

FOLLOW UP VISIT REPORT

PERALTA COMMUNITY COLLEGE DISTRICT

**333 E. Eighth Street
Oakland, CA 94606**

**A Confidential Report Prepared for
The Accrediting Commission for Community and Junior Colleges
Western Association for Schools and Colleges**

This report represents the findings of the evaluation team that visited
Peralta Community College District on April 10,11 & 12, 2011

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May 10, 2011

TO: Accrediting Commission for Community and Junior Colleges

FROM: Frank Gornick, Team Chair

SUBJECT: Report of Follow-Up Visit Team to Peralta Community College District on
April 10, 11 & 12, 2011

Introduction and Overview

A follow up visit was conducted at the Peralta Community College District on April 10, 11 and 12, 2011. At its meeting in January 2011, the Commission acted to defer a decision on accreditation status and therefore continue all four colleges of the Peralta Community College District on probation. The district was required to submit a follow up report by March 15, 2011 to demonstrate resolution of the four recommendations as noted by the visiting evaluation team in November 2010. The predominant reason for delaying action on the Peralta Community College District in January was that the March 15 follow up report was without a crucial financial report on the district's course of action to resolve the OPEB matter addressed in recommendation number two. The absence of a financial report in the March 15 follow up report was a result of a serious health problem to the district's consultant from KNN Financial Consultants.

A team of experienced evaluators conducted a telephone conference call on April 5, 2011 prior to the April visit to discuss the March 15 follow up report and to clearly identify the areas of responsibility for each team as they reviewed the district and college responses. Six of the eight team members had previously been to the Peralta Community College District for either a follow up visit or standard accreditation review.

The team also agreed to meet on Sunday afternoon, April 10, for one last briefing as a team and to meet separately with the Chancellor of the Peralta Community College District and the special consultant to the Board of Trustees from EdMac. The special consultant was brought in almost two years ago when the district realized it was in financial peril, as well as having no systems in place to obtain good information about the operations of the college, district finances, or operational matters. The Peralta Community College District, in conjunction with ACCJC and the California State Chancellor's Office, agreed to bring in a special consultant to the Board to begin solving the problems of the district and create a pathway that addressed the fiscal and management condition of the district as well as charting a course for Reaffirmation of Accreditation for the colleges.

The Commission's action letter of January 31, 2011 focused on four recommendations which, while they were primarily district recommendations, affected the accreditation status of the colleges because they were not resolved and they affected the daily operations of the colleges.

Recommendation 1: The team recommends that the 2010 Recommendation 5 be revised to include the following language: The team additionally recommends that the Board of Trustees continue to redefine the appropriate roles of the Board and its relationship to the Chancellor. The Board of Trustees should also refine and change the roles and charges of the Board Committees so that they also reflect an appropriate policy role for the Board.

Recommendation 2: The team recommends that the district continue to monitor its progress toward meeting the issues listed in the Corrective Action Matrix. In particular, the district needs a plan to address the OPEB bond and to be evaluated on keeping to its 2010-11 budget.

Recommendation 3: The team recommends that the Board of Trustees develop and implement a plan to review all Board policies so that the policies reflect only policy language and that the operational processes for these policies be reflected in a system of administrative regulations.

Recommendation 4: The team recommends that the district continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial effort to address all recommendations, it is incumbent on the district to ensure that these efforts continue and are institutionalized within the district.

Discussion of the Institution's Responses to the Commission Action Letter and Responses to the Special November 2010 Visit and the March 15th Follow Up Report.

The follow up report asked the district and colleges to address the five activities referenced in the action letter. While these areas were addressed in the team meeting on April 10, they were also the agenda items the team used in their discussions with the district and college staff on April 11.

At the April 10 meeting with the Chancellor and special consultant to the Board, the team addressed each of the five activities. The team sought specific examples of how the activities were progressing, as well as the action plans to address the four recommendations. Since the last visit in November 2010, significant personnel actions have taken place that have had a direct bearing on the outcomes and progress made by the district in responding to the Commission's action letter.

The team learned that reorganization occurred, reductions in administrative staff and new personnel, was implemented. The new positions include the Vice Chancellor of Educational Services, Vice Chancellor of Finance and Administration, and Interim Vice Chancellor of Human Resources. There was an elimination of the PeopleSoft consultants which were replaced by a new Director of Enterprise Services who has specific responsibility for implementation of PeopleSoft throughout the district and colleges. Additionally, there was an elimination of the Inspector General position (a direct report to the Board of Trustees). And while the Board did not select a chancellor from the most recent search, they have gone out again with the announcement.

In addition, the Board of Trustees has relinquished all standing committees of the Board, clarified their role in making policy, and delineated procedural matters to the Chancellor and his staff.

The team learned that as a result of these significant positive changes, the Chancellor and special consultant to the Board were eager to have us verify their conversations with us with district staff and faculty at the colleges.

1. The status on the PeopleSoft update on financial modules.

The most significant action affecting this item has to do with the termination of the Oracle Consultants and the creation of a new position, Director of Enterprise Services. The institutional follow up report states on page 2 that a review of non-financial modules was conducted in January 2010 by the new Vice Chancellor of Educational Services. The Corrective Action Matrix (CAM) states that “the District is working on resolving the issues associated with the implementation of the adopted software management systems for student, human resources, and financial aid administration.” The Director of Enterprise Services position focuses almost exclusively on the users, the reports they need, the ease of use of the system information, and the training of all users. This position works with the Vice Chancellor of Educational Services so that the financial users and the educational users have equal access to this service, projects are prioritized through the district planning process, and the results have been positive for college and district staff. The college and district reports and subsequent interviews with staff were very positive from the point of view of student financial aid applications, awarding financial aid, and student information available on the portal. The team noted that this was a significant departure from earlier visits when this was a very visible problem for students and the community. Additionally, the instructional administrators and faculty at the colleges indicate a similar positive experience. Rosters are on time and accurate, grades are submitted electronically without difficulty and information to faculty and students about class capacity and what is available is a welcome improvement over just a few semesters ago. Evaluation of the current system is ongoing with participation from the district and colleges, thereby assuring input from users and assistance with prioritizing projects for implementation. (Standards III.D.1.a; III.D.1.b; and III.D.2.a)

2. The status on OPEB liabilities.

According to the CAM, a report is due June 2011. It was produced in February 2011. The Commission also requested and received a copy of the consultants’ (KNN) report on the OPEB. This has been the most problematic issue for the Peralta Community College District because of the negative impact it could have upon the viability of the district in the future. The options presented by the KNN group were discussed at the April 10 meeting and again on April 11 with the district staff. Essentially, their consultants have put forth four options. All options require some refinancing of the bonds; however, the district is inclined to go along with the option which defers payment until four years from now. This option, while attractive because it delays the payment right now, allows the district time to restructure the financial portfolio and to begin amassing enough revenue to make the initial payment in five years. The team was impressed with the knowledge across the district about the OPEB issue and the refinancing option. This awareness began with the signers of the Mid Term Report. Each member was asked to discuss an aspect of the KNN report as it relates to solving the problem of the OPEB. To a person, they addressed the issue from their perspective. As an

example, the faculty union representative acknowledged that they will have to provide concessions to the district in order to reduce the long term financial obligation on the district. They also agreed to concessions on health care plans which can also be a significant cost savings for the district. This OPEB was and still is a part of the CAM, although it has multiple entries that are assigned to a designated administrator. The CAM is an administrative tool used by the special consultant to the Board of Trustees for the purpose of teaching administrators how to plan and problem solve. (Standards III.D.2.d and IV.B.3.d)

3. The status of the corrective action plans as related to all audit recommendations and federal awards delegated to the “new” Chancellor as referenced in the CAM.

The April 1, 2011 Follow-Up Report provides an update since October 15, 2010 addressing Financial Resources and Technology. In addition this updated Corrective Action Matrix is provided at the end of the April 1, 2011 Follow-up Report, as well as the OPEB bond report. (Refer to October 15, 2010 Follow-Up Report and the April 1, 2011 Follow-Up Report.)

4. The status of the new Chancellor search and the district response to sustain leadership and continuity in the Chancellor position.

There was a new Chancellor search process conducted from February to December 2010. On December 7, 2010, the Board took action to reopen the search process.

5. The status on the training of the Governing Board in terms of financial roles and responsibilities as delegated to the new Chancellor in the CAM.

The Governing Board continues to address and discuss their role. At the January 18, 2011 Governing Board meeting it was announced that meetings of the committees of the Governing Board were being suspended and that the Board would engage in study sessions as a full Board (Audit and Finance, Facilities, and Policy Review).

On February 1, 2011 the Governing Board approved the following: “Consider Board Approval to Place All Board Standing Committees in Abeyance Until Further Notice. Consider approval to place all board standing committees in abeyance while the Governing Board evaluates whether it is more effective to have the Board as a whole consider committee topics at regular Board meetings. The respective chairs of the board committees shall work with the Board President to assure placement of critical issues on the Board agenda.”

The Governing Board held an OPEB session at its February 15, 2011 Board meeting which was both a report and a training session on Board financial responsibilities.

On January 18, 2011, the Vice Chancellor of Finance reviewed with the Governing Board in a PowerPoint presentation the emerging issues for the 2011-2012 budget; on December 7, 2010, through a PowerPoint presentation, the Vice Chancellor informed and instructed the Board regarding student services funding; on November 9, 2010 he updated the Board on the 2010-2011 budget; and on October 26, 2010 he informed the Board regarding the Budget Activity Calendar. (Standard IV.B.1; IV.B.1.f; IV.B.1.j)

District/College Responses to the Team Recommendations

General Observations

The team noticed a positive change in the overall demeanor of the colleges and district staff when compared to visits in 2009 and 2010. The college leaders, district administration, and the members of the Board were focused and demonstrated a proactive approach to addressing the issues that led to the recommendations. They are following their plan to implement “best practices, not just comply with the recommendations”.

Those interviewed expressed their sense of confidence in the district and college leadership and indicated that they felt optimistic and supported by the district. They described better access to data to facilitate planning, improved communication, and a closer working relationship among the colleges in the district. Accuracy and timeliness were also mentioned as greatly improved, stating now that they have the data they can do the analysis to make decisions.

The Board of Trustees, district, and colleges appear to have understood the intent of the recommendations and have moved forward to address them in an effective and timely manner. The observations by student leaders sum it up best. They described the Board as “present at college functions but not intervening in college operations. They are there as policy makers who care about students.”

Findings and Evidence

Recommendation 1: *The team recommends that the 2010 Recommendation 5 be revised to include the following language: The team additionally recommends that the Board of Trustees continue to redefine the appropriate roles of the Board and its relationship to the Chancellor. The Board of Trustees should also refine and change the roles and charges of the Board Committees so that they also reflect an appropriate policy role for the Board.*

Administrators, faculty, staff, and students from the district and its colleges were interviewed. College representatives were well versed in the issues and consistently expressed support for and commented on noticeable improvement in the working relationship between the Board of Trustees and the Chancellor. They also expressed an increase in trust of the Board of Trustees and the Chancellor. Individual Board committees have been eliminated and there are processes in place that allow the Board to ask questions and get information through the Chancellor without making personal contact with college personnel. There was agreement that placing the Board committees in abeyance was beneficial to all involved. Those interviewed applauded the work of the current Chancellor in working with the Board to help distinguish between policy and administrative matters. Employees also cited the fact that there have been numerous trainings for the purpose of assisting the Board and the management team in role clarification. The California Community College Trustee Association has played a valuable role in assisting the Trustees in understanding their role within the district. The Board expressed confidence that the new environment can be sustained if there is a clear set of expectations established between the next Chancellor and Board at the outset. The annual Board Calendar has scheduled professional

development training for the Board throughout the year. Additionally, when Board members travel to state or national conferences, they regularly provide a report to fellow Board members about their experience.

The district has met this recommendation and the team recommends that the district continue on the path to improvement that has now been charted.

Recommendation 2: The team recommends that the district continue to monitor its progress toward meeting the issues listed in the Corrective Action Matrix. In particular, the district needs a plan to address the OPEB bond and to be evaluated on keeping to its 2010-11 budget.

The CAM has become a regular part of the culture of the Peralta Community College District. This practice has been used to identify the tasks needed to take corrective action on matters identified by internal and external stakeholders. To date, items listed in the CAM have a designation of completed or in progress, and each item has a person who is responsible for the completion of that task.

The district issued layoff notices to district administrators in order to meet OPEB bond financing requirements. The Chancellor has made presentations to the colleges to explain the district's position and changes that are being implemented. In addition, the district has identified a plan that will bring the district through the OPEB crisis.

Conversations with those interviewed revealed a basic understanding of the issues surrounding OPEB and the action taken by the Chancellor and Board of Trustees to address this issue. They gained this information at Board meetings and through campus visits from district representatives (including the Chancellor) who explained the issue and answered questions. They also referenced campus meetings where college leaders addressed this topic. The students interviewed commented on how this topic impacted the quality of education and the importance of addressing this issue to the future success of the district and colleges. The team reviewed documents that supported the response of those interviewed.

On March 29, 2011 the Board took action to:

- Constitute the Retirement Board whose first meeting was held on April 13, 2011;
- Approve the recommendation to restructure the debt service schedule for years 2012-2016
- Approve the recommendation to terminate the B-1 SWAP

College personnel were highly satisfied with respect to progress on budget matters. Members of the administrative team stated that this was the first time in many years that a budget was established at the beginning of the fiscal year. In addition, personnel felt that there is a new environment of honesty and transparency with regard to the budget. The colleges have appreciated the frequent visits from district administrators wherein budget updates are provided.

Following are the actions taken by the district and colleges:

1. The district has been aggressive regarding the resolution of the various issues associated with the PeopleSoft conversion. The administrators told the team that they now feel confident in the information provided by the PeopleSoft information system.
2. The PeopleSoft Resolution Team has established a clear plan of action and college personnel have been included to identify and resolve issues.
3. A PeopleSoft Analyst Team is in place to ensure that multi-college operational issues can be adequately discussed in an open forum and subsequently presented to the PeopleSoft Resolution Team for consideration.
4. An "Executive Projects Report" is issued on a weekly basis to the Vice Chancellors to inform the executives of the current state of current and proposed PeopleSoft-related projects.
5. A new PeopleSoft Steering Committee, consisting of the Vice Chancellors and IT, meets every two weeks. This committee relates any changed institutional priorities for PeopleSoft-related projects.
6. The Degree Audit/Academic Advising Module implementation is in process and will be completed by the end of June.
7. The wait list and permission numbers are fully activated.
8. The district has implemented a student payment plan.
9. The district has established a mechanism for providing ongoing PeopleSoft product training. Virtual training is available via the online portal and virtual, instructor-led training will be available to staff on-demand starting in June 2011.
10. The upgrade of district IT infrastructure is in progress which will improve system reliability, furthering the district's disaster recovery protections and performance.
11. The district has added several new application servers to the PeopleSoft cluster and there has been a noticeable performance increase realized in Student Administration, Human Resources, and Finance.
12. The financial aid and general ledger interface development is in progress. Testing of the new integration is currently planned for May.

The team found evidence that there was ample communication and dialogue regarding budget reductions and that the reductions were made using established planning systems and processes.

The district's 2009 audit report contained 53 audit findings. In the 2010 audit report, it shows that the district had implemented corrective actions on 18 of the 2009 audit findings. As noted in the CAM, these findings have been corrected. The remaining 35 audit findings from 2009 are either in a "not implemented" or "partially implemented" status. Work continues on these audit findings as noted in the updated CAM dated March 22, 2011.

As a result of the 2010 audit, five new audit findings were identified. These new findings are being identified, tracked, and addressed in the same manner as the 2009 audit findings. As of May 9, 2011, 2 of the five new audit findings have been corrected. The remaining three are items that will be corrected as part of the district's fiscal year end closing process and evaluated during that process. The actions taken on the two audit findings include: 1) the implementation of monthly reconciliation procedures for student financial aid; and 2) the establishment of appropriate accounts to specifically account and budget for restricted federal funds.

The Chancellor and Board have been open about the budget issues and proposed solutions. As a result of increased transparency there appears to be greater trust of the district leaders as they make plans to resolve the issues.

According to the most recent 311Q reviewed and approved by the Board of Trustees on April 26, 2011, the district is staying within the balanced budget adopted by the Board in September of 2010. The district continues to plan on reducing the general fund budget by approximately \$21.6 million based upon a worst case scenario from the State. They are well into preparations for the 2011-12 tentative budget which will be presented to and approved by the Board of Trustees on June 28, 2011.

The district has met this recommendation and the team has indicated that it will be important for the district and Board to continue to be open and direct about its progress.

Recommendation 3: The team recommends that the Board of Trustees develop and implement a plan to review all Board policies so that the policies reflect only policy language and that the operational processes for these policies be reflected in a system of administrative regulations.

Employees are aware of the efforts to improve the Board policy manual so that there is a clear distinction between policies and administrative regulations. The team was able to confirm that college administrators are consulted on a regular basis with respect to policy changes and the district is relying on external parties to re-write and develop policies. Board policy and administrative regulations are being separated and were reported as a work in progress which is to be completed by Fall 2011. There are ten chapters in the Board policy manual and each chapter has been assigned to a Vice Chancellor who oversees separation and delineation of policy and administrative regulation.

College personnel understand the process that has been put in place and how it relates to distinguishing between Board policies and the operation of the district office and colleges. The documents reviewed outlined processes and procedures that support the district and Board response to this recommendation. The recommendation resulted in the development of a Board policy to clearly outline their clarified policy role. The district has made great strides in this area.

The district has met this recommendation. The team suggests that self evaluation and periodic review of new Board policies will be essential if this progress is to continue.

Recommendation 4: The team recommends that the district continue to address all recommendations from 2009, 2010, and the current visit (November 2010). Although the district has invested substantial effort to address all recommendations, it is incumbent on the district to ensure that these efforts continue and are institutionalized within the district.

In general, those interviewed expressed confidence that the district is on the right track. District and college personnel provided consistent and clear information that supported the district and Board's work to address all of the recommendations from 2009 and 2010. It is clear that the current Chancellor and his executive leadership have instituted many positive changes in a short period of time. Employees expressed a greater trust in the Chancellor, members of the

Chancellor's staff, and the Board of Trustees. They were satisfied with the communication that has occurred between the colleges, the district, and the Board of Trustees. There is adequate representation at all district councils and committees and information is communicated back to the colleges and recommendations are forwarded to the district through council or committee representation. Employees commented that the changes have positively impacted the colleges and their ability to engage in planning.

College personnel indicated that the level of transparency and district effectiveness has improved substantially since the last team visit in November 2010. Planning systems have been strengthened, the PeopleSoft Resolution Team is in full operation, and there is collaboration with college personnel in developing systems and processes.

The district has met this recommendation.

Conclusion

The Peralta Community College District has made great strides in meeting and in some cases surpassing the accreditation standards. At the time of the November 2010 visit, the district was accepting of their situation and confident that they would eventually resolve their situation. This follow up visit provided the team members with valuable information on the progress the district has made. This visit confirmed that the district faced their situation head on and was anxious for the opportunity to prove them worthy of accreditation.