALIZATION OF CSEA NEGOTIATIONS
Reduce the Employees' 12 month assignment to 10 or 10.5 month
Incentive: Receive full salary, H&W through Dec. 2012

NAME	SALARY	BENEFITS	INCENTIVE COSTS	2012-13 SAVINGS	ANNUAL FUTURE SAVINGS
30 Classified Employees	**Totals**		**101,642.29**	**101,642.26**	**203,285.58**

2. **<u>Status of Contract Negotiations and Meet-and-Confer</u>**

<u>CTA Negotiations</u>: MOU signed, ratified, and Board approved resulting in over $169,000 in actual savings (See Appendix 1 for Evidence and Documentation):

- Faculty added 4 teaching units to their annual load at no additional cost (saving over $111,000)
- Faculty reduced Health and Welfare cap (saving over $58,000)
- March 15th Notices of Layoff were rescinded as a result of the signed MOU
- "Trigger" language was created and agreed upon to reduce or eliminate the cuts should new unrestricted revenue become available to the institution in 2012-13. This "trigger" language is included in the CTA/District MOU that is included in the Appendix.

<u>Meet-and-Confer with Non-Represented Bargaining Groups</u>: The Board of Trustees, at their May 22, 2012 meeting, will approve the salary reduction plan for Classified Management/Confidential and Administrators (See Appendix 2 for Evidence and Documentation) as follows:

- 8.33% salary reduction with a component of 20 mandatory floating holidays as determined by the District.
- 4% additional salary reduction to mitigate anticipated mid-year cuts with the agreement of no layoffs in 2012-13 combined with annuity or tax shelter counseling to reduce the impact of the salary reductions

- Freeze for Step and Column advancement (Board approved in October, 2011).
- The savings from this determination exceeds $140,000 with an overall 17.33% equivalent salary reduction.
- "Trigger" language was created and agreed upon to reduce or eliminate the cuts should new unrestricted revenue become available to the institution in 2012-13. This "trigger" language is included in the Meet-and-Confer Memo of Understanding which is included in the Appendix.
- The Board has commended the managers for their aggressive and unselfish visionary thinking.

CSEA Negotiations: Negotiations were held on May 9 (with a follow-up sessions calendared for May 23, 29; June 11, 18, and 28) and the following four discussion options as shown below, all of which produce salary savings for budget planning purposes, were presented by the District (See Appendix 3 for Evidence and Documentation).

	PROPOSAL OPTION I	PROPOSAL OPTION II	PROPOSAL OPTION III	PROPOSAL OPTION IV
1	All Classified Employees Receive 30 Floating Holidays (Equivalent to 10.5 Work Assignment) With Incentive	All Classified Employees Receive 30 Floating Holidays (Equivalent to 10.5 Work Assignment) No Incentive	Addresses Current Budget Crisis Only	Anticipates Mid-Year Cut
2	12.495% salary reduction with 30 floating holidays	12.495% salary reduction with 30 floating holidays	8.33% salary reduction with 20 floating holidays	8.33% salary reduction with 20 floating holidays
3	N/A	N/A	N/A	Plus 4% salary reduction in anticipation of mid-year cuts
4	Step and Column Freeze	Step and Column Freeze	Step and Column Freeze	Step and Column Freeze
5	Guarantees NO LAYOFF for 2012-13	Guarantees NO LAYOFF for 2012-13	No Guarantee	Guarantees NO LAYOFF for 2012-13
6	Incentive Provided in Year One	No Incentive	No Incentive	No Incentive
7	Three Year Agreement	One year Agreement	One year Agreement	One year agreement
8	$106,093 year one savings $149,136 years two and three savings	$179,799 savings	$129,462 savings	$179,759 savings

CSEA is meeting with their unit to review and discuss the options, make other suggestions, and will be submitting to the District their feedback at the scheduled follow-up meetings. The goal is that negotiations will conclude by June 28.

Although the College's budget is stable, the Commission can see that employees are taking significant salary reductions to address the fiscal challenges. Concerns surrounding such reductions include morale issues and employees seeking employment elsewhere resulting in further staff reductions. One of the reasons the College is guaranteeing no layoffs as part of the CSEA discussions is to provide some sense of job security to those remaining and to thwart an onslaught of resignations.

CSEA Negotiation Options for Discussion								
Incentives - Salary Only								
Type	**Participants**	**2011-12 Schedule**	**2012-13 Schedule**	**Difference**				
10.5 Months	25	1,092,833	1,117,500	24,668				
10 Months	1	37,950	39,853	1,903				
		1,130,783	1,157,353	26,571				
Type	**Participants**	**Salary**	**Stipends**	**Total**	Difference	%		
Salary w/o workload reduction incentives (no steps)	26	1,193,088	15,000	1,208,088	28,788	2.33%		
Salary w/ workload reduction incentives (steps incl.)	**26**	**1,215,876**	**21,000**	**1,236,876**			* Starting Point	
Option 1	w/ incentive (3 year commitment)			**FY 2012-13**			**FY 2013-14**	**FY 2014-15**
10.5 Month Salary Schedule - ALL (w/o steps)	25/1	1,117,658	13,125	**1,130,783**	106,093	**8.58%**	**149,136**	**149,136**
Option 2	no incentive - 1 year only							
10.5 Month Salary Schedule - ALL (w/o steps)	26	1,043,952	13,125	**1,057,077**	179,799	**14.54%**		
Option 3	11 Months = 8.33%							
8.33% cut w/ 20 floating holidays (w/o steps)	26	1,093,664	13,750	**1,107,414**	129,462	**10.47%**		
Option 4	11 Months (8.33%) + an additional 4%							
8.33% cut w/ 20 floating holidays (w/o steps)	26	1,049,917	13,200	**1,063,117**	173,759	**14.05%**		

3. **Vacant Positions:** The Vice President of Student Services resigned effective March 28, 2012 and the Vice President of Instruction resigns June 30, 2012. There are currently no Dean-level positions, which leaves the College with no permanent administration except for the Interim Superintendent/President. The Board accepted the recommendation to hire an Interim Vice President of Student Services (Dr. Kay Ragan) effective April 16th to serve in a transition capacity through June 30, at which point, she will assume the Instructional, as well as the Student Services, duties for the College. The size of Palo Verde College allows for this joint position without compromising the integrity of both areas. This appears to be a prudent and reasonable assignment as an interim solution until the new Superintendent/ President is hired and makes the determination as to what the administrative structure should be.

   The Interim Superintendent/ President has also asked managers to submit a personnel plan as to their recommendation for maintaining operational integrity while addressing classified or management vacancies in their areas. If a need is justified, an internal job announcement will be posted to hire a qualified employee as a lateral transfer or promotional opportunity to fill the vacant position. Per Education Code, internal hires will continue to result in reorganizations and/or the non-back-filling of vacated positions. Depending upon the type of vacancy, an external search may be necessary in critical positions.

4. **Evidence of Planning for Stabilitzation of FTES:** The College community understands FTES planning and the variables involved in efficiency, fill rate, faculty load, and the impact then on budget planning. Powerpoint presentations have been made to the Budget Committee, Board of Trustees, and the College community which include slides (see Appendix 4) to explain FTES generation, base, growth, cap, workload reduction, and the connection to revenue.

   Prior to 2011-12, Palo Verde College generated approximately 1,800 FTES. Due to the 6.2% workload reduction that will be imposed on small colleges in 2012-13, the College's new base is 1,688 with a planned target of 1,750 to ensure that it reaches its base.

   In years not impacted by workload reduction where the College provides its standard course offerings, it has a history of serving over 10% of its community population in face-to-face instruction. With the nearest college being over 90 miles away, we do not anticipate a problem reaching our required FTES to meet Stabilization requirements.

   A thoughtful outreach campaign for online summer session and fall enrollment includes but is not limited to:
   - Web campaign
   - Mass transit signage
   - Local Newspaper Ads
   - Admissions and Registration College Night for the High School and the Community
   - Easy online admission and registration
   - Radio Interviews
   - Radio Ads
   - Palo Verde Valley Times with a circulation of 4,500 including Blythe, Quartzsite, Ehrenberg, Palo Verde, and Ripley.
   - KJMB – radio station (and this is also translated into Spanish on KERU)
   - Bus Panels –2 busses that transport the community throughout the Palo Verde Valley.
   - A large banner will hang outside of the Needles Center. Specific dates will be displayed on the outdoor marquee in the parking lot.
   - Web Banner image will be updated accordingly on www.paloverdevalleytimes.com

5. **Evidence of Verification of the Submittal of the Waiver of the 25% Rule Regarding Incarcerated Students Enrolled in Correspondence Education Courses.** Both the Interim Superintendent/President and the Financial Aid Officer have spoken to and emailed representatives from the U.S. Department of Education regarding the submittal of the waiver to exceed the 25% incarcerated student limitation applicable to Correspondence Education courses. The waiver form is due by the end of May and will be submitted accordingly by the deadline (See Appendix 5 for justification statement). Palo Verde College anticipates receiving the waiver in that over 800 incarcerated students are typically served and there are few colleges offering this type of rehabilitative opportunities.

6. **Evidence of Verification for Meeting the 50% Law Compliance:** The California Board of Governors approved Palo Verde College's 2010-11 request for waiver of the 50% Law based primarily on the added unrestricted fund support to the categorical programs. $23,176 was not approved and will be added to next year's instructional requirement to meet the 50% in 2012-13.

For 2011-12, the College is currently at 42% non-compliance and will again submit a waiver due to unanticipated and unbudgeted expenses.

However, for 2012-13, the College will be in full compliance of the 50% Law as follows:

- CTA negotiations will be concluded by June 1, 2012 regarding the terms and conditions of involuntarily transferring up to six non-instructional faculty to instruction (See Appendix 6 for *draft* CTA Agreement). Those being transferred meet or exceed the minimum academic qualifications or have been approved through the Academic Senate's Equivalency process. Those transferred will be teaching a full academic load in the following areas: Psychology, Alcohol and Drug Studies, CIS, General Education Studies, and Business Administration.

- CSEA negotiations will be concluded by June 28, 2012 regarding the terms and conditions of involuntarily transferring 2-3 classified employees for one year to teach in the following areas: Sociology, Alcohol and Drug Studies, Marketing, and Business Administration. Those being transferred meet or exceed the minimum academic qualifications or have been approved through the Academic Senate's Equivalency process.

This plan will result in bringing the College into full compliance with the 50% Law for 2012-13. The College understands that it needs to continually monitor the 50% Law ratio and make a commitment begin replacing faculty as vacancies occur.

7. **Evidence of Diligent Budget Planning - March 15th Notices:** Although distasteful, the Interim Superintendent/President recommended to the College Council, the Budget Committee, and to the Board of Trustees that March 15th Notices be given due to budget uncertainty, explaining that it was not prudent to avoid such notices in light of the difficult budget situation the College faced. The Board agenda item specified that five counselors, one librarian, and one PE instructor would potentially be laid-off, pending seniority and bumping rights based on FSA and teaching equivalencies. Because the CTA contract negotiations were concluded and ratified in a timely manner, the Board rescinded the notices on April 24 in time to avoid the required hearings.

8. **Evidence Verifying the Status of COP Restructuring**: The main source of the College's deficit continues to be the outstanding COP loan and interest balance, which is currently budgeted and reflected in short and long term budget plans. The Commission will recall that in the Special Report, the College explained that if no new financial changes occurred, there are sufficient unspent COP and Capital funds, combined with Unrestricted General Funds to make the annual debt payments for 15 years while maintaining full operations and financial stability. For years 16 – 25, if the College does not purchase COPs and restructure the current debt, the plan is to start now to generate new sources of revenue, directing such revenue for future COP debt service, whereby the deficit at years 16 – 25 would be covered through this planned new revenue. The Budget Committee is currently refining the list of considerations for generating new sources of income for final identification targeted by the end of this semester.

   Although the Board of Trustees had approved the purchase of COPs from investors using current unspent COP funds, hoping to purchase the certificates at a competitive rate and thereby reduce the overall COP debt, the purchase was delayed when the College was advised

that such a purchase was very complex and therefore, the College needed to obtain external fiscal expertise regarding the COP debt, and how such a purchase should be conducted if feasible. A financial expert from the firm of Magis Advisors (Mr. Tim Schaefer) was hired to scrutinize the College's COP acquisition and determine if a purchase to reduce the current COP debt is advisable now or at a later time, and what is the best way to pursue this course of action. The College anticipates obtaining the consultant's report and advice within the next few weeks.

The Interim Superintendent/President, the Fiscal Services Manager, the Board of Trustees, and the Fiscal Consultant (C.M. Brahmbhatt), are being very cautious regarding any COP action. Before making any decisions, 25 year debt payment scenarios are being formulated and carefully reviewed to ensure that the purchase of the COPs does not result in further financial hardship for the District. Because Capital funds will be used to purchase COPs to significantly reduce the overall debt, the College is currently going through an exercise of generating and analyzing financial projections for how the new debt will be paid within the Unrestricted General Fund without the availability of having Capital funds (since they will be used to repurchase the COPs).

9. **Evidence for the Verification of 2012-13 Apportionment/Revenue, Budget Development, and Tentative Budget**: The College has gone through a thorough and deliberative process with the Budget Committee and the Board of Trustees to identify the Apportionment for 2012-13 as shown below. The process used, and the revenue projected, has been verified by C.M. Brahmbhatt, Fiscal Consultant for accuracy purposes. This tentative apportionment projection will be adjusted based on the May revise.

PART I – STATE APPORTIONMENT as of May 1, 2012	**$10,396,550**
Financial Aid Administrative Fees	10,000
Part Time Faculty Allocation	38,310
Anticipated Lottery	200,000
Cal Grants	75,000
PART II - State Revenue as of May 1, 2012	**10,719,860**
Less: Needles Center Base Allocation	-138,398
PART II – Adjusted Anticipated State Revenue	**10,571,462**
PART III – Local Anticipated Revenue as of May 1, 2012	**1,281,002**
PART I+II+III = Total Anticipated Revenue	**$11,862,464**

Source: First Principle Apportionment Report Exhibit A

Taking into consideration SERP and COP debt obligations, the College has identified $9,871,050 as the tentative operating base budget as shown below:

Revenue Projections 2012-13				
	State Revenue	10,371,250	-138,398	10,232,852
		Original Estimate	Needles Loss	
	Local Revenue			1,253,564
	Total Revenue			**11,486,416**
Mandated Costs				
	SERP		760,366	
	COP		855,000	
	Total Manadated Costs			1,615,366
Operational Base Budget:				**9,871,050**

As of May 14, 2012, the College has applied identified cuts and savings, incentive plan savings, and to-date savings that have been negotiated and ratified through collective bargaining or the meet-and-confer process to the budget as part of the Tentative Budget Development process. It is anticipated that the 2012-13 Tentative Budget that will be submitted to the Board for approval in June, will reflect a near-balanced budget at that time. The current expenditure projection is approximately $400,000 over budget but does not include the Meet and Confer agreement or the finalization of the CSEA negotiations. Further adjustments to the budget will be made over the summer ensuring that a balanced Final Budget is submitted to the Board for approval at their September meeting. The Appendix 4 includes the powerpoint presentation that includes the Tentative Budget development process and the anticipated expenditures to date, demonstrating the financial stability for the upcoming year

10. **Evidence for the Finalization of Budget Planning for 2012-13:** Due to the urgency in meeting the short and long-term financial stability interests of the Commission, Palo Verde College has nearly completed its *final* budget for 2012-13 even though it is not due until September, 2012. At this point, the College is only waiting for the finalization of the CSEA contract negotiations, the May revise, and the Governor's Budget authorization (hopefully in June) to finalize its budget. The Budget Committee confirms its summer meeting schedule on May 15th to ensure their involvement during the summer months.

    In addition, the Budget Committee understands that immediate work needs to be done to identify additional cuts in anticipation of a mid-year cut in 2012-13. These options will be submitted to the Board of Trustees in early fall 2012. The College has been able to balance the budget without layoffs and intends to continue this priority.

11. **Evidence of Budget Long-Term Stability:** The College will be using the 2012-13 Final Budget as the baseline for the next four years of budget planning, making adjustments as new information is acquired. The College community has never faced a situation anywhere close to this magnitude and is looking for long-term stability for effective planning purposes.

12. **Transparency, Shared Governance, Constituent Understanding, and Sustainability:** The Accreditation Visitation Team acknowledged that the number of meetings held and the number of those attending was significant evidence of the involvement of the College community in the changes taking place. Faculty, staff, students, management, administrators, and Board members now have a very different understanding of "transparency" and the demand for in-depth financial training and information regarding the budget. As conveyed to the Accreditation Visitation Team, the College community no longer feels intimidated to ask questions and are now part of the decision-making process. The have experienced what it is

like to be actively involved and part of the inquiry and the solutions. They understand what they should have known and commit to never settling for less again, regardless of the leadership at the College.

There is an over-all college understanding regarding the budget and commitment to address the issues in a collective manner. A comprehensive Budget Binder has been developed and provided to all Budget Committee members. This binder includes all aspects of the budgeting process. The Budget Committee and attendees have participated in various budget training sessions where components, definitions, and scenarios were provided to ensure understanding of the budget process. Budget information is being disseminated throughout the college community and all-staff meetings are held monthly to further understanding of the College's fiscal situation.

13. **Assurances / Checks & Balances**: Discussions have been held on several occasions in the Budget Committee and with the Board of Trustees as to whether or not an external investigation should be considered to identify the reasons for the current state of financial affairs at Palo Verde College. The Interim Superintendent/President has discussed with the Fiscal Consultant and with Fred Harris at the Chancellor's Office as to whether or not a FCMAT team should be called in. The Chancellor's Office indicated that since superb technical assistance was already available at the College (i.e. C.M. Brahmbhatt), that we had demonstrated sufficient capacity to address the fiscal issues without FCMAT being requested, and there is no further incidents necessitating an intervention of such a nature.

    Although there was consideration for pursuing an external investigation, the College has not made a decision whether or not to conduct such an investigation at this time. One of the most important aspects of having an external Fiscal Consultant and an Interim Superintendent/ President who clearly understands the scope of budget integrity, is that the following safeguards have been put into place to ensure that this type of situation can never happen again to the institution, regardless of who is serving as the CEO or CBO:

    - An external fiscal expert in community college finance, recognized by the Chancellor's Office for superior competency, will continue to be on contract for 2012-13 to ensure compliance and progress in stabilizing the budget.
    - No single individual has sole authority over the budget.
        - The Board of Trustees is receiving on-going updating and training and clearly understands the importance of understanding the budget aside from what they are being told.
        - The job description for the Superintendent/President has over a dozen references to budget sophistication to provide a form of checks and balances to a CBO making all of the decisions.
        - The Budget Committee is acting in an oversight and advisory capacity to the Superintendent/President regarding budget planning and recommendations. In addition, full transparency is being afforded all and the openness has provided a wide scope of interest and perspective.
        - The external Fiscal Consultant is in near-daily contact with fiscal staff to review and provide feedback regarding budget decisions.
        - Back-up documentation is provided to justify all major budget determinations.
    - The Budget Committee is effective in serving as a viable source for discussion, consideration, and recommendations regarding budget decisions.
        - Full transparency regarding complex fiscal operations is being openly and freely provided.

    - Documents and materials are provided to justify recommendations or to explain complicated budget determinations.
    - Meetings are open to the entire college community with a high degree of participation and attendance.
    - Past concerns over retaliation or intimidation have been eliminated and an environment of respect and open discussion of difficult issues prevails.
    - A clear structure is being put into place that integrates budget development with strategic planning and program review.

- Current fiscal staff is highly talented in understanding the scope of the budget and is being provided with additional training and mentoring to acquire greater fiscal sophistication.

- External consultants (Magis Advisors) are now being used to provide additional expert financial services on specific areas of concern (COP) and this type of external resource will continue to be available as the need arises.

- The RFP for a new audit firm has concluded and a new firm will be identified and approved by the Board of Trustees on May 22, 2012.

Palo Verde College respectfully submits this update to further assure the Commission that although the fiscal situation is challenging, the College is working responsibly to plan carefully to ensure institutional integrity.

Sincerely,

Denise Whittaker
Interim Superintendent/President