

MERRITT COLLEGE

A SPECIAL REPORT IN RESPONSE TO ACCREDITING COMMISSION FOR  
COMMUNITY AND JUNIOR COLLEGES (ACCJC) FINDING OF  
INSTITUTIONAL DEFICIENCIES



Submitted by:

MERRITT COLLEGE  
12500 CAMPUS DRIVE  
OAKLAND, CA 94619

Submitted to:

Accrediting Commission for Community and Junior Colleges,  
Western Association of Schools and Colleges

Date Submitted:

NOVEMBER 1, 2020

## TABLE OF CONTENTS

Certification of the Special Report	3
Report Preparation	4
List of Figures	5
List of Tables	6
Part I: The Merritt College Response to The January 27, 2020 Commission Letter	7
• Establishing FTES and Enrollment Management Plans	10
• Establishing a Student Success Infrastructure Plan to comply with the Student-Centered Funding Formula as announced by the California Community Colleges Chancellor’s Office	17
• Establishing guidelines to reduce operation overspending and eliminate the structural deficit	27
• Adopting a Board policy to adopt sustainable fund balances and reserves	28
• Adopting a restructuring plan to improve efficiencies and accountability at the District office and the Colleges	29
• Addressing all audit findings	30
• Establishing strategies to improve the management of the OPEB debt	30
• Providing an executive-level staff turnover analysis and recommendations to retain these staff at the District	30
Appendix A: List of Evidence	32
Appendix B: Merritt College Schedule Development Document	33
Appendix C: Merritt College Integrated Planning and Budget Model	34
Part II: Peralta Community College District Response to the January 27, 2020 Commission Letter	35

**CERTIFICATION OF THE SPECIAL REPORT**

TO:

Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges

FROM:

Dr. David M. Johnson  
Merritt College  
12500 Campus Drive  
Oakland, CA 94619

We certify that there was broad participation/review by the campus community and believe this report accurately reflects the nature and substance of the institution.

  
David M. Johnson (Oct 21, 2020 11:16 PDT) 10/21/2020  
\_\_\_\_\_  
(President, Merritt College) (Date)

  
Carla Walter (Oct 28, 2020 11:18 PDT) 10/28/2020  
\_\_\_\_\_  
(Interim Chancellor, Peralta Community College District) (Date)

  
Julina Bonilla (Oct 29, 2020 17:52 PDT) 10/29/2020  
\_\_\_\_\_  
(President, Peralta Community College District Governing Board) (Date)

  
Denise Richardson (Oct 27, 2020 11:36 PDT) 10/27/2020  
\_\_\_\_\_  
(Accreditation Liaison Officer, Merritt College) (Date)

  
Thomas Renbarger (Oct 27, 2020 11:37 PDT) 10/27/2020  
\_\_\_\_\_  
(President, Merritt College Academic Senate) (Date)

  
Tachea Henry (Oct 27, 2020 11:42 PDT) 10/27/2020  
\_\_\_\_\_  
(President, Merritt College Classified Senate) (Date)

## REPORT PREPARATION

This Special Report is provided in response to the concerns raised by the Accrediting Commission for Community and Junior Colleges (Commission) in its January 27, 2020 letter to Merritt College. It is informed by discussions over the past several months during Chancellor's Cabinet Meetings, Merritt College Executive Cabinet and Manager Meetings, and institutional forums. Additional contributions were derived from discussion venues during College Flex Days, Merritt College's Accreditation Day, and the Merritt College Fall Planning Summit. The membership of the Academic Senate and Classified Senate provided feedback; however, the Merritt College Administrative Team is responsible for the authorship of this report. Members of the team are listed as follows:

<b>Special Report Team Members</b>	<b>Title or Position</b>
Dr. David M. Johnson	President
Dr. Denise Richardson	Vice President of Instruction
Dr. Lilia Chavez	Vice President of Student Services
Jason Holloway	Dean of Math, Science, and Applied Technology
Marie Amboy	Dean of Allied Health and Public Safety
Dr. Chriss Warren Foster	Dean of Liberal Arts and Social Sciences
Dr. Lisa Webb	Dean of Counseling and Student Equity
Victoria Menzies	Director of Business and Administrative Services
Nathan Pellegrin	Director of Research and Planning
Doris Hankins	Director of Student Activities and Campus Life
Ernesto Nery	Director of Financial Aid

The College acknowledges the role of the Peralta Community College District (PCCD or District) Chancellor's Office in preparing this Special Report. The District narrative provided in the second section of this document speaks to the critical contributions made by the Chancellor, Vice Chancellors, and other members of the team.

In addition to the narrative sections, Merritt College included a significant number of supporting documents to provide clarity and context to the Special Report. These documents appear as links to a folder that contains all accompanying files. There are also appendices that comprise a scheduling document, the College Integrated Planning and Budget Model, and an organizational chart.

Finally, this Special Report was reviewed by members of the PCCD Board of Trustees at the October 13, 2020 and October 27, 2020 Board meetings.

## LIST OF FIGURES

Figure 1	Proposed Summer 2021 Schedule	12
Figure 2	Peralta Online Scheduling Tool (POST)	15
Figure 3	Unduplicated Count of Students Enrolled in English 1A within each Academic Year	18
Figure 4	Students Taking 1A as Their First English Course (by term)	19
Figure 5	Unduplicated Count of Students Enrolled in Introductory Transfer Level (ITL) Math within each Academic year	19
Figure 6	Students Taking ITL Math as Their First Math Course, by Term	20
Figure 7	Guided Pathways: Eight Area Model	21
Figure 8	Merritt Transfers to CSU and UC	23
Figure 9	Transfer Destination	23
Figure 10	Estimated Increase in Degrees and Certificates Using Auto-Awards System	24

## LIST OF TABLES

Table 1	2020-2021 Enrollment Targets	10
Table 2	Fall 2019 and Spring 2020 Enrollment Figures	11
Table 3	Merritt Dual Enrollment FTES	12
Table 4	Merritt College Outreach Activities Calendar	13
Table 5	Noncredit English and Math Enrollment	14
Table 6	Noncredit ESOL FTES by Term	14
Table 7	Fall 2018 Swirl by Campus	16
Table 8	Estimated Increase in Degrees and Certificates Using Auto-Awards System	24
Table 9	Number of 2019-2020 Students who Completed Requirements for Degrees or Certificates in the same Year, but were not Conferred, and Maximum Possible Additional SCFF Funding	25
Table 10	Financial Aid Application Data	26
Table 11	Fall 2019 FTEF Allocation	27
Table 12	Fall 2020 FTEF Allocation	28
Table 13	OPEB Bond Debt Services and Fees	43
Table 14	OPEB Bond Program - Key Features	46

## The Merritt College Response to The January 27, 2020 Commission Letter

The following Special Report is in response to the January 27, 2020 letter that Merritt College received from the Commission. The letter addressed the May 2019 Special Report filed by the College, and the Five-Year Integrated Financial Plan submitted in December 2019. After reviewing the Five-Year Integrated Financial Plan and other supporting documentation, the Commission concluded that the College did not provide sufficient evidence to “verify the degree to which the deficiencies have been resolved, addressed, or corrected.” Consequently, the Commission placed the College on probation and required the institution to submit a follow-up Special Report by November 1, 2020.

The Commission noted eight original points of concern:

- Establishing FTES Targets and Enrollment Management Plans
- Establishing a Student Success Infrastructure Plan to comply with the Student-Centered Funding Formula as announced by the California Community College Chancellor's Office
- Establishing guidelines to reduce operational overspending and eliminate the structural deficit
- Adopting a Board policy to adopt sustainable fund balances and reserves
- Adopting a restructuring plan to improve efficiencies and accountability at the District office and the Colleges
- Addressing all audit findings
- Establishing strategies to improve the management of the OPEB debt
- Providing an executive-level staff turnover analysis and recommendations to retain these staff at the District

In the January 27, 2020 letter the Commission also stated that:

*1) It is not evident from the special report that the College/District has addressed foundational issues which have bearing on its fiscal health; this includes:*

- *a continued structural deficit*
- *lack of adherence to Board policies and administrative procedures*
- *deficiency in reconciliation and financial control issues*
- *key staffing issues*
- *its OPEB obligations*
- *ongoing unaddressed audit findings*

*2) In several areas of the special report, the College/District has responded with corrective intent, but no evidence was provided that corrective actions are being implemented to address the noted deficiencies.*

*3) The special report lacks the organizational structure, clarity and specificity of content.*

Merritt College has taken definitive steps to address the key deficiencies identified across the eight topics of concern. These actions are described below:

<b>Topics of Concern</b>	<b>College/District Actions</b>	<b>Deficiency Area Addressed</b>
Establishing FTES Targets and Enrollment Management Plans	<ul style="list-style-type: none"> <li>• Integrated Strategic Enrollment Plan</li> <li>• Dual Enrollment Growth</li> <li>• Career Development/College Preparedness Growth</li> <li>• District Block Scheduling/POST</li> <li>• Online course conversion initiatives</li> </ul>	Structural Deficit
Establishing a Student Success Infrastructure Plan—SCFF Metrics	<ul style="list-style-type: none"> <li>• AB 705</li> <li>• Guided Pathways; Expand CE Offerings; Curriculum Development</li> <li>• Increase number of Associate Degrees for Transfer (ADT)</li> <li>• Financial Aid Model Improvements</li> <li>• Invest in Website Development</li> <li>• Expand reach of Learning Communities</li> <li>• African American Male Achievement Program</li> <li>• Oakland Entrepreneurs’ Incubator</li> </ul>	Structural Deficit
Establishing Guidelines to Reduce Operational Overspending and Eliminate Structural Deficit	<ul style="list-style-type: none"> <li>• Strict adherence to District FTEF allocations (increased productivity)</li> <li>• Implement improved Merritt Integrated Planning and Budgeting Model</li> <li>• Revise and augment Merritt Business Operations Manual</li> <li>• Including historical budget information to inform program review resource requests (data driven)</li> </ul>	Structural Deficit
Adopting a Board Policy to Adopt Sustainable Fund Balances and Reserves	<ul style="list-style-type: none"> <li>• Effective utilization of Parcel Tax funding to help maintain balances and reserves</li> </ul>	Adherence to Board Policies and Administrative Procedures
Adopting a Restructuring Plan to Improve Efficiencies and Accountability at the District Office and the Colleges	<ul style="list-style-type: none"> <li>• Hire key permanent leadership positions</li> <li>• Restructure the Administrative Services area at the College</li> </ul>	Reconciliation and Financial Control Issues

Addressing All Audit Findings	<ul style="list-style-type: none"> <li>• Addressed Federal Financial Aid Audit Findings</li> </ul>	Ongoing Unaddressed Audit Findings
Establishing Strategies to Improve Management of the OPEB Debt	<ul style="list-style-type: none"> <li>• Conducted Actuarial Studies to reduce liabilities</li> <li>• Terminated/restructured some of the more volatile bonds</li> </ul>	OPEB Obligations
Providing an Executive-level Staff Turnover Analysis and Recommendations to Retain these Staff at the District	<ul style="list-style-type: none"> <li>• Professional Development of Cabinet Leadership Team</li> <li>• District-led Administrative Trainings on Communication, Cultural Competencies</li> </ul>	Key Staffing Issues

## Establishing FTES Targets and Enrollment Management Plans

As noted in the 2019 Fiscal Crisis and Management Assistance Team (FCMAT) Report, the District has witnessed a significant decline in enrollment. While it is true that over the past three years the diminution of Full Time Equivalent Students (FTES) at Merritt College has been less pronounced than that of the other colleges overall (Merritt had a 4.35% drop from Fall 2017 to Fall 2019, while PCCD had a 9.4% decrease over the same period), there is still a need to improve.

The District is responsible for setting productivity goals and resident FTES targets for the colleges.

**Table 1. 2020-2021 Enrollment Targets**

ANNUAL COLLEGE ALLOCATIONS	Alameda	BCC	Laney	Merritt	Total
BAM 3 yr ave - RES FTES	3,133	3,389	6,286	3,882	16,690
BAM 3 yr ave - RES FTES %	18.8%	20.3%	37.7%	23.3%	100%
Annual 2020-21 RES FTES allocation	3,003	3,249	6,026	3,722	16,000
BAM 3 yr ave - NON-RES FTES	233	491	556	230	1,507
TOTAL FTES	3,236	3,740	6,582	3,952	17,507
TOT FTES %	18.49%	21.36%	37.59%	22.57%	100%
Annual 2020-21 TOT FTES allocation	3,236	3,740	6,582	3,952	17,510
2020-21 FTEF allocation based on TOT FTES Allocation and Total Productivity Target	184.9	213.7	376.1	225.8	1,000.6
High Productivity FTEF Set Aside	6.80	7.30	13.50	8.40	36.0
Dual Enrollment FTEF					26
Allocations by Semester	Alameda	BCC	Laney	Merritt	Total
Summer 2020 (10% of annual)					
RES FTES	300.3	324.9	602.6	372.2	1,600.0
TOT FTES	323.6	374.0	658.2	395.2	1,751.0
FTEF	18.5	21.4	37.6	22.6	100.1
Fall, Spring, 2020-21 (45% of annual each)					
RES FTES	1,351.4	1,461.9	2,711.8	1,674.8	7,200.0
TOT FTES	1,456.4	1,683.0	2,961.8	1,778.5	7,879.7
FTEF	83.2	96.2	169.2	101.6	450.3
Annual 2020-21					
RES FTES	3,003.2	3,248.7	6,026.1	3,721.8	15,999.9
TOT FTES	3,236.5	3,740.0	6,581.8	3,952.2	17,510.5
FTEF	184.9	213.7	376.1	225.8	1,000.6

With regard to productivity, the aim is for each institution to achieve a goal of 17.5 (the figure is derived by dividing the number of full-time equivalent students by the number of full-time equivalent faculty—FTES/FTEF). Over the past several years, Merritt College has consistently maintained the highest productivity in the District. For this Fall 2020 term, Merritt’s productivity reached 15.75, but the college anticipates an increase once the institution accounts for enrollment in the late-start courses.

The Merritt College Resident FTES target for Fall 2019/Spring 2020 is 3514.5 (1757.25 per term). The institution actually exceeded the Fall 2019 FTES enrollment goal, and would have likely done the same for the Spring 2020 semester were it not for the precipitous drop in student

enrollment as a result of the COVID-19 epidemic. Despite this, Merritt College still achieved 96.1% of its FTES goal for the 2019/20 academic year (3376.35 Resident FTES as reflected in the fourth column in the table below).

**Table 2. Fall 2019 and Spring 2020 Enrollment Figures**

Fall 2019	Nonresident FTES Actual	23.61	42.57	58.38	17.36	141.92
	Total FTES Actual	349.83	425.81	697.30	439.01	1,911.95
	FTEF allocation	23.49	25.77	44.83	28.06	122.14
	FTEF Staffed	23.34	29.57	49.51	28.82	131.24
	FTEF Unstaffed					
	Productivity	14.99	14.40	14.08	15.23	14.57
	Dual Enrl Sections	2	1	2	2	7
	Dual Enrl FTES	2.00	1.61	10.35	11.44	25.40
	Dual Enrl FTEF	0.19	0.20	0.60	0.57	1.57
	Resident FTES Target	1,471.05	1,614.15	2,807.55	1,757.25	7,650.00
	Resident FTES Actual	1,325.54	1,424.85	2,765.63	1,760.95	7,276.97
	Resident FTES Deficit	-145.51	-189.30	-41.92	3.70	-373.03
	Resident FTES % of Target	90.11	88.27	98.51	100.21	95.12
	Nonresident FTES Actual	88.87	180.44	233.87	65.51	568.69
	Spring 2020	Total FTES Actual	1,414.41	1,605.28	2,999.50	1,826.47
FTEF allocation		105.70	115.97	201.72	126.25	549.64
FTEF Staffed		95.22	105.80	210.38	114.73	526.12
FTEF Unstaffed						
Productivity		14.85	15.17	14.26	15.92	14.91
Dual Enrl Sections		12	4	16	26	58
Dual Enrl FTES		28.37	12.20	47.43	94.91	182.91
Dual Enrl FTEF		2.29	0.87	3.43	6.07	12.66
Resident FTES Target		1,471.05	1,614.15	2,807.55	1,757.25	7,650.00
Resident FTES Actual		1,375.56	1,466.48	2,630.47	1,615.40	7,087.92
Resident FTES Deficit		-95.49	-147.67	-177.08	-141.85	-562.08
Resident FTES % of Target		93.51	90.85	93.69	91.93	92.65
Nonresident FTES Actual		93.40	198.91	216.30	62.35	570.96
Total FTES Actual		1,468.96	1,665.40	2,846.77	1,677.75	7,658.87
FTEF allocation		92.47	101.46	176.47	110.45	480.85
FTEF Staffed	100.60	112.76	188.71	111.43	513.50	

Merritt College employs several different strategies to achieve the FTES targets and productivity goals set by the District. Our efforts are guided primarily by the Merritt Strategic Enrollment Management (SEM) Plan. The specific College goals (which are aligned to the State Chancellor’s *Vision for Success* Goals) that we will achieve by 2021-2022 Academic Year are as follows:

- Reach a Resident FTES target (including the Summer 2021 term) of 3722.
- Achieve a productivity of 17.5
- Raise the level of student transfer by six percent annually.
- Increase completion of degrees and certificates by twenty percent over the next five years.
- Reduce the number of average total units a student takes down to seventy-nine.

We will accomplish these goals by promoting outreach and recruitment to increase access, providing efficient enrollment services to ease the matriculation process, expanding financial aid opportunities to support those in need, scheduling courses strategically to meet student demand, and extending support services to raise success, completion, and transfer rates. ([See Document One: Merritt Strategic Enrollment Management Plan](#))

Increasing our Dual Enrollment Offerings through our CCAP Agreement with the Oakland Unified School District (OUSD) is an essential element of Merritt’s strategic enrollment planning. Cultivating strong working relationships with local high school counselors, principals, and leadership at the Oakland Unified School District has been integral to the College’s success. Inviting these groups to the Merritt Campus for seminars, professional development workshops, and open campus days for their students are key elements. The results have been impressive—over the last four academic terms (excluding summer) Merritt College’s Dual Enrollment FTES has constituted respectively 42.6% (Fall 2018), 44.5% (Spring 2019), 51.9% (Fall 2019), and 47.4% (Spring 2020) of the total Dual Enrollment FTES for the District.

**Table 3. Merritt College Dual Enrollment FTES**

Academic Term	Merritt Dual Enrollment FTES	PCCD Dual Enrollment FTES
FALL 2018	76.48 (24 sections)	179.46 (58 sections)
SPRING 2019	101.86 (29 sections)	228.61 (75 sections)
FALL 2019	94.91 (26 sections)	182.91 (58 sections)
SPRING 2020	90.73 (29 sections)	191.44 (74 sections)

Dual enrollment is clearly an area of strength for the college, and the College is building on that success by significantly increasing dual enrollment offerings for future summer sessions (historically, we have only offered one or two per term). One of the more promising initiatives that will commence for Summer 2021 is the *IServe Academy*, which will allow students the opportunity to explore five different programs within public safety: **Administration of Justice, Fire Sciences, EMT, Paralegal, and Community Social Services**. Our initial focus for the program is to enrolling African American Male Oakland Unified High School District students.

**Figure 1. Proposed Summer 2021 Schedule**

Week 1 12:30-3pm Administration of Justice	Week 2 12:30-3pm Fire	Week 3 12:30-3pm EMT	Week 4 12:30-3pm Community Social Services	Week 5 12:30-3pm Paralegal
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Based on our past productivity history we anticipate generating an additional **10 FTES or about \$54,000** each summer semester. ([See Document Two: CCAP Dual Enrollment 2018-19 OUSD file](#)).

Relying heavily upon the Merritt College Outreach Coordinator, the College is committed to maintaining the critical relationships and connections that are so integral to sustaining (and

growing) student enrollment. The Outreach Coordinator maintains a public relations/marketing calendar (the 2019-20 version appears below) that enables us to directly connect with approximately 3,000 potential students a year. And despite the limitations that the COVID-19 pandemic has imposed upon in-person fairs, conferences, and college-nights, Merritt College is continuing its outreach efforts by putting on virtual events.

**Table 4. Merritt College Outreach Activities Calendar**

Merritt College Outreach Event	Date of Event	Number of Attendees
Acts Full Gospel Church – Your Health is your Wealth Fair	8/24/2019	300
38 <sup>th</sup> Annual College Fair Bishop O’Dowd High School	9/11/2019	100
Merritt College In reach / College Fair	9/18/2019	300
FALL High School Counselors Workshop	9/25/2019	250
Cyber Security Employer Day In reach	10/11/2019 8:30 – 3:00 p.m.	200
42 <sup>nd</sup> Annual College Information Day at UC Berkeley	10/12/2019	150
Host /Road Trip Nation In reach	10/17/2019 8:00 – 2:00 p.m.	150
65 <sup>th</sup> Anniversary Merritt College In reach	10/19/2019	80
Oakland International High/In Reach	10/30/2019 9:00 – 1:00 p.m.	50
Dia del los Muertos Day of the Dead Celebration Fruitvale District	11/2/2019	1000
Yearly Merritt College Counselors/Partnership Breakfast	12/17/2019 9:00 – 12:00 p.m.	60
<b>JANUARY 2020</b>		
California Community Colleges Oakland Town Hall & College Fair McClymonds High	01/28/2020	300
OUSD Black College Expo	2/7/2020	550
Berkeley High In reach Presentation Campus Tour	2/11/2020	60
<b>HIGH SCHOOLS BACK</b>	<b>REQUESTING</b>	<b>ZOOM Information Sessions</b>
Alameda County Learning Center	10/15/2020	Confirmed

In the past year, Merritt College has expanded its non-credit academic programming to grow enrollment and provide students with more opportunities to transition to credit courses and job opportunities. Beginning in Fall 2019, Merritt College began offering non-credit sections in English and mathematics to support students enrolled in the transfer-level composition and statistics courses. As noted in the chart below, the enrollment for these sections was quite strong, and the college continues to build on this growth. **The noncredit growth for English and math over this past year amounted to 46.73 FTES, and earned the college an additional allocation of \$156,000.**

**Table 5. Noncredit English and Math Enrollment**

	Sections	Census Enrollment	FTES
English 508 (Fall 2019)	8	746	7.08
Math 213 (Fall 2019)	8	334	22.27
English 508 (Spring 2020)	11	338	2.98
Math 213 (Spring 2020)	7	286	14.40

Enrollment in our non-credit CDCP ESOL courses has increased exponentially (even though the aggregate numbers are not as large as is the case in English and math). To meet demand, Merritt College has scheduled more non-credit courses and programs to adequately prepare students for career pathways and/or transfer in concert with AB705 requirements for ESOL. As such, the faculty created new non-credit curriculum to mirror the college’s ESOL credit courses. One specific non-credit certificate program that the ESOL Department at Merritt College is working to implement is the Vocational English for Speakers of Other Languages (VESOL) Certificate of Competency. This certificate provides students with the basic customer service and general workplace communication skills, as well as the language proficiency for basic computer use and job hunting in the United States. **Given the current enrollment trends we are projecting 15 to 25 certificate completers per term by the 2022/23 academic year.**

**Table 6. Noncredit ESOL FTES by Term**

F17	SP18	SU18	F18	SP19	SU19	F19	SP20	SU20	F20
.18	.18	-	.18	.95	-	2.38	2.18	.12	3.16

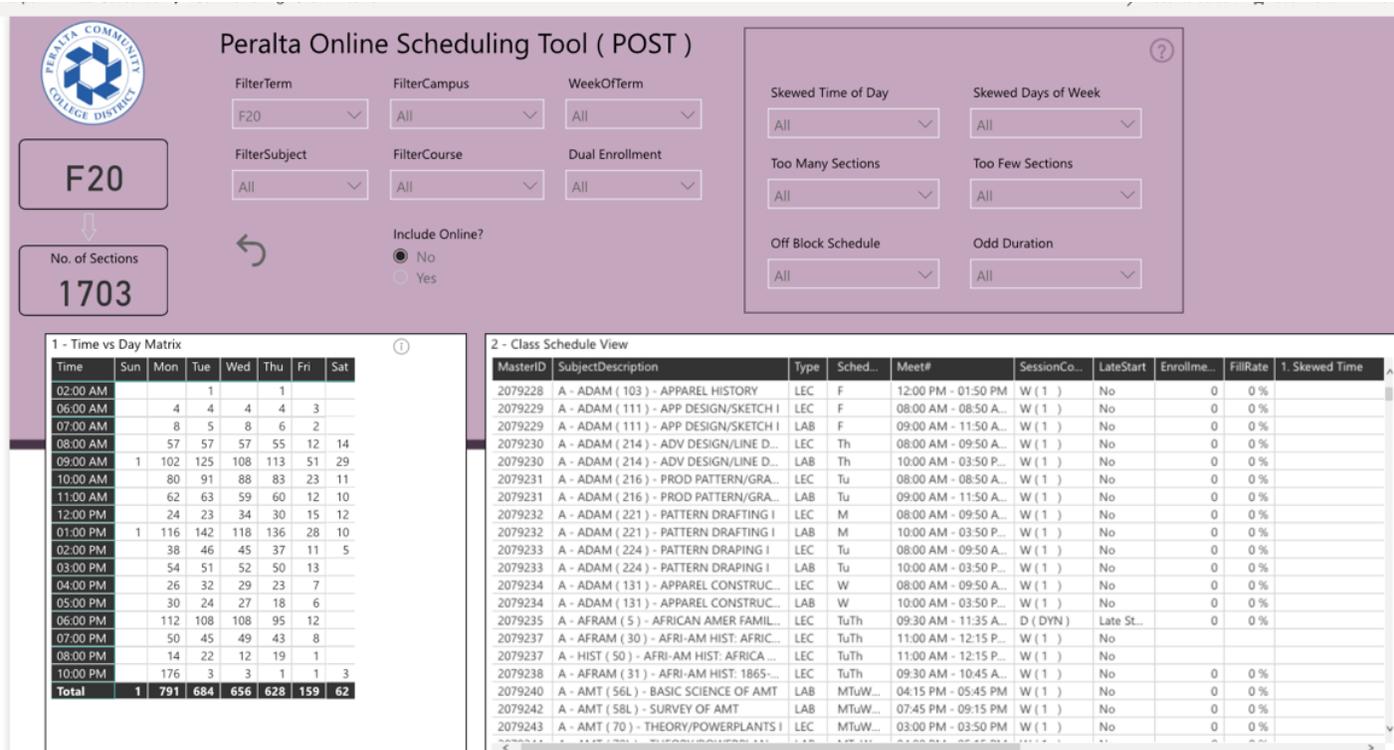
To increase enrollment in our career education courses (and augment our CDCP allocation), we partner with the WIOA (Workforce Innovation and Opportunity Act) Career Services Center to ensure all Merritt CE programs are strategically registered in the State’s Eligible Training Providers’ List (ETPL). This is critical to our efforts to attract displaced and unemployed workers seeking to retrain and amplify their skill set. This partnership enables Merritt College to access WIOA On-the-Job Training (OJY) funding for our students. Starting in 2021, Merritt College will pilot the Career Exploration Summer Academy in collaboration with OUSD’s Linked Learning Division. This will allow students to earn college credit, explore hands-on (virtual) CE programs, and receive a stipend for completing the coursework. Finally, the College

launched the Virtual (and Face-to-Face) CE Open House in partnership with OUSD, AUSD, Alameda County Office of Ed, and the City of Oakland to increase awareness of Merritt College’s Career Education programs throughout the community.

Merritt College engages in effective schedule development to provide students with the course-taking patterns they need to achieve their educational goals. As such, the Office of Instruction places great emphasis on deans and department chairs/program directors collaborating to maximize student access to our courses. As the CBT Report noted, in many cases class scheduling has been driven by faculty preference rather than student need. ([See Document Three: CBT Phase II Document](#)) As a result, the Vice President of Instruction, the instructional deans, and the department chairs/program directors rely heavily on data points that elucidate course-taking patterns and general student demand. In Fall 2019, the Office of Instruction also began implementing and enforcing hard FTEF limits for each department to maximize productivity and allocate sections more efficiently. The fiscal impact of these changes is discussed in detail later in this report. ([See Document Four: Summer-Fall 2020 Schedule Doc](#))

In collaboration with our sister institutions, Merritt College utilizes the Peralta Online Scheduling Tool (POST). Developed in 2019, POST enables the deans and vice presidents across the District to review historical course scheduling patterns, assess student demand for these courses in the past, and, thereby, produce a more coordinated and complimentary schedule going forward.

**Figure 2. Peralta Online Scheduling Tool (POST)**



Given that students frequently “swirl” among the colleges (i.e. take courses at more than one campus), we avail ourselves of POST to minimize scheduling conflicts and avoid offering too many of the same courses.

**Table 7. Fall 2018 Swirl by Campus**

<b>Percent of Students - Number of Campuses Attended (By Home Campus)</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Home Campus</b>	Berkeley City College	69%	23%	7%	1%
	College of Alameda	71%	24%	5%	0%
	Laney College	78%	18%	4%	0%
	Merritt College	78%	19%	3%	0%

While Merritt College is offering the overwhelming majority of sections online this academic year as a result of the COVID-19 pandemic, it is understood that going forward implementing “block scheduling” will make a significant difference in terms of ensuring that students are not precluded from taking more courses as the result of overlapping section times. Four colleges following the same block schedule helps students identify their home college easily, enter their educational pathways clearly, and lead them to successful completion of programs in a timely fashion. This will directly address increasing the base allocation and student success allocation portions of the Student Centered Funding Formula (SCFF). ([See Document Five: BLOCK SCHEDULE DOCUMENT](#)).

Understanding that effective enrollment management and resource allocation require a critical appraisal of program viability and improvement, Merritt College relies upon the Program Discontinuance/Consolidation Evaluation Process that is outlined in Peralta Community College District Administrative Procedure 4021. Revised and approved by the Chancellor in November 2019, the process calls for the College to consider both qualitative and quantitative factors when assessing the sustainability of a program.

Qualitative Factors include:

- a. Quality of the program and how it is perceived by students, faculty, articulating universities, local business and industry, and the community;
- b. Ability of students to complete their educational goals of obtaining a certificate or degree, or transferring;
- c. Balance of college curriculum (for example, ensuring the non-elimination of all of one type of program, such as all foreign languages);
- d. Effect on students of modifying, discontinuing, or consolidation of the program;
- e. Uniqueness of the program;
- f. Replication of programs in the surrounding area and their efficacy;
- g. Potential for a disproportionate impact on diversity at the college;
- h. Necessity of the program in order to maintain the mission of the College;
- i. Source of funding for the program (outside vs. general funds);

- j. Impact on other programs, including transfer, if the program is modified or closed. If there are any, these must be identified;
- k. Student Learning Outcomes assessment data;
- l. Requirements by federal/state/accreditation or other areas (e.g. Title IX) for the program. If there are any, these must be identified; and
- m. Impact on articulated programs

Quantitative Factors include:

- a. A sustained downward trend in FTES generated, load, enrollment, number and composition of sections offered, productivity, FTES composition, retention, and persistence;
- b. Sustained increase in expense or annual cost/FTES;
- c. Changes in demands in the workforce, transfer rates, job-outs, completers and graduates, and non-completers;
- d. Projected demand for the program in the future;
- e. Changes in class offerings;
- f. Frequency of course section offerings;
- g. Availability of human resources;
- h. FTES generated/FTEF;
- i. Enrollment trends;
- j. Operating cost per FTES;
- k. Student Learning Outcomes Assessment data;
- l. Capital outlay costs/year;
- m. Labor market demand: vocational vs. a vocational; and
- n. Data from the PCCD Course Ranking Index tool.

Given the significant impact that COVID-19 has had on enrollment, Merritt College did not engage in the Program Discontinuance/Consolidation Evaluation Process for the 2019-20 Academic Term. The College will, however, avail ourselves of the process going forward.

### **Establishing a Student Success Infrastructure Plan to Comply with the Student-Centered Funding Formula as Announced by the California Community College Chancellor's Office**

The Student-Centered Funding Formula (SCFF) determines the apportionment for community colleges and uses the metrics related to the base allocation (enrollment), the supplemental allocation (California College Promise Grant, Pell Grant, and AB 540), and the success allocation (completion of certificates, degrees, transfer, transfer-level math and English, and living wage attainment) to dispense funding.

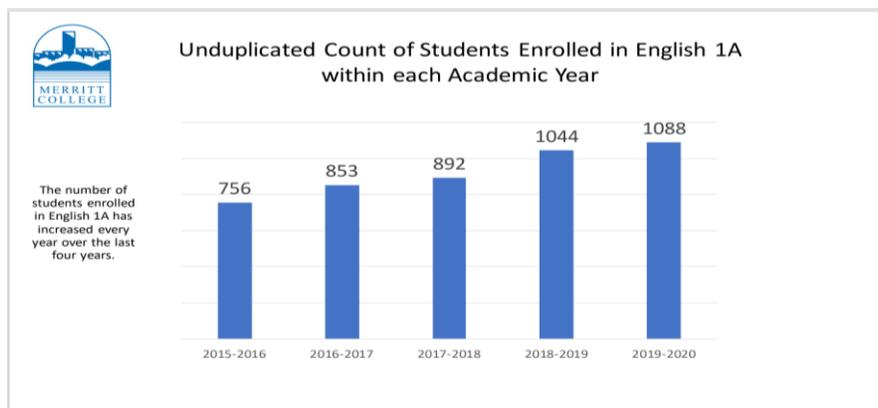
Merritt College is maximizing the supplemental and success portions of the allocation by focusing on the following activities:

- Continuing to increase the percentage of incoming students who enroll and complete transfer-level English and Math within their first two semesters (AB 705).

- Placing the majority of incoming students into a prescribed course of study (Guided Pathways)
- Expanding Curriculum through our Improving Online CTE Pathways Grant
- Implementing the *Merritt Method* for CE Students
- Establishing Associate Degrees for Transfer (ADTs)
- Increasing the Number of Transfer Students to UCs/CSUs
- Hiring a full-time Career Counselor
- Implementing Degree Audit policies and technology
- Increasing the number of students completing the FAFSA and applying for Pell Grants and California College Promise Grants
- Augmenting outreach and academic resources to support the matriculation and success of identified populations (AB 540, underrepresented)

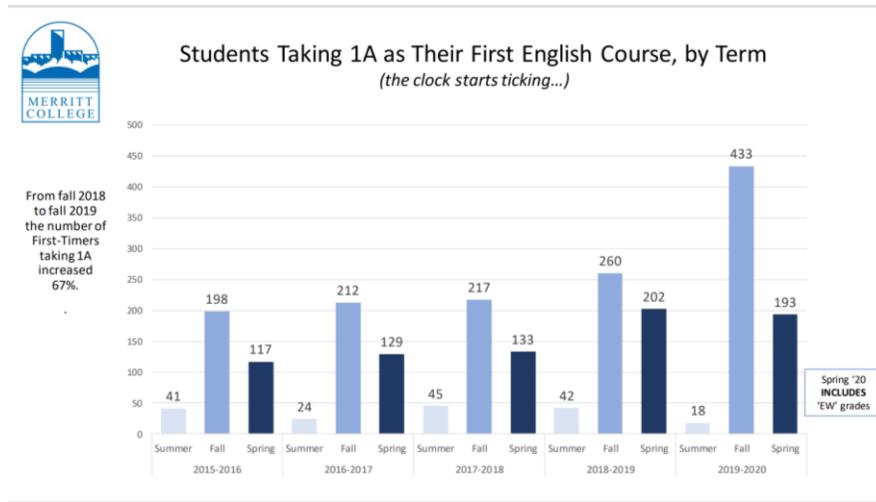
Through strategic course scheduling and directed counseling, Merritt College increased the number of students enrolling in transfer-level English by 22% between the 2017-18 academic term (the year before we implemented AB 705 planning) and the 2019-20 academic term.

**Figure 3. Unduplicated Count of Students Enrolled in English 1A Within Each Academic Year**



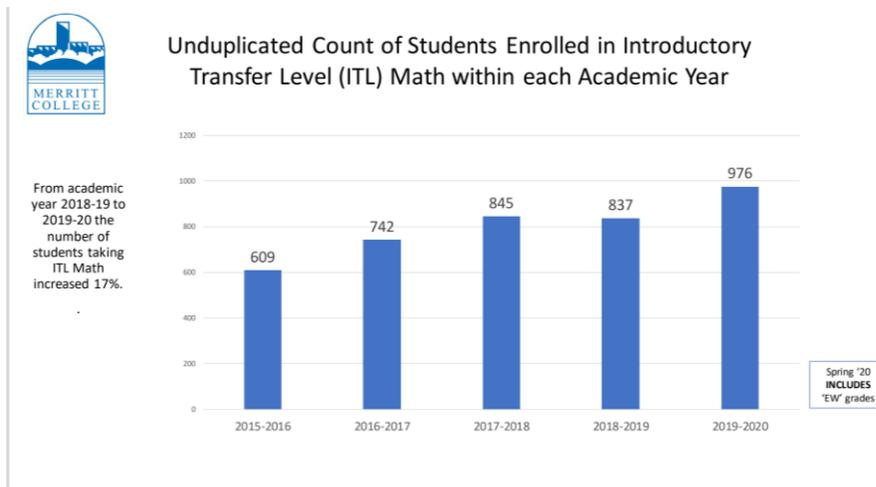
Over that same period of time, there was a 63% increase in the number of students taking transfer-level English as their very first English course.

**Figure 4. Students Taking 1A as Their First English Course, by Term**



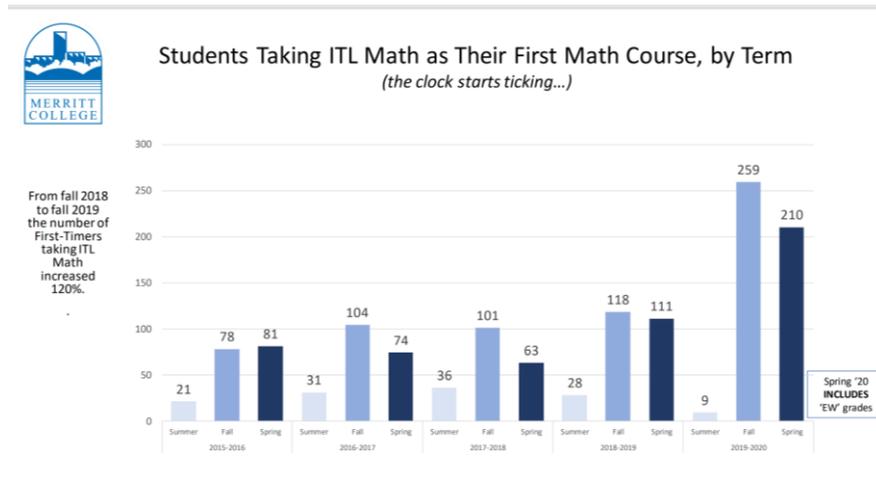
Success rates in English actually remained at pre-AB 705 levels for some of our students, and improved in some semesters. The same trend (but to a lesser degree) prevails with regard to our math course-taking patterns and student success. The number of students taking transfer-level math increased by 15.5% during that 2017/18 to 2019/20 period.

**Figure 5. Unduplicated Count of Students Enrolled in Introductory Transfer Level (ITL) Math within each Academic Year**



But there was an astounding 139% increase in the number of students taking transfer-level math as their very first math course.

**Figure 6. Students Taking ITL Math as Their First Math Course, by Term**

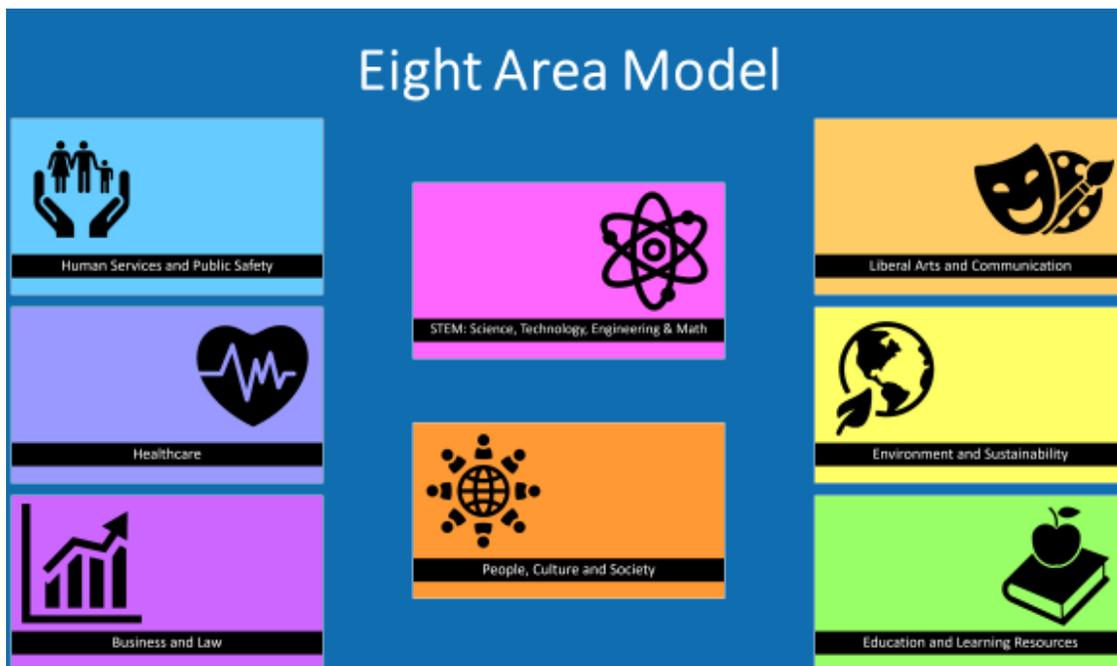


Much of Merritt College’s growth and success can be attributed to the supplemental support courses in English and math that faculty developed, as well as the focused allocation of resources to fund instructional aides and embedded tutors who are trained through the Learning Center. **Merritt College will expand these efforts and expect the completion rate for transfer English and math courses within the first year to improve by five percent, which should yield a \$28,000 increase in our SCFF allocation.**

*(See Document Six: MC AB 705 Data Doc; See Document Seven: MC SCFF Increase in Transfer Level Math and English doc).*

Merritt College’s progress in the areas of Guided Pathways, CE Program Support, and Curriculum Development is integral to increasing the College’s SCFF allocation in the area of Student Success. Through the Guided Pathway Core Team, we have designated Merritt College’s Areas of Interest, which established eight academic and professional pathways for our students to pursue.

**Figure 7. Guided Pathways: Eight Area Model**



This transition will improve completion rates significantly, and reduce dramatically the average of number of credits students take to get their degrees/certificates (this in alignment with the *Vision for Success* plan outlined by the State Chancellor’s Office). Merritt College has also initiated a Code Alignment Project, which has helped the institution address challenges related to leveling courses, defining clear course sequencing patterns, and ensuring that TOP, CIP, SOC, and SAM codes appropriately match the content of the curriculum ([See Document Eight: MC Areas of Interest Guided Pathways](#); [See Document Nine: Merritt College Guided Pathways Plan](#)).

Merritt College is also expanding and revising curriculum in the area of Career Education, as faculty and staff are building new online certificates, credentials and programs from both non-credit and credit courses that will prepare members of our community for living wage employment within a short amount of time. We will continue this effort by analyzing current programs and transitioning to distance education alternatives where appropriate ([See Document Ten: 2019 Merritt College CVC-OEI Application](#)).

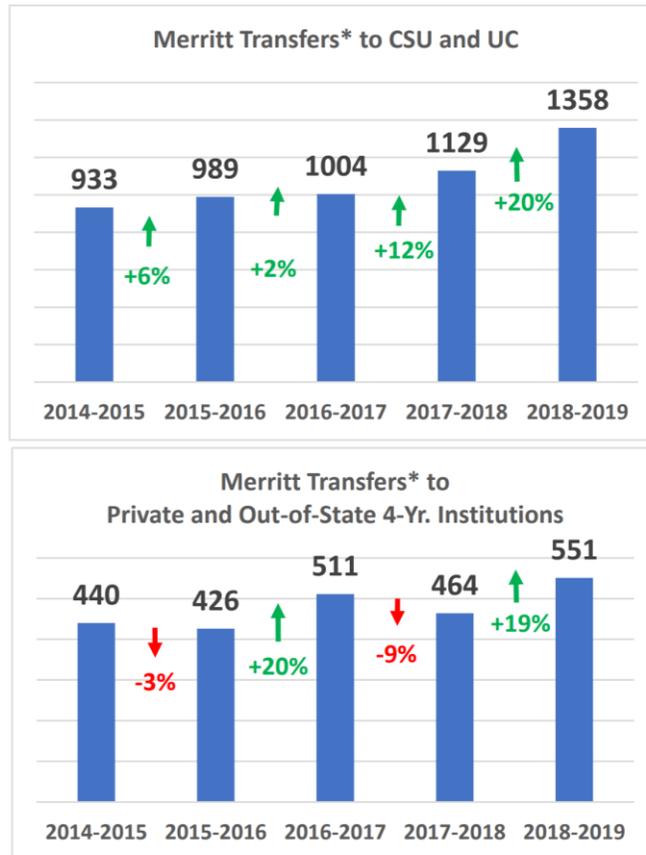
Another strategy that Merritt College is utilizing to increase completion and success rates of CE students is the implementation of the *Merritt Method*. This approach focuses on providing the necessary support to get students through their coursework and then successfully placed in their chosen vocational field. The *Merritt Method* comprises the following components:

- Leveraging Strong Workforce Program and Perkins Grant funding to provide critical wrap-around support for underserved and underrepresented students. This will increase persistence and completion rates for CE programs.

- Placing embedded tutors in CE courses (paid for by Perkins Grant funding and the Measure E Parcel Tax Allocation)
- Hiring more part-time CE Counselors to increase counselor capacity and ensure student completion (this includes outreach to students who are just a few credits shy of completion)
- Providing on-going Professional Development Opportunities for CE Faculty (including equity and diversity training and support for online teaching)
- Increasing student employment in our campus CE Programs (SWP funds have been reallocated to hire more student workers to support CE faculty and serve as liaisons/support for students in CE programs)
- Renewing consultant contracts to support and strengthen CE Program Advisory Boards (including ensuring diversity of membership, frequency and quality of meetings, and that all programs are offering degrees, certificates, and courses that reflect the needs of the current employment landscape)

Merritt College is also developing Associate Degrees for Transfer (ADTs) in several areas where the College offers just the local degree (or no degree at all). Where students have a choice between earning the local degree and earning the ADT, counselors now strongly encourage them to pursue the latter, as this will place them in a more advantageous position when applying to the CSUs. Going forward the estimate is that if students were to earn Merritt ADTs at the same rate as they currently take the local degrees, **Merritt College will be allocated an additional \$90,000 per year under the SCFF** (based on three-year BAM average). Counselors are being trained to apprise students of the advantages of ADT degrees and they will be highlighted on our Guided Pathways webpage. Outreach efforts to high schools identify and focus on seniors who did not get accepted into the four-year universities of their choice. Merritt then markets the ADT degrees as a means for them to become more competitive applicants in the future. The counseling staff make certain to emphasize the economic benefits of this pathway as well, along with the opportunity to receive high quality instruction with the added advantage of equity-focused support services. ([See Document Eleven: MC SCFF ADT Document](#))

**Figure 8. Merritt Transfers to CSU and UC**



**Figure 9. Transfer Destination**

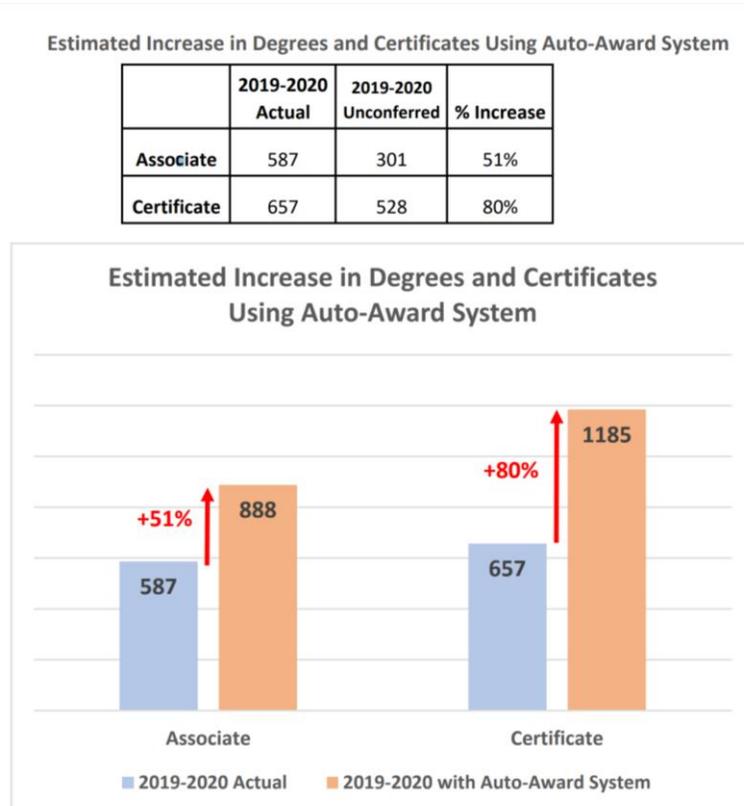
Transfer Destination		
College Name	Count	Percent
CALIFORNIA STATE UNIVERSITY - EAST BAY	788	22.79%
SAN FRANCISCO STATE UNIVERSITY	530	15.33%
UNIVERSITY OF CALIFORNIA - BERKELEY	242	7.00%
UNIVERSITY OF CALIFORNIA-DAVIS	242	7.00%
SAN JOSE STATE UNIVERSITY	118	3.41%
SAMUEL MERRITT CLG-ABSN	90	2.60%
UNIVERSITY OF CAL - LOS ANGELES (LAW)	81	2.34%
CALIFORNIA STATE UNIVERSITY - SACRAMENTO	78	2.26%
<b>Total</b>	<b>3457</b>	<b>100.00%</b>

Merritt College is also working to increase its SCFF Student Success Allocation by focusing on career education and job placement. The College recently hired a Career Counselor to address a long-standing need at the institution. The Career Counselor focuses on delivery of counseling

services to students in order to produce positive and productive outcomes, especially in the area of career development. The Career Counselor leads Merritt College’s efforts to build institutional partnerships with potential employers to promote placement assistance. As the coordinator of career services area, the Career Counselor works closely with the Dean of Allied Health, Public Safety, and Career Education, our Transfer Coordinator, and the Director of Student Activities. Monthly workshops focus on resume building, cover letters, and interviewing skills. The College is currently working with an online platform to have a virtual career fair for Spring 2021, and plans are underway to establish a Career Closet on campus, so that students can dress appropriately for interviews and job assignments. Finally, this position manages the Merritt Hub (an online resource that connects students directly with our Career Education programs, student services, and career center support staff). **Through these combined efforts our goal is to increase the number of students who earn career education certificates by 10% over the next three years and by 50% over the next ten years.**

In the next year Merritt College anticipates increasing significantly the number of degrees and certificates students earn, as the District is implementing software that will allow the institution to “auto award.” The College is also employing degree-audit software that will enable us to more easily identify students who may not realize that they have all but completed their graduation requirements. Using the 2019-20 academic year data as a baseline, Merritt forecasts a **51% increase in the number of degrees awarded**, and an **80% increase in the number of certificates conferred**.

**Table 8 and Figure 10. Estimated Increase in Degrees and Certificates Using Auto-Award System**



By adopting this simple procedure and conferring the credentials that students have rightfully earned, **Merritt College is affirming their hard work and securing as much as \$400,000 in additional funding.**

**Table 9. Number of 2019-2020 Students Who Completed Requirements for Degrees or Certificates but Were Not Conferred, and Maximum Possible Additional SCFF Funding**

**Number of 2019-2020 Students who Completed Requirements for Degrees or Certificates in the Same Year, but were not Conferred, and Maximum Possible Additional SCFF Funding**

<b>Award Type</b>	<b>Count</b>	<b>Pell Grant Recipients (Estimate)</b>	<b>Grant Recipients (Estimate)</b>	<b>SCFF Funding Rate</b>	<b>SCFF Funding Add Pell</b>	<b>Funding Add Promise</b>	<b>SCFF TOTAL</b>	<b>Merritt's BAM Share (x 25.52%)</b>
AA	48	29	37	\$1,167	\$635	\$423	\$90,045	\$22,979.57
AAT	9	5	7	\$2,236	\$846	\$564	\$28,628	\$7,305.80
AS	41	24	32	\$1,167	\$635	\$423	\$76,914	\$19,628.38
AST	203	121	158	\$2,236	\$846	\$564	\$645,715	\$164,786.41
CA	2	1	2	\$1,118	\$423	\$283	\$3,182	\$812.15
CA1	28	17	22	\$1,118	\$423	\$283	\$44,554	\$11,370.15
CA2	12	7	9	\$1,118	\$423	\$283	\$19,095	\$4,872.92
CP	486	290	379	\$1,118	\$423	\$283	\$773,328	\$197,353.35
<b>TOTAL</b>	<b>829</b>							<b>\$429,108.74</b>

In an effort to increase the number of students applying for financial aid, Merritt College is implementing “inreach” efforts that incorporate virtual office hours and the creation of a financial aid presentation request form. The Division of Student Services is also now employing translation services to reach diverse language speakers to support and increase enrollment. The Financial Aid Office collaborates with the Outreach Department to leverage relationships established between campus programs and community partners. For example, the Financial Aid Office facilitated a session in the California Student Aid Commission 2019 Annual Statewide Financial Aid Workshop series. Merritt College also hosted the OUSD High School Seniors & Parents Cash for College workshop, with flyers provided in English and Spanish. Finally, the Financial Aid Office provides ongoing support to programs such as Sankofa, First Year Experience (FYE), CalWORKs, Counseling and Student Accessibility Services (SAS), and athletics.

To increase Merritt College’s number of students awarded the California College Promise and Pell Grants, the Financial Aid office is collaborating with the Institutional Research Office to identify students who have applied for FAFSA or California Dream Act Applications but have not yet submitted pertinent documents to complete the application process. For example, Merritt College had a total of 5495 students apply to financial aid for the 2018-2019 academic year, but there were 1324 students who did not complete the application process. To address this disparity, Merritt hired a Financial Aid Director in early 2020, and that has made a tremendous difference in reducing the number of incomplete applications (in 2019-20 a total of 5131 students applied for financial aid but the number of incomplete applications dropped to 757). In an effort to

eliminate incomplete applications altogether, the College is hiring a Financial Aid Officer to lead workshops, coordinate virtual office hours, and schedule follow-up appointments with students to collect outstanding documents and reconcile data discrepancies.

**Table 10. Financial Aid Application Data**

SCFF Metrics	2017-18	2018-19	2019-20	% diff from prior year	2020-21 Goal	2020-21 Stretch Goal
CA Promise Grant	5418	5644	4644	-17.70%	5000	5200
Pell Grant	1575	1367	1234	-9.70%	1350	1500
AB540	178	138	141	2.10%	150	170

SCFF Supporting Activities	2018-19	2019-20	% diff from prior year	2020-21	2020-21 Goal
Financial Aid Applications (FASFA)	5495	5131	-6.60%	2963	5200
Incomplete FAFSA Applications	1324	757	42.80%	624	320
CA Dream Act Applications	250	262	5%	390	320

In August 2020, Merritt also the launched the Financial Aid Chatbot, which has averaged about 200 student interactions per week since its inception. The Chatbot responds immediately to student financial aid questions 24/7, and has the capability to communicate in English, Spanish, and basic Mandarin and Cantonese ([See Document Twelve: Merritt Board Report 9/15/20 Doc](#)).

To increase the SCFF Supplemental Allocation, as well as to attract, support, and graduate more underrepresented and AB 540 students, the College recently committed \$40,000 to funding the Merritt College Website Improvement Project ([See Document Thirteen: Lyra Website Design](#)). Merritt College is also in the process of hiring a Web Content Developer. The focus of these efforts is to enable Merritt to more effectively market the institution to the community in general and to marginalized/underserved populations in particular. The goal is to attract greater numbers of AB 540, low-income, and underrepresented students to our campus by disseminating targeted information regarding Promise and Pell Grants, DACA legal services, and learning communities.

Merritt College has also committed significantly more resources in the 2020-21 academic year to learning communities and support services to ensure these students are successful once they arrive. As noted in the 2020-2022 Parcel Tax Expenditure Plan, the college is committing nearly 250K per year from Measure E to fund activities/personnel in the First-Year Experience (FYE), Puente, Sankofa, and Veterans programs. The College expects to increase the success and completion rate of these students by 40% over the next five years.

## Establishing Guidelines to Reduce Operation Overspending and Eliminate the Structural Deficit

Merritt College has implemented several measures to address the issues of operational overspending and the structural deficit. Making certain that the college adheres to its FTEF Allocation from the District (based on the Budget Allocation Model) has been a critical step forward. The Fall 2019 term marked the first semester that the Office of Instruction apportioned FTEF to each department strictly based upon past student enrollment patterns and productivity. Prior to that, it was not uncommon for the college to simply “roll the schedule over,” and as a result exceed its District Allocation by as much as five FTEF in a semester. But since implementing this new approach Merritt has consistently come in under its FTEF allocation, thereby saving the District hundreds of thousands of dollars over the past year. For the Fall 2019 semester, for example, this scheduling approach had the College 11.52 FTEF below the District Allocation, and for the Fall 2020 semester Merritt is currently 6.07 FTEF below the District allocation (see charts below). **As a result, the cost savings to the District for those two semesters alone exceeded \$1M.**

**Table 11. Fall 2019 FTEF Allocation (Merritt Data points are in the fourth column)**

	Nonresident FTES Actual	23.61	42.57	58.38	17.36	141.92
	Total FTES Actual	349.83	425.81	697.30	439.01	1,911.95
	FTEF allocation	23.49	25.77	44.83	28.06	122.14
	FTEF Staffed	23.34	29.57	49.51	28.82	131.24
	FTEF Unstaffed					
	Productivity	14.99	14.40	14.08	15.23	14.57
	Dual Enrl Sections	2	1	2	2	7
	Dual Enrl FTES	2.00	1.61	10.35	11.44	25.40
	Dual Enrl FTEF	0.19	0.20	0.60	0.57	1.57
Fall 2019	Resident FTES Target	1,471.05	1,614.15	2,807.55	1,757.25	7,650.00
	Resident FTES Actual	1,325.54	1,424.85	2,765.63	1,760.95	7,276.97
	Resident FTES Deficit	-145.51	-189.30	-41.92	3.70	-373.03
	Resident FTES % of Target	90.11	88.27	98.51	100.21	95.12
	Nonresident FTES Actual	88.87	180.44	233.87	65.51	568.69
	Total FTES Actual	1,414.41	1,605.28	2,999.50	1,826.47	7,845.66
	FTEF allocation	105.70	115.97	201.72	126.25	549.64
	FTEF Staffed	95.22	105.80	210.38	114.73	526.12
	FTEF Unstaffed					
	Productivity	14.85	15.17	14.26	15.92	14.91
	Dual Enrl Sections	12	4	16	26	58
	Dual Enrl FTES	28.37	12.20	47.43	94.91	182.91
	Dual Enrl FTEF	2.29	0.87	3.43	6.07	12.66
Spring 2020	Resident FTES Target	1,471.05	1,614.15	2,807.55	1,757.25	7,650.00
	Resident FTES Actual	1,375.56	1,466.48	2,630.47	1,615.40	7,087.92
	Resident FTES Deficit	-95.49	-147.67	-177.08	-141.85	-562.08
	Resident FTES % of Target	93.51	90.85	93.69	91.93	92.65
	Nonresident FTES Actual	93.40	198.91	216.30	62.35	570.96
	Total FTES Actual	1,468.96	1,665.40	2,846.77	1,677.75	7,658.87
	FTEF allocation	92.47	101.46	176.47	110.45	480.85
	FTEF Staffed	100.60	112.76	188.71	111.43	513.50

**Table 12. Fall 2020 FTEF Allocation (Merritt Data points are in the fourth column)**

	Resident FTES Actual	292.34	353.93	575.03	362.98	1,584.28
	Resident FTES Deficit	-7.96	29.03	-27.57	-9.22	-15.72
	Resident FTES % of Target	97.35	108.93	95.43	97.52	99.02
	Nonresident FTES Actual	16.80	32.87	41.89	13.68	105.23
	Total FTES Actual	309.14	386.80	616.92	376.66	1,689.52
	FTEF allocation	18.50	21.40	37.60	22.60	100.10
	FTEF Staffed	18.78	25.08	39.44	22.31	105.62
	FTEF Unstaffed					
	Productivity	16.46	15.42	15.64	16.88	16.00
	Dual Enrl Sections	0	1	6	1	8
	Dual Enrl FTES	0.00	1.67	5.49	0.90	8.05
	Dual Enrl FTEF	0.00	0.07	0.40	0.07	0.53
Fall 2020	Resident FTES Target	1,351.40	1,461.90	2,711.80	1,674.80	7,200.00
	Resident FTES Actual	1,027.40	1,340.25	2,050.65	1,416.01	5,834.30
	Resident FTES Deficit	-324.00	-121.65	-661.15	-258.79	-1,365.70
	Resident FTES % of Target	76.02	91.68	75.62	84.55	81.03
	Nonresident FTES Actual	71.66	150.96	189.84	82.17	494.62
	Total FTES Actual	1,099.05	1,491.21	2,240.49	1,498.17	6,328.93
	FTEF allocation	83.20	96.20	169.20	101.60	450.30
	FTEF Staffed	77.00	99.60	174.54	95.16	446.30
	FTEF Unstaffed			2.15	0.37	101.60
	Productivity	14.27	14.97	12.84	15.74	14.18
	Dual Enrl Sections	15	17	29	26	87
	Dual Enrl FTES	40.80	77.93	74.58	93.37	286.67
	Dual Enrl FTEF	3.13	4.07	6.31	6.19	19.70
Spring 2021	Resident FTES Target	1,351.40	1,461.90	2,711.80	1,674.80	7,200.00
	Resident FTES Actual	0.00	0.00	0.00	0.00	0.00
	Resident FTES Deficit	-1,351.40	-1,461.90	-2,711.80	-1,674.80	-7,200.00
	Resident FTES % of Target	0.00	0.00	0.00	0.00	0.00
	Nonresident FTES Actual	0.00	0.00	0.00	0.00	0.00

Over this past year, Merritt College has also worked through the participatory governance processes to revise our [Integrated Planning and Budget Administrative Procedures](#), and our [Program Review/Annual Program Update processes](#). The revisions reflect the College’s commitment to providing critical information in a timely and accurate manner so as to ensure fiscal accountability. Merritt College recognizes that to ensure funds are allocated and spent in alignment with the College Mission, institutional priorities, and District guidelines, solid and consistent linkages between program and fiscal planning by employing data-driven decision making must be established. The new IPB Model enables the College to do this more effectively going forward. ([See Document Fourteen: Integrated Planning and Budgeting AP](#); [See Document Fifteen: APU Template](#)) The Business Office is also in the process of reviewing (and updating where appropriate) the 2017 Merritt Business Operations Manual. ([See Document Sixteen: MERRITT BUS OPERATIONS](#)). The College has used this manual along with District Materials to provide ongoing trainings regarding purchasing, account payable, account receivables, purchase order/requisitions, and personnel action forms to minimize financial and accounting errors that have cost the college hundreds of thousands of dollars over the past several years. ([See Document Seventeen: 2020-21 PROCESS IMPROVEMENT POWERPOINT](#))

### **Adopting a Board Policy to Adopt Sustainable Fund Balances and Reserves**

In accordance with PCCD Board Policy 6250 and Administrative Procedure 6250, the District is required to maintain a minimum 10% of unrestricted fund balance for every fiscal year. Each February the Board gives direction for budget development to include resource allocation projections that set levels for Reserve for Contingency, Workers’ Compensation Reserve, and

any special project reserve. When the unrestricted ending fund balance falls below 10%, the District adopts a plan to replenish it to 10% within one year. When the unrestricted fund balance exceeds 10%, balances in excess may be set aside for reserves, investment in one-time expenditures, or appropriation to a major budget classification upon a resolution of the PCCD Board of Trustees.

In October 2020, Merritt College submitted a two-year Parcel Tax Usage Plan to the District Participatory Governance Council and the District Planning and Budget Committee in compliance with fiscal policies and procedures outlined in BP/AP 6741 (which detail the new parcel tax funding process). The plan outlines how dollars received from the parcel tax (approximately \$2 million dollars per year for Merritt College) are spent strictly on classroom instruction, counseling, and student success activities as outlined in AP 6471. These expenditures are linked to specific Student Success Metrics and Merritt College Strategic Priorities, PCCD Strategic Goals, and the California Community College Chancellor's Office *Vision for Success*. ([See Document Eighteen: Merritt College PARCEL TAX Expenditure Plan](#)).

### **Adopting a Restructuring Plan to Improve Efficiencies and Accountability at the District Office and Colleges**

In this past year, Merritt College has significantly bolstered its administrative structure to ensure efficiency and accountability. Historically, the institution has experienced excessive administrative turnover, and often functioned without a sufficient number of managers. In November 2019, for example, the College was operating with just four managers on site—the acting president, two deans, and one director. Clearly, this limited Merritt's ability to effectively oversee departments and divisions, manage projects, meet key deadlines, and quickly respond to student, staff, and faculty needs. What Merritt College has been able to accomplish over the past several months in terms of rebuilding the administrative team, however, is quite remarkable. Since January 2020, Merritt College has filled a total of nine administrative posts: President; Vice President of Student Services; Vice President of Instruction (interim); Dean of Counseling; Dean of Allied Health and Public Safety; Dean of Humanities and Social Sciences (interim); Director of Planning and Research; Director of Financial Aid; and Director of Student Activities and Campus Life.

Merritt College is also focused on an organizational restructure plan in two areas. The process is underway for hiring a Dean of Enrollment Services to ensure greater coordination, integration and supervision of student admission and enrollment, registration, records policies and services, and outreach. The expectation is that bolstering this area of the institution will lead to more students finding their way to Merritt College, signing up for courses, and earning their degrees/certificates (which will increase our SCFF supplemental and success allocations). To offset the financial impact of bringing on this new dean, the College is eliminating the Dean of Special Programs position and using those funds to cover the costs. The College is also reorganizing the Business Services Department and recruiting for the new position of Vice President of Administrative Services. The importance of this role for Merritt College cannot be

overstated. **It reflects a clear commitment to eliminating long-standing fiscal and compliance issues as a college, as well as better managing our facilities and capital projects.** Merritt College has determined that the Director of Business and Administrative Services role that it currently employs is insufficient to meet the complex and varied needs of the institution, so it is being eliminated in favor of the VPAS position. This move will help to significantly underwrite the costs of this new position, and will bring us into alignment with the administrative structure that many community colleges in the state employ. ([See Document Nineteen: Merritt Org Chart](#))

### **Addressing All Audit Findings**

Over the last year, Merritt College has worked diligently to address the only major pending audit finding. The Minority Serving and Under Resourced Schools Division (MSURSD) of the United States Department of Education conducted a virtual Financial Aid Assessment of Merritt College from September 8-10, 2020. The purpose of the virtual visit was for them to check the progress the College had made since their last visit in March 2019. At that time, the MSURSD Team made a total of twelve recommendations that required corrective actions pertaining to several areas in our Financial Aid Department. Merritt College is pleased that during the most recent MSURD visit, the team concluded that all twelve of the recommendations have been adequately addressed. MSURD did suggest, however, that Merritt College could improve in three areas: Return of Title IV Funding in a more efficient and timely manner; Revise our Satisfactory Academic Progress Policy to ensure that grades are submitted on time (as delay has an impact on student financial aid eligibility); and Implement a Comprehensive, Written Process for Reconciliation. ([See Document Twenty: Merritt Response to DOE Financial Aid Doc](#))

### **Establishing Strategies to Improve the Management of the OPEB Debt**

Specific information related to the management of the Other Post-Employment Benefits (OPEB) Debt is delineated in the District Narrative section of this report.

### **Providing an Executive-Level Staff Turnover Analysis and Recommendations to Retain these Staff at the District**

Merritt College has experienced significant executive turnover over the last few years. The cause for this has been attributed to a broad range of reasons, including health considerations, retirement, and managerial styles that have not been in alignment with a strong, positive institutional culture that the current administration is striving to maintain. It is encouraging, however, that the College is no longer having difficulty attracting strong and effective executive leadership. Over the past year the administrative positions that were formerly vacant have been filled. The individuals that now occupy these positions are highly motivated and dedicated to the success of the institution. Strategies to retain these staff are currently being implemented. They include: modeling effective executive leadership and accountability, solution-based team

building, and equity-focused hiring practices. Merritt College has also participated in and hosted a series of District Administrative Leadership Team meetings, management retreats, and fitness and wellness seminars. On October 2, 2020, the President's Cabinet completed two critical trainings: Communication, Cultural Competence and Team Building.

Professional development that is aimed at preparing mid-level administrators to assume future roles as executives is also a priority at Merritt College, as there is an understanding that managers who are effectively trained and groomed for senior leadership roles (even while they are at the director and dean level) are more likely to consider the College and the District as viable long-term options when professional advancement opportunities arise. At the request of the President, the Vice Chancellor of Human Resources conducted two managerial trainings specifically for Merritt College administrators, and two more are scheduled for this fall. This past summer the deans were supported in attending community college administrative leadership conferences, and internal budget trainings were held for all managers. This emphasis on professional development not only provides administrators with the opportunity to learn how to perform better in their current roles, but to acquire new skills that will help prepare them for further career advancement. Consequently, there are several examples this past year of internal promotions at Merritt College. Two of the instructional deans formerly held faculty positions and the third dean served in a director position at the District. The Director of Student Activities and Campus Life was formerly a classified professional staff member (and prior to that she was a Merritt College student). The Vice President of Student Services was promoted from a dean position at the College, and the Acting Vice President of Instruction worked as a dean at a sister institution. These internal hires bring with them the invaluable benefit of institutional memory, and a working familiarity with Peralta processes, procedures and culture. They promotions also illustrate to others that aspire to administrative work that advancement within the College is possible.

## **APPENDIX A—LIST OF EVIDENCE**

- Document One: Merritt Strategic Enrollment Management Plan
- Document Two: CCAP Dual Enrollment, 2018-19 OUSD File
- Document Three: CBT Phase II Document
- Document Four: Summer-Fall 2020 Schedule
- Document Five: Block Scheduling Document
- Document Six: Merritt College AB 705 Data
- Document Seven: SCFF Increase in Transfer-Level Math and English Document
- Document Eight: Guided Pathways Areas of Interest
- Document Nine: Merritt College Guided Pathways Plan
- Document Ten: 2019 CVC-OEI Application
- Document Eleven: Merritt College SCFF ADT Document
- Document Twelve: Merritt Board Report- 9/15/20
- Document Thirteen: Lyra Website Design Proposal
- Document Fourteen: Merritt College Integrated Planning and Budgeting Administrative Procedure
- Document Fifteen: Annual Planning Update Template
- Document Sixteen: Merritt Business Operations Manual
- Document Seventeen: 2020-21 Merritt College Process Improvement Power Point Presentation
- Document Eighteen: Merritt College Parcel Tax Expenditure Plan
- Document Nineteen: Merritt College Organizational Chart
- Document Twenty: Merritt College Response to DOE Financial Aid Audit Findings

## APPENDIX B—MERRITT SCHEDULE DEVELOPMENT DOCUMENT



# MEMORANDUM



## OFFICE OF THE VICE PRESIDENT OF INSTRUCTION

DATE: December 2, 2019

TO: Department Chairs, Program Directors, Division Deans

FROM: David M. Johnson, Vice President of Instruction

SUBJECT: Summer and Fall 2020 Schedule of Classes

Please find attached the Summer and Fall 2019 schedule of classes, which will serve as a guide in the development of our upcoming schedule. For the Summer 2020 term, please schedule your classes on Monday through Thursday only (unless you have a compelling reason to offer a Friday/Saturday/Sunday course). You should also avoid scheduling any Fall 2020 classes during the college hour, which is every Tuesday from 12:30-1:30pm. Following the Block Scheduling Pattern is also critical, and while we may need to make some exceptions (lab classes or cohort based instruction) adhering to it will allow us maximize course access for students. You may also want to avail yourself of the Peralta Online Scheduling Tool (POST), to see how your counterparts across the District scheduled their classes last summer and fall semesters. This can help us avoid scheduling department courses on the same days and at the same times.

All course additions should be noted on the Schedule Planning Form. Please provide addresses for all off-campus classes. An instructor's email address and orientation date/time must accompany all online and hybrid courses. If you are deleting a course from the schedule, please draw a line across the entire course title and meeting times. Noting the maximum class enrollments and indicating which vocational classes are to be locked based on admission requirement would be helpful as well.

Finally, in thinking about your schedule for the summer and fall semesters please bear in mind that Merritt College's FTEF allocation will be 5.46 FTEF less than it was for Summer 2019 and 8.85 FTEF less than it was for Fall 2019. This FTEF reduction is the result of declining enrollment (please note that the District has said that it will exclude dual enrollment courses from the FTEF allocation). To ensure that we do not exceed our District allocation, the deans and I will calculate and allot an FTEF allocation for each department. As long as programs and departments stay within the respective allocations, chairs and directors can make whatever scheduling recommendations they deem appropriate. We should have the allocations to you in the next week or so (but you can still begin drafting your schedules in the meantime).

After you have completed your staffing recommendations, changes in meet times, days, dates, etc. please return the draft schedules to your Division Dean's Office on Thursday, December 19, 2019 for review and approval. Department Chairs/Program Directors—please remember to recommend a full teaching load to contract faculty before proposing hourly assignments in a discipline. Division Deans: Please return the schedule and Schedule Planning Form with added classes to the Office of Instruction on Monday, January 6, 2020.

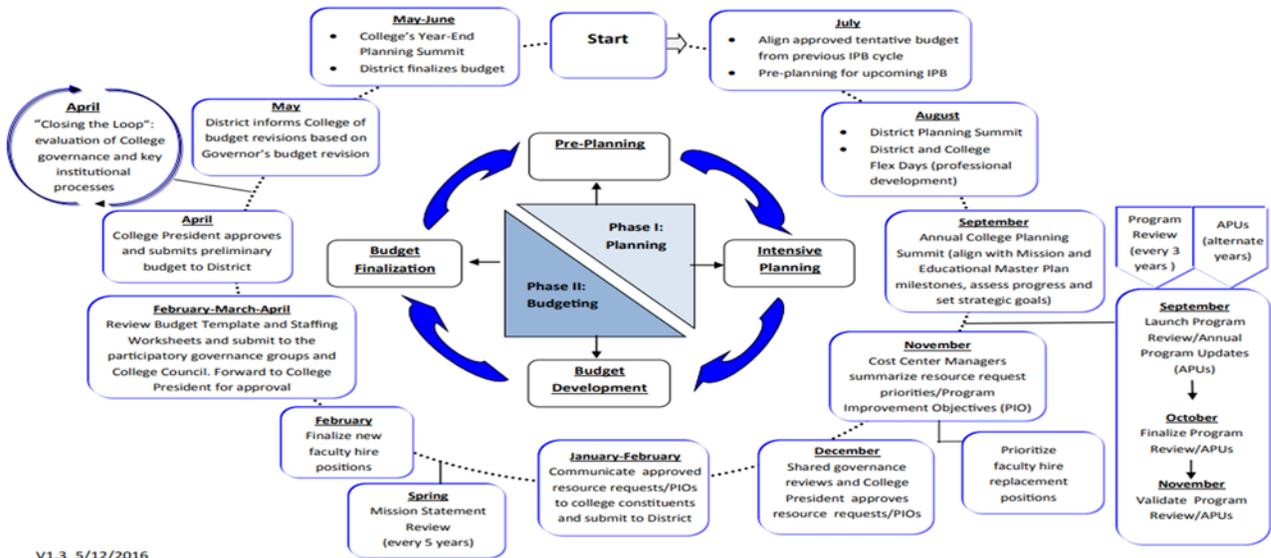
cc: President Marie-Elaine Burns  
Dean Lilia Chavez  
Frances Moy, DSPS Coordinator (*with attachments*)

APPENDIX C—MERRITT COLLEGE INTEGRATED PLANNING AND BUDGET MODEL

# Merritt College Integrated Planning & Budget (IPB) Model

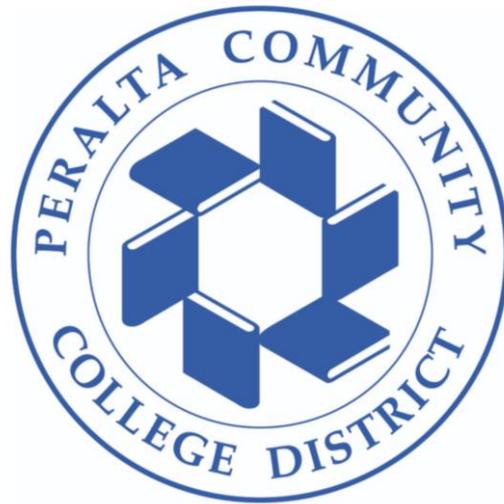


Merritt College  
Integrated Planning and Budgeting (IPB) Model  
Overview of Annual IPB Cycle



V1.3\_5/12/2016

**PART II: Peralta Community College District Response to The January 27,  
2020 Commission Letter**



In response to the Accrediting Commission for Community and Junior Colleges, (ACCJC or Commission) letters of January 25, 2019<sup>1</sup> (January 2019 Letter), the Peralta Community College District (PCCD) Colleges were to inform the Commission of their actions relative to the following eight points:

1. Establishing FTES Targets and Enrollment Management Plans
2. Establishing a Student Success Infrastructure Plan to comply with the Student-Centered Funding Formula as announced by the California Community College Chancellor's Office
3. Establishing guidelines to reduce operational overspending and eliminate the structural deficit
4. Adopting a Board policy to adopt sustainable fund balances and reserves
5. Adopting a restructuring plan to improve efficiencies and accountability at the District office and the colleges
6. Addressing all audit findings
7. Establishing strategies to improve the management of the OPEB debt
8. Providing an executive-level staff turnover analysis and recommendations to retain these staff at the District

PCCD submitted a Special Report titled "*Peralta Community Colleges Integrated Financial Plan 2019-2024, A Living Document*"<sup>2</sup> to the commission on December 2, 2019 (PCCD 2019 Special Report). The purpose of the PCCD 2019 Special Report was to address the eight points noted in the January 25, 2019 Commission letters to Merritt College, Berkeley City College, Laney College, and College of Alameda (Colleges). In response to the PCCD 2019 Special Report, the Commission issued letters to each of the colleges on January 27, 2020, imposing probation on them.<sup>3</sup>

The January 27, 2020, ACCJC letter stated that the Commission found the PCCD 2019 Special Report had six deficiencies and findings:

"It is not evident from the special report that the College/District has addressed foundational issues which have bearing on its fiscal health; this includes:

1. A continued structural deficit
2. Lack of adherence to Board policies and administrative procedures
3. Deficiency in reconciliation and financial control issues
4. Lay staffing issues
5. Its OPEB obligations
6. Ongoing unaddressed audit findings."

Additionally, the January 27, 2020 Commission letter to the colleges stated:

- "In several areas of the Special Report, the College/District has responded with corrective intent, but no evidence was provided that corrective actions are being implemented to address the noted deficiencies."
- "The special report lacks the organizational structure, clarity and specificity of content."

Each of the six deficiencies is addressed here by providing evidence and brief statements of corrective actions that PCCD has taken to improve or remedy them. The structure of these responses is designed to refer to each of the Commission's above statements of deficiency individually, and utilize a related standard from the [\*ACCJC Guide to Institutional Self-Evaluation, Improvement, and Peer Review, January 2020 Edition\*](#) as evidence of meeting the standard. It is also important to note that Item 7 in the January 2019 letter (Establishing strategies to improve the management of the OPEB debt) is addressed within the response in five of the six deficiencies.

## A continued structural deficit – ACCJC Standard III.D.2

Standard III.D.2: The institution’s mission and goals are the foundation for financial planning, and financial planning is integrated with and supports all institutional planning. The institution has policies and procedures to ensure sound financial practices and financial stability. Appropriate financial information is disseminated throughout the institution in a timely manner.

Evidence for compliance with Standard III.D.2 includes budgeted or planned fiscal expenditures that have supported or will support the achievement of institutional plans or goals. Minutes from any governance group when institutional planning and financial planning are connected or coordinated serve as evidence as well.

- a. To show that PCCD has continued to address its financial strength, please refer to PCCD’s FCMAT Initial Risk Assessment Ratings that indicate a significant decrease in financial risk. The percentage was originally set at over 60%<sup>4</sup> but is now at a stable FCMAT Risk Assessment Rating in May 2020 of less than 6%.<sup>5</sup>
- b. To show that PCCD’s net position has strengthened, please see the 2019 Audit Report.<sup>6</sup> The issue is with the net position of the District’s finances. “The Statement of Revenues, Expenses, and Changes in Net Position presents the financial results of the District’s operations, as well as its non-operating activities. The distinction between these two activities involves the concepts of exchange and non-exchange. Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. For example, student payment of tuition fees is considered an exchange for instructional services. The receipt of state apportionments and property taxes, however, does not include this exchange relationship between the payment and receipt of specified goods or services. These revenues and related expenses are classified as non-operating activities. *It is because of the methodology used to categorize between operating and non-operating, combined with the fact that the primary source of funding that supports the District’s instructional activities comes from State apportionment and local property taxes, results in a net operating loss for the District’s operations* [italics added], p. 9.”
- c. To demonstrate PCCD’s adherence to participatory governance, please see the evidence from participatory governance groups that engage in evaluating PCCD’s financial health.<sup>7,8</sup>
- d. To demonstrate PCCD’s attention to its long-term health and viability, the Board of Trustees adopted an update to the Five Year Integrated Financial Plan on November 19, 2019.<sup>9</sup>
- e. To demonstrate the change from 2019/20 Adopted Budget (which used funds from the ending fund balance<sup>10</sup>) please note that the Adopted Tentative Budget for 2020/2021 presented a balanced budget.<sup>11</sup> Because of the COVID-19 pandemic, the State Chancellor’s Office issued Executive Order 2020-06<sup>12</sup> to allow for districts to adopt the final budget by October 30, 2020. A draft of the Final Adoption Budget was shared with

the Board of Trustees on September 15, 2020 as a first reading.<sup>13</sup> The Final Draft Adoption Budget was shared with the Board of Trustees for a second reading on October 13, 2020, and was approved on October 27, 2020.<sup>14</sup>

- f. Understanding that the District operates in a COVID-19 Pandemic environment, as well as in one that is macro-economically situated in shifting demographic patterns for college attendance, the District has contracted with [Cambridge West Partnerships](#)<sup>15</sup>. They will assist with data integrity and systems in support of the Student Centered Funding Formula metrics, and help the District plan to avoid negative consequences of the end of the hold harmless provision.<sup>16</sup>
- g. The District has an outdated budget allocation model that needs to be revised. Revising this model will be part of the work of the various participatory governance groups over the upcoming academic year, with the goal of refining the structure of the governance process, and recommending a revised the budget allocation model to the chancellor.<sup>17</sup>
- h. The human resources department is in negotiations with the collective bargaining units to consider an early retirement program. If accepted, the program would begin in late 2020 and extend into 2021.
- i. The District has continued to closely adhere to the full-time faculty hired with the Faculty Obligation Number from the State Chancellor’s Office (with consideration of the total FTES and productivity targets).
- j. Enrollment management procedures will include using quantifiable data and calculations to align productivity with FTES, and will take into consideration all faculty on special assignment and sabbatical).<sup>18</sup>

### Lack of adherence to Board policies and administrative procedures – ACCJC Standard III.D.3

Standard III.D.3: The institution clearly defines and follows its guidelines and processes for financial planning and budget development, with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.

Evidence for compliance with Standard III.D.3 includes: procedures that define guidelines and processes for financial planning and budget development; minutes from finance or budget committee meetings verifying that established financial planning and budget development processes are followed; a roster of a finance or budget committee; documented budget development process that identify responsible parties for steps in the planning process, and ascertains opportunities for input from constituencies; a documented timeline of institutional planning coordinated with the budget development process, including reporting deadlines for various types of reports to or reviews with different audiences.

- a. To demonstrate PCCD's adoption of Board policies and administrative procedures relative to financial planning, please see Board Policy 2410 and Administrative Procedure 2410 (Policy Development and Procedures).<sup>19</sup>
- b. To demonstrate PCCD's regular adherence to Board policies and processes for integrated planning and budget development, please see the planning and budget calendar,<sup>20</sup> the Board approved budget development calendar,<sup>21</sup> and the minutes, agendas, and calendars from the Planning and Budget Council/Planning, Budget and Integrated Model meetings.<sup>22</sup>

## Deficiency in reconciliation and financial control issues – ACCJC Standard III.D.5

Standard III.D.5: To assure the financial integrity of the institution and responsible use of its financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making. The institution regularly evaluates its financial management practices and uses the results to improve internal control systems.

Evidence for compliance with Standard III.D.5 includes: policies or procedures for internal control mechanisms; policies or procedures for purchasing; budgets, financial reports, audit reports presented to the campus and to the Board; reports of decisions for financing or allocation of resources presented to the campus community or constituent groups; monthly, quarterly, or other reports of revenues and expenditures.

- a. To demonstrate PCCD's sufficiency in reconciliation and financial control issues, the District hired a full-time employee as Internal Auditor in April 2020.<sup>23</sup>
- b. The District continues to enforce internal controls through its technology applications, and contracted with Oracle to complete a comprehensive system upgrade at the May 29, 2020 – Special Meeting of the Board of Trustees.<sup>24</sup>
- c. To demonstrate PCCD's public presentation of financial reports, please see cash flow and budget to variance reports presented to the Board of Trustees on May 26, 2020 and July 28, 2020.<sup>25</sup> The finance department will present financial statements to the Board quarterly.
- d. PCCD's Audit Reports are readily available and demonstrate financial controls.<sup>26</sup>
- e. PCCD's policies and procedures for internal closing and control mechanisms have been disseminated and applied.<sup>27</sup> However, the District will make changes to ensure that there are adequate controls to Financial Aid. For the current fiscal year, the District expects to have a repeat audit finding for internal control in this area. The District lacks a formal review process regarding student loan reconciliation, review of student selection for awards packages, and the COD versus the student information system. Two actions have been taken to address this finding. One was to move the financial aid reporting structure under the purview of Finance and Administration (effective October 16, 2020). The

second action was to recommend to the Board of Trustees that an Audit and Finance Subcommittee be established.

## Key staffing issues – ACCJC Standard IV.B.2

Standard IV.B.2: The CEO plans, oversees, and evaluates an administrative structure organized and staffed to reflect the institution’s purposes, size, and complexity. The CEO delegates authority to administrators and others consistent with their responsibilities, as appropriate.

Evidence for compliance with Standard IV.B.2 includes policies that outline CEO responsibilities, organizational charts, and policies and procedures that provide for the delegation of authority from the CEO to administrators and others.

- To demonstrate evidence of addressing key staffing issues, in May 2020 the District produced an updated District Organizational Chart.<sup>28</sup> Critical positions that been filled include that of Chancellor, Vice Chancellor of Finance and Administration, Vice Chancellor of General Services, an Internal Auditor, and a Director of Purchasing.<sup>29</sup> [However, on July 16, 2020, the then permanent CEO resigned, and on July 18, 2020 the Board of Trustees accepted her resignation. The Board of Trustees then utilized the following delegation of authority policies and procedures.](#)
  1. Chancellor Succession, the District has Board Policy 2432.<sup>30</sup>
  2. For delegation of authority, the District has Administrative Procedure 2430 which outlines delegation of authority to the chancellor’s staff,<sup>31</sup> and Administrative Procedure 6100 which delegates authority for business and fiscal affairs.<sup>32</sup> These together outline the delegation of authority and roles and responsibilities of each of the designees.
  3. With these in place the passage of the authority from the former CEO to the Vice Chancellor of Finance and Administration was seamless and demonstrated the District and Board’s ability to continue operations. An open recruitment for an interim chancellor was completed October 1, 2020.
  4. Prior to the former chancellor submitting her resignation, two new presidents were hired at Berkeley City College and Merritt College. The two presidents at Laney College and College of Alameda accepted positions at other institutions. As such, the District was able to appoint interim presidents from within the administrative organization at each of the colleges. The recruitment for two presidents for these colleges is in the final stages and we expect to have the positions filled by December 1, 2020.

Additionally, the District is developing plans to hire and retain employees—plans that include effective equity and diversity considerations through professional development. The District has not yet implemented a turnover analysis mechanism, but a plan is forthcoming.

## OPEB Obligations - ACCJC Standard III.D.12

Standard III.D.12: The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is current and prepared as required by appropriate accounting standards.

Evidence for compliance with Standard III.D.12 includes: the institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is current and prepared as required by appropriate accounting standards. Sources of evidence include: actuarial valuation report for pension and OPEB; notes to financial statements dealing with employee benefit plans, commitments and contingencies; and/or other documents that demonstrate the institution is complying with this Standard.

The District offers its employees Other Post Employee Benefits (OPEB) in the form of retiree health benefits pursuant to contractual commitments set forth in its collective bargaining agreements. To provide funds to pay the costs of these benefits, the District issued its 2005 OPEB Bonds. This section of the appendix addresses the seventh of eight points raised by ACCJC in the January 2019 Letter, “Establishing Strategies to Improve the Management of OPEB Debt.” The purpose of this section is to discuss the plan of finance for the District’s OPEB Bond Program.

We start with an overview of the liabilities and uses of the OPEB Bond Program, discuss the application of funds, and address the FCMAT report’s recommendations. Here the response to the Commission is detailed and includes an overview of the program.

The District has identified its outstanding OPEB Bond Program liabilities as follows:

- Debt Service—including principal, interest, interest rate swaps, and ancillary fees associated with its outstanding OPEB Bonds.
- Retiree health benefits for District employees hired prior to July 1, 2004 (“Pre-2004 Employees”)

The District has identified the following sources of funds for the payment of its OPEB Debt:

- Dedicated General Fund Appropriation (also known as the “OPEB Charge”) and OPEB Special Reserve Fund (“Fund 69”)
- Supplemental Unrestricted General Fund Appropriation, starting at \$4.3 million for FY2019-20, to increase by \$1 million annually
- Retiree Health Benefit Trust (“Trust I” or “Fund 94”)

The 2020-21 adopted final budget included a financial plan for the OPEB Bond Program. The following table summarizes the FY 2020-21 budget for debt service and fees for the OPEB Bond Program.

**Table 13. OPEB Bond Debt Services and Fees**

<b>Source</b>	<b>Amount</b>
Dedicated Appropriation	\$6.5 million
Supplemental Appropriation*	\$2.1 million
Fund 69 Balance	\$2.8 million
Trust I	\$5.3 million
<b>Total</b>	<b>\$16.7 million</b>

\* Due to the deferrals from the State, the District's budget for the supplemental appropriation from the

District's general fund was reduced from \$5.3 million to \$2.1 million for FY2020-21.

### **District General Fund**

The District maintains budgetary capacity for the Dedicated OPEB Contribution, and the Supplemental Appropriation as planned. In FY2021-22, the combined Dedicated OPEB Contribution and Supplemental Appropriation will total \$9.6 million. This number is projected to increase annually at the aforementioned \$1 million rate until FY2031-32, when the combined total is an estimated \$19.6 million. The highest anticipated combined total of the Dedicated OPEB Contribution and Supplemental Appropriation is \$25.8 million in FY2049-50, which is the final year of the OPEB Bond Program.

### **OPEB Special Reserve Fund**

The District projects a fund balance of \$10.9 million in the fund on June 30, 2021. Starting in FY 2021-22, there are no anticipated draws on the OPEB Special Reserve Fund.

### **Trust I**

Trust I was established in 2005 to reimburse the District for costs of benefits for Pre-2004 Employees. Trust Fund I contained assets of \$204.5 million as of June 30, 2020 and had an Actuarial Accrued Liability of \$147.7 million as of June 30, 2019 (using a discount rate of 6.3%). With the draw of \$5.3 million in August 2020, there is an estimated surplus of \$50.9 million (134% funding level) in Trust I as of June 30, 2020.<sup>33</sup> There is no plan at this time for the District to contribute any additional funds to Trust I.

### **\$62.4 million Fund Balance for Contingency in OPEB Bond Program**

The District's combined dedicated liquidity for the OPEB Bond Program includes the \$50.8 million surplus in Trust I and the \$10.9 million balance in the OPEB Special Reserve Fund, for a total of \$62.4 million.

The OPEB Special Reserve Fund will only be used for liabilities in the OPEB Bond Program should sources become unavailable.

### **Restructuring**

Much of the debt associated with the District's OPEB Bond Program is non-callable<sup>34</sup> or is subject to a "make-whole."<sup>35</sup> As such, the District has limited options to reduce interest costs through a refinancing. Only the District's outstanding B-3 Bonds (\$43,175,000) are subject to call at any time at par.

Through the creation of the plan of finance for the OPEB Bond Program, the District has addressed several of the recommendations by FCMAT as follows:

#### **Audit annual enrollment eligibility in the OPEB program (In Progress)**

The District's last audit for retiree health benefits was in 2016. The District does biennial checks on eligible dependents. In addition, the District proactively verifies deaths through the website ancestry.com. The District has a goal of finalizing and institutionalizing an annual enrollment eligibility process in 2021.

#### **Conduct an annual OPEB actuarial study**

The District's actuarial Total Compensation Systems completed an Actuarial Study of Retiree Health Liabilities on March 14, 2020.<sup>36</sup> In addition, the Board of Trustees approved Resolution No. 19/20-44 at its meeting on April 7, 2020,<sup>37</sup> which included a statement of the District's intention to "annually obtain an actuarial valuation of retiree health liabilities prepared in compliance with the Governmental Accounting Standards Board Rule 74/75."

#### **Ensure that the governing Board approves the annual OPEB actuarial study. (Complete)**

As mentioned above, the Board of Trustees approved Resolution No. 19/20-44 at its meeting on April 7, 2020. The Board of Trustees approved two actuarial reports: 1) the "Actuarial Study of Retiree Health Liabilities Under GASB 74/75, Roll-forward Valuation, Valuation Date: June 30, 2018, Measurement Date: June 30, 2019" dated February 28, 2020, and prepared by Total Compensation Systems, Inc; and 2) the "Actuarial Study of Retiree Health Liabilities As of July 1, 2018" dated March 14, 2020, prepared by Total Compensation Systems, Inc. The Resolution also provided a process whereby the District will present this information to the Board on an annual basis.

#### **Request the actuarial to perform a separate OPEB funding valuation at the estimated rate rather than the long-term return on employee assets, so it has a more realistic liability number for the pre-2004 amount. (Complete)**

The District had an "Actuarial Study of Retiree Health Liabilities as of July 1, 2018" dated March 14, 2020, and prepared by its actuary, Total Compensation Systems, Inc. An actuarial report was rolled forward to the fiscal year ending June 30, 2019, at a discount rate of 6.3%. In the economic assumptions used by Total Compensation Systems, Inc., the 6.3% "is based on

assumed long-term return on plan assets.” Consistent with Resolution 19/20-44, the District will request the actuarial to perform such a valuation on an ongoing basis.

**Reconsider the current goal of fully funding the OPEB liability. (Complete)**

The Board of Trustees approved the 2020-21 Final Adopted Budget at its meeting on October 27, 2020.<sup>38</sup> The plan of finance for the OPEB Bond Program assumes that the OPEB Trust Fund is a source of funds for the District’s OPEB Bond Program and to prepay bond principal if a surplus is determined to exist in accordance with Board policy. The District is not currently planning to make any additional deposits into the OPEB Trust Fund.

**Consider eliminating annual general fund payments to the OPEB trust funds since they are fully funded at this time. (Complete)**

The Board of Trustees approved the 2020-21 Final Adopted Budget at its meeting on October 27, 2020. A plan of finance for the OPEB Bond Program was incorporated in the budget. No funds were allocated to the OPEB Trust Fund from the District’s general fund. The current plan of finance does not provide for any annual general fund payments into the OPEB trust fund in the future.

**Consider renegotiating (i.e. ending) retiree health benefits for new employees. (Under Consideration)**

The District’s contracts with the Peralta Federation of Teachers, Local SEIU 1021, and IUOE Local 39 expire on June 30, 2022. The District will consider future benefit changes in conjunction with future labor negotiations; however, the District has no immediate plans to change its current retiree benefit plans. The District is engaged with its benefits consultant to look at a variety of options for balancing value with costs saving measures.

**Terminate and restructure some of the more volatile bonds. (Complete)**

The Board of Trustees approved Resolution No. 19/20-56 on May 26, 2020, authorizing the amendment of the 2005 Indenture of Trust and other documents in relation to the conversion of the 2005 Series B-3 Bonds from Convertible Auction Rate Securities to variable rate demand bonds supported by a letter of credit provided by Barclays Bank plc.<sup>39</sup>

The Board of Trustees approved Resolution No. 19/20-65 on July 14, 2020, authorizing the reoffering circular.<sup>40</sup>

On August 5, 2020, the District closed the conversion of the 2005 Series B-3 Bonds. The B-3 Bonds have a final maturity on August 5, 2025. The letter of credit that was provided by Barclay’s bank is the full term of the bonds.<sup>41</sup> The reoffering circular describes the letter of credit and current outstanding debt service on the District’s OPEB Bonds.<sup>42</sup>

The remaining 2005 Series B-4, 2005 Series B-5, and 2005 Series B-6 Bonds are non-callable prior to the full accretion date of each series of bonds (2025, 2031, and 2039 respectively). These bonds are currently accreting at a fixed rate. These bonds cannot be refinanced or restructured using fixed-rate bonds in the current market for debt service savings. The 2011

Refunding Bonds and the 2006 modified bonds are subject to a make-whole call and pay interest semi-annually at a fixed rate. These bonds cannot be refinanced or restructured using fixed-rate bonds in the current market for debt service savings.<sup>43</sup>

**Contract for an addendum to KNN’s 2011 report<sup>44</sup> that would include an update of actions taken by the District to date related to its OPEB bond program since the 2011 report was published. (Complete)**

KNN no longer provides services to the District. However, the Board of Trustees was given a presentation on July 23, 2019,<sup>45</sup> which updated the District on the actions taken. It next approved a contract amendment with Backstrom McCarley Berry & Co., LLC (Backstrom Finance Team) at its September 24, 2019 meeting<sup>46</sup> to serve as its municipal advisor in connection with the OPEB Bond Program. The Backstrom Finance Team has and will continue to provide to the District and the Board updates and summaries relating to the status of the financings connected to the OPEB Bond program.

Through the implementation of the recommendations by FCMAT and the creation of the plan of finance for the OPEB Bond program, the District has improved its management of its OPEB Bond Program and increased its financial sustainability. The table below summarizes the key features of the plan of finance as compared to past practices.

**Table 14. OPEB Bond Program – Key Features**

	<b>2005 – 2014</b>	<b>2015-2019</b>	<b>2020</b>
2005 Bond Debt Service	Refinanced 2006-08 to mature through 2049 Refinanced 2009-15 to mature through 2031	Paid debt service as scheduled	Paid debt service as scheduled
OPEB Charge	Established in 2011, deposited to Trust I	Partially deposited to Trust I and partially used for Bond Program Liabilities	Used for Bond Program Liabilities
Quarterly Board Swap Report	None.	None.	Approved by Board Resolution
Actuarial Reports	Biannually	Produced separate Pre/post-2004 reports, biannually	Annually to be approved by Board Resolution

The District continues to provide retirees who were hired prior to July 1, 2004, with lifetime medical benefits. For employees hired after July 1, 2004, medical benefits upon retirement are provided until age 65 or Medicare eligibility under a different structure of a self-managed trust.

## Ongoing unaddressed audit findings – ACCJC Standard III.D.7

Standard III.D.7: Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Supporting evidence of meeting the standard for Standard III.D.7 includes: minutes of meetings when audits and findings are discussed, and responses are planned; and minutes of meetings where the reports are disseminated. When the District receives an audit finding, it takes steps to respond in a timely manner, as demonstrated by the 2018 Audit Corrective Action plan.<sup>47</sup> One of the ways that the District is ensuring that the audit findings are addressed and permanently remedied is through the controls provided with the Oracle project, and those mentioned earlier in the appendix. The Oracle contract was approved on May 29, 2020, by the Board of Trustees and is in the process of implementation, which is schedule to be “live” in the winter and spring of 2021.

As of this writing, the current audit for the District is underway. The audit process is not yet complete; however, in accordance with the California Community College State Chancellor’s Executive Order 2020-06 dated May 13, 2020<sup>48</sup> “... the requirement that each district submit an audit report to the Chancellor by December 31, 2020, is temporarily suspended until February 28, 2021,” due to COVID 19 pandemic. The 2019 audit report has provided an “unqualified opinion.” However, the District is in the process of evaluating preliminary findings:

<u>Vice Chancellor of Human Resources and Employee Relations</u>			
Financial Statement	2019-004	Vacation Accrual	
<u>Directors of Financial Aid, VC of AA, and VC Finance</u>			
Federal Awards	2019-005	SPECIAL TESTS AND PROVISIONS - RETURN TO TITLE IV	
Federal Awards	2019-006	SPECIAL TESTS AND PROVISIONS - DIRECT LOAN RECONCILIATIONS	
<u>Vice Chancellor of Academic Affairs and Student Success</u>			
Federal Awards	2019-007	COMMON ORIGATION AND DISBURSEMENT (COD) REPORTING	
State Awards	2019-008	444 - APPRENTICESHIP RELATED AND SUPPLEMENTAL INSTRUCTION (RSI) FUNDS	
State Awards	2019-009	425-RESIDENCY DETERMINATION FOR CREDIT COURSES	

For the current fiscal year, the District has implemented a change to the management vacation policy limiting accruals and disallowing vacation payouts. The financial aid findings are repeated audit findings for internal control. The District lacks a formal review process regarding student loan reconciliation, review of student selection for awards packages, and the COD versus the student information system. The District has a decentralized financial aid structure with the District overseeing aspects of COD reconciliations. However, the financial aid processes under

District oversight has been moved to the Finance and Administration, from the Academic Affairs and Student Success area, effective October 16, 2020. Each of the colleges is addressing their findings by planning for extensive professional development and oversight of the financial aid areas by the vice presidents of student services. State Awards findings are being investigated and a plan for eliminating or addressing them is being developed through the District's Office of Academic Affairs and Student Success.

The District continues to inform staff of procedures and policies relative to internal controls in the areas of reconciliation of monthly closing,<sup>49</sup> and the finance department has hired sufficient staff to adhere to separation of accounting duties and functions.<sup>50</sup> More still remains to be done, however, to ensure that separation of duties and timely responses to reporting and student financial aid matters need occur. To that end, the District is developing a plan that would implement a reporting structure aimed at ensuring that all financial aid matters are handled in a timely manner. Appropriate oversight by adequate numbers of skilled and professionally developed individuals will be provided to ensure that the entirety of the operation reports to Finance and Administration.

- a. PCCD adheres to its Board Policy, 6400 Financial Audits.<sup>51</sup>
- b. Aside from the Oracle upgrade mentioned above, the internal technology systems specific to Finance and Accounting have been upgraded to allow for internal controls, and system access is granted by employee role. Access to fund transfers is limited to employee role and within particular accounting areas. Required adherence to administrative and Board policies regarding expenditures, contracts, and purchase orders is being driven into goals and performance requirements for employees. Moreover, with key positions filled, the technology system is set to be upgraded in fiscal year 2020/21, with an estimated completion and migration time of February 2021.<sup>52</sup> The upgrade will include finance modules, position control modules, student financial aid, and student accounts receivables integration.

## REPORT SUMMARY

Merritt College has taken substantive, intentional, and explicit actions to address the concerns that led to the decision of placing the institution on probation status. This Special Report provides evidence of Merritt College's and the District's actions and progress in response to the noted deficiencies and areas of concern from ACCJC's January 27, 2020 letter. Through institutional introspection and the implementation of needed changes to internal processes, Merritt College and the District are coordinating with intentionality to ensure fiscal accountability, sustainability, and overall fiscal health moving forward.

## **Links to Cited Materials (Please See District Evidence Folder)**

- <sup>1</sup>[ACCJC's representative letter of January 25, 2019](#)
- <sup>2</sup>["Peralta Community Colleges Integrated Financial Plan 2019-2024, A Living Document"](#)
- <sup>3</sup>[Letter to the Colleges January 27, 2020](#)
- <sup>4</sup>[PCCD's FCMAT's Initial Risk Assessment Ratings](#)
- <sup>5</sup>[PCCD's FCMAT Risk Assessment Rating in May 2020](#)
- <sup>6</sup>[2019 PCCD Audit Report](#)
- <sup>7</sup>[Planning and Budget Council Minutes](#)
- <sup>8</sup>[Planning and Budget Council Minutes](#)
- <sup>9</sup>[PCCD Five Year Integrated Financial Plan](#)
- <sup>10</sup>[PCCD 2019/20 Adopted Budget](#)
- <sup>11</sup>[PCCD Adopted Tentative Budget 2020/2021](#)
- <sup>12</sup>[State Chancellor's Office Executive Order 2020-06](#)
- <sup>13</sup>[Draft Adoption Budget 2020/2021 Board Agenda September 15, 2020](#)
- <sup>14</sup>[The PCCD Final Adoption Budget is scheduled for Board of Trustees approval on October 27, 2020.](#)
- <sup>15</sup>[Board Adopted Agreements with Cambridge West, October 13, 2020](#)
- <sup>16</sup>[Presentation to the College Presidents, September 9, 2020](#)
- <sup>17</sup>[PGC Minutes, January 31, 2020](#)
- <sup>18</sup>[Draft Spreadsheet Planning and Memorandum Approval Request for Contracts - MARC - Cambridge West Partnership SCFF 2021120 - Printed – signed](#)
- <sup>19</sup>[PCCD Board and Administrative 2410 Policy Development and Procedure](#)
- <sup>20</sup>[District Planning and Budget Calendar](#)
- <sup>21</sup>[PCCD Board of Trustees Budget Development Calendar](#)
- <sup>22</sup>[PCCD Planning Budget Integration Model and Planning and Budget Council Minutes, Calendars, and Agendas](#)
- [PBC-Mintues-02212020.pdf](#)
  - [PBC-Agenda-05082020.pdf](#)
  - [PBIM-Summit-Agenda-8.13.19.pdf](#)
  - [PBIM-Meeting-Calendar-2019-2020.pdf](#)
  - [2019-20-Planning-And-Budget-Integration-Model-Annual-Integrated-Planning-Calendar.pdf](#)
- <sup>23</sup>[Internal Auditor](#)
- <sup>24</sup>[May 29, 2020 - SPECIAL MEETING OF THE BOARD OF TRUSTEES Board Approved Oracle Contract](#)
- <sup>25</sup>[PCCD Cash Flow and Budget to Variance Reports](#)
- [Copy%20of%202020-5-20%20Financial%20Report.pdf](#)
  - [Copy%20of%20FY2019-20%20Monthly%20Cashflow\\_Rev\\_2020.05.20%20Updated.pdf](#)
  - [Copy%20of%202020-6-30%20Financial%20Report.pdf](#)
  - [FY2019-20%20Monthly%20Cashflow\\_Rev\\_2020.07.02.pdf](#)
- <sup>26</sup>[Peralta-CCD-Final-Report-2019.pdf](#)
- <sup>27</sup>[PCCD Closing Directives](#)
- <sup>28</sup>[District Organizational Chart as of October 19, 2020 f](#)
- <sup>29</sup>[PCCD Organizational Chart](#)
- <sup>30</sup>[Chancellor Succession](#)
- <sup>31</sup>[Delegation of Authority to the Chancellor's Staff](#)
- <sup>32</sup>[Delegation of Authority for Business and Fiscal Affairs, Administrative Procedure](#)
- <sup>33</sup>[Trust II as of June 30, 2020 AND Trust I as of June 30, 2020](#)
- <sup>34</sup>[2011 – Refunding-OS](#)
- <sup>35</sup>[2011 Refunding OS Optional Redemption](#)
- <sup>36</sup>[Total Compensation Systems Actuarial Study 2018 Pre 2004 Retirees and Total Compensation Systems Actuarial Study 2018 Post 2004 Retirees](#)

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<sup>37</sup> [Resolution No. 19/20-44 Accepting the OPEB June 2019 GASB Actuarial Report, July 2019 OPEB Supplemental Actuarial Report and the June 2019 Investment Performance Update and Adopting the OPEB Trust 1 Surplus Determination and Disbursement Procedures which was adopted on April 7, 2020](#)

<sup>38</sup> [Adoption Budget 2020/21](#)

<sup>39</sup> [Reimbursement Agreement](#)

<sup>40</sup> [Meeting Jul 14, 2020 - REGULAR MEETING OF THE BOARD OF TRUSTEES Category ACTION ITEMS Subject Consider Approval of Resolution No. 19/20-65 approving a form of Reoffering Circular in connection with the District's Remarketing of its Series B-3 OPEB Bonds](#)

<sup>41</sup> [Letter of Credit, Barclays August 5, 2020](#)

<sup>42</sup> [Reoffering Circular](#)

<sup>43</sup> [2011 Refunding OS Optional Redemption](#)

<sup>44</sup> [KNN OPEB Final Report 2011](#)

<sup>45</sup> [Bond Budgeting Presentation, Backstrom Finance Team, Board of Trustees](#)

<sup>46</sup> [Board Adoption Amended and Restated Agreement with Backstrom McCarley Berry & Co., LLC and Public Financial Management Inc.](#)

<sup>47</sup> [2018 Audit Corrective Audit Plan <https://web.peralta.edu/business/files/2019/03/Corrective-Action-Plan-031819.2.pdf>](#)

<sup>48</sup> [California Community College State Chancellor's Executive Order 2020-06](#)

<sup>49</sup> [Monthly Closing Announcement](#)

<sup>50</sup> [Staff separation of duties](#)

<sup>51</sup> [Board Policy Financial Audits](#)

<sup>52</sup> [Oracle Dashboard Presentation September 29, 2020 Board of Trustees Meeting](#)