

FEB 14 2011

FOLLOW UP VISIT REPORT

PERALTA COMMUNITY COLLEGE DISTRICT

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

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

This report represents the findings of the evaluation team that visited
Peralta Community College District on November 4, 2010

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November 23, 2010

TO: Accrediting Commission for Community and Junior Colleges

FROM: Frank Gornick, Team Chair

SUBJECT: Report of Follow-Up Visit Team to Peralta Community College District on
November 4, 2010

Introduction and Overview

A follow up visit was conducted to the Peralta Community College District on November 4, 2010. At its meeting in June 2010, the Commission acted to require Peralta Community College District to submit a Follow-Up Report followed by a visit. The visiting team consisted of Dr. Frank Gornick, Mr. Bob Isomoto, and Mr. Norval Wellsfry. The purpose of the team follow-up visit was to verify that the Follow-Up Report prepared by the district was accurate through examination of evidence, to determine if sustained, continuous, and positive improvements had been made, and that the district has resolved the recommendations made by the comprehensive evaluation team and now meets the Accreditation Standards, and Commission policies.

Discussion of the Institution's Responses to the Commission Action Letter and Responses to the Special April 2010 Visit

In general, the team found that the district had prepared well for the visit by arranging for meetings with the individual and groups agreed upon earlier with the team chair and by assembling appropriate documents in the meeting room used by the team. Over the course of the day the team met with district leadership including the Chair of the Governing Board and one additional Trustee, Chancellor, College Presidents, Consultant on fiscal and governance concerns, General Counsel, Vice Chancellor of Human Resources, Vice Chancellor of Education Services, Vice Chancellor of Finance and Administration, IT manager, and two faculty members and a dean who are involved in the Planning and Budget Council.

The District's responses to the 2009 recommendations stated in the 2010 ACCJC Accreditation Letter of June 30, 2010 are addressed and they have been met. The corrective actions required by ACCJC were to assess the overall effectiveness of the District services to the colleges, provide clear delineation of functional responsibilities, and develop clear processes for decision making. The District, led by the Chancellor and Vice Chancellor of Educational Services, developed and now has an ongoing process of assessing the overall effectiveness of the District services to the colleges and a clear delineation of functional responsibilities. This process was described and outlined in the October 15, 2010 Follow-Up Report.

As a result the District created a new District Planning and Budget Integration (PBI) Process. The primary focus of the process is on the services, functions, and accountability to the colleges. The committees that compose this PBI process are education, facilities, technology, and the

Planning and Budgeting Council. The procedures for the PBI process were adopted by the Board in August 2009. A web site was created which documents the work of all committees and serves as a historical record of the actions taken and motions recorded. Evaluation of the first year using the process revealed positive responses from the colleges and District personnel. A manual was created to provide clarity about District services and to delineate district and college functions.

The November 2010 Follow-Up Report and visit were expected to document resolution of the following recommendations:

Recommendation 1: In order to meet standards at all times, all personnel selection actions must adhere to the established policies and procedures.

Recommendation 2: In order to meet the Standards, the team recommends the District evaluate the reporting structure with regard to the inspector general so that the position is properly placed in the hierarchy of the District organization. (Standard IV.B.1.j).

Recommendation 3: In order to meet the Standards, the team recommends the District clarify the role of the board members with respect to the work of the District managers. This would include a review of reporting structures, methods for board inquiries, distinction between board policy setting and oversight, ad management, leadership, and operational responsibilities for the District. (Standards IV.B.1.d; IV.B.1.j).

Recommendation 4: In order to meet the Standard, the team recommends the District provide ongoing and annual training for board and management on roles and functions as it relates to District policy and operations. (Standard IV.B.1.f).

Recommendation 5: In order to meet the Standard, the team recommends the District engage in ongoing discussion about the role of the board and how it serves its trustee role for the good of the District. The role of the board should be reviewed regularly with each board member. (Standard IV.B.1; IV.B.1.j)

Recommendation 6: In order to meet the Standards, the team recommends the board consider regular review of the code of ethics to assure thorough understanding and application of its intent. (Standard IV.B.1.e; IV.B.1.h).

Recommendation 7: In order to meet the Standard, the visiting team recommends a change in the reporting relation of the Inspector General from the Board of Trustees to the Chancellor. (Standard IV.B.1.j).

Recommendation 8: In order to meet the Standard, the visiting team recommends a regular review of board roles to assure that the board is relying on the chancellor to carry out the policy set by the board. (Standard IV.B.1.j).

Recommendation 9: The team recommends the Board of Trustees and District adhere to their appropriate roles. The District must serve the colleges as liaison between the colleges and the

Board of Trustees while assuring that the college presidents can operate their institutions effectively. Meanwhile, the Board must not interfere with the operations of the four colleges of the district and allow the Chancellor to take full responsibility and authority for the areas assigned to district oversight. (Standards IV.B.3.a-g).

District/College Responses to the Team Recommendations

General Observations

On April 19, 2010, an ACCJC special team visited the Peralta Community College District Office to focus on the financial resources, technology, and management systems of the district, and the roles and functions of the Governing Board in relation to the Chancellor and other district administrators. Following the special team visit, the district filed two reports with the ACCJC, and provided additional and current information on the district's corrective actions at the Commission's June 10, 2010 meeting. At the meeting, the Commission placed all four district colleges on probation, and required the Peralta Community College District to complete a Follow-Up Report by October 15, 2010.

The Follow-Up Report is a well written and comprehensive document. It chronicles the actions that the district has taken to address the deficiencies as noted from the special team visit, as well as, to address the recommendations and reporting requirements from the comprehensive site visits in March 2009. The report also includes a Corrective Action Matrix. The matrix is a detailed plan which lists the corrective actions for ACCJC recommendations, audit findings, and Alameda County Grand Jury recommendations. The matrix also lists the responsible party, due date, status, and related systematic integration. According to the matrix, while a number of the corrective actions have already been completed and expect to be addressed by June 30, 2011, there are items also marked as "on-going," and some will not be addressed until June 2012. Responding to a *special* team recommendation, the district did close for the 2008-09 fiscal year, adopted a budget for 2009-10, adopted a budget for 2010-11, and has been timely with its quarterly reports. The adopted budget for 2010-11 has over \$12 million in budget cuts, and it will be a real test this year for the district to operate within the adopted budget.

Since the special April 2010 team visit, the district has made important personnel changes to deal with its tenuous situation. The Chancellor position was filled on an interim basis with one who has had a long term history within the district. This has proven to be an invaluable asset in helping the entire district move forward. The Chief Business Officer position was filled with a competent individual who has made a positive impact on the fiscal credibility of the district. The Associate Vice Chancellor of Educational Services was promoted to the Vice Chancellor position and adds a sense of stability to the district office. The district is in the process of hiring other key personnel, including an internal auditor and systems programmers. The district has hired CIBER for assistance with the PeopleSoft implementation and SAFE consultants for assistance with the financial aid programming issues. Mr. Thomas E. Henry, EDMAC, continues as the fiscal consultant. The Pineapple Group has been replaced with KNN consultants for advice on the OPEB bond financing.

Findings and Evidence

Recommendation 1: *In order to meet standards at all times, all personnel selection actions must adhere to the established policies and procedures.*

On July 19, 2010, there was a workshop for Board members to clarify lines of authority and to review selection procedures. At the meeting the Board members agreed that the Chancellor alone would report to the Board and that, in turn, the Board would hold him accountable for the successful operation of the District. The Board adopted the Community College League of California document, "Board and CEO Rules: Different Jobs, Different Tasks" (2000). The Chancellor also reviewed the Board policies and procedures for personnel selection.

The District has met this recommendation. All personnel actions are now directed through the human resources staff of the district and colleges. Board members no longer sit on committees or call presidents or college administrators to make recommendations about hiring decisions. The Board has fully recognized their responsibilities and enthusiastically embraced their role.

Recommendation 2: *In order to meet the Standards, the team recommends the District evaluate the reporting structure with regard to the inspector general so that the position is properly placed in the hierarchy of the District organization. (Standard IV.B.1.j).*

At the July 19, 2010 workshop with the Board, the Chancellor presented an organizational chart showing the reporting structure for the Inspector General. The Inspector General reports directly to the Chancellor. The Chancellor will assign duties and evaluate the Inspector General. The Board has affirmed this reporting structure.

The District has met this recommendation.

Recommendation 3: *In order to meet the Standards, the team recommends the District clarify the role of the board members with respect to the work of the District managers. This would include a review of reporting structures, methods for board inquiries, distinction between board policy setting and oversight, ad management, leadership, and operational responsibilities for the District. (Standards IV.B.1.d; IV.B.1.j).*

In addition to the adoption of the CCLC document at the July 19, 2010 workshop, a training was conducted on September 14, 2010 by Dr. Cindra Smith, Community College League of California. The training included discussion on all of the 2010 ACCJC recommendations, specific directions for the Board to submit all inquiries to the Chancellor, and to not contact district managers directly. There was also clarification on the role and function of Board committees.

The District has met this recommendation. Through professional development workshops, policy changes, and organizational changes at the district level, they comply in action and spirit with the standard.

Recommendation 4: *In order to meet the Standard, the team recommends the District provide ongoing and annual training for board and management on roles and functions as it relates to District policy and operations. (Standard IV.B.1.f).*

On June 10, 2010, Bill McGinnis, Community College League of California, provided a training workshop which addressed effective Board practices and Trustee financial responsibilities. Because the workshop was so informative, the Board agreed to the subsequent trainings mentioned in the previous recommendations. These subsequent trainings reinforced and further clarified the Board's roles and responsibilities.

The District has met this recommendation.

Recommendation 5: *In order to meet the Standard, the team recommends the District engage in ongoing discussion about the role of the board and how it serves its trustee role for the good of the District. The role of the board should be reviewed regularly with each board member. (Standard IV.B.1; IV.B.1.j).*

The Board has had ongoing discussion and training on its roles as evidenced by in the aforementioned recommendations. The Board has agreed to keep the District's strategic goals foremost in its governance of the District, and to evaluate their efforts annually for their effectiveness in doing so. The Chancellor is working to revise Board Policy 1.05, Board Duties and Responsibilities.

While the District has made significant progress with this recommendation by changing their policies and practices, it is not fully met. There remains the board committee structure which must be reconciled with their new roles and responsibilities.

Recommendation 6: *In order to meet the Standards, the team recommends the board consider regular review of the code of ethics to assure thorough understanding and application of its intent. (Standard IV.B.1.e; IV.B.1.h).*

The Board has reviewed its policy for consistency with the ACCJC standards and eligibility requirements, and has recommended the strengthening of their Code of Ethics and Behavior (BP1.06). The Board also reviewed and discussed the Conflict of Interest Policy (BP 6.86). At the September 14, 2010 training, the Board agreed to conduct an annual self evaluation on their compliance with the code of ethics.

The District has met this recommendation as noted in the adoption of board policies on ethics, conflict of interest, and their annual self evaluation.

Recommendation 7: *In order to meet the Standard, the visiting team recommends a change in the reporting relation of the Inspector General from the Board of Trustees to the Chancellor. (Standard IV.B.1.j).*

The District meets this recommendation and has done so through Board action, changes in organizational charts, and through the actions now being carried out by the Chancellor and his staff.

Recommendation 8: *In order to meet the Standard, the visiting team recommends a regular review of board roles to assure that the board is relying on the chancellor to carry out the policy set by the board. (Standard IV.B.1.j).*

As mentioned in the prior recommendations, the Board has agreed to and participated in several workshops and trainings on their roles and responsibilities. The Board has adopted the CCLC document, "Board and CEO Rules: Different Jobs, Different Tasks" (2000) as a guide for distinguishing their roles from those of the Chancellor. The Chancellor is revising Board Policy 1.05, Board Duties and Responsibilities, in order to assure that the policy addresses the appropriate role of Board members.

The District meets this recommendation.

Recommendation 9: *The team recommends the Board of Trustees and District adhere to their appropriate roles. The District must serve the colleges as liaison between the colleges and the Board of Trustees while assuring that the college presidents can operate their institutions effectively. Meanwhile, the Board must not interfere with the operations of the four colleges of the district and allow the Chancellor to take full responsibility and authority for the areas assigned to district oversight. (Standards IV.B.3.a-g).*

In an interview with the Interim Chancellor and the College Presidents, they stated the Board members understand that they govern the District through the Chancellor. Through all of the workshops in the past six months on the various aspects of trustee roles and responsibilities, the Board understands its appropriate behavior in the governance of the District. The College Presidents do not receive inquiries from Board members. That behavior has stopped. The Board has renewed its commitment to adhering to its own policy of working directly with the Chancellor and trusting the Chancellor to carry out the day-to-day responsibilities of running the District. In addition, the Board members should not assume direct contact with the college presidents and other district personnel.

The District has met this recommendation.

Conclusion

The Peralta Community College District has made remarkable progress toward meeting the accreditation standards since the last visit in April 2010. During the last visit there was an atmosphere of denial and defensiveness among the staff who were interviewed. During this visit the staff seemed to not only accept their situation, but they felt confident that the district will eventually resolve its situation. The two Board members who were interviewed expressed a complete commitment by the Board to allow the Chancellor to run the district in order to better serve the students. They demonstrated a strong willingness to discuss and to be trained on the roles of the Trustees versus the role of Chancellor. Without question, the hiring of Dr. Allen as

the interim chancellor has proven to be the first of several strategic and key personnel changes. The appointment of the two Vice Chancellors, especially the new Chief Business Officer, Ron Gerhard, was also an important step in stabilizing the leadership and in giving the staff the confidence in the administration and themselves to resolve the district's situation. Keeping Tom Henry employed as the fiscal adviser was also critical to staff's confidence level.

Additionally, the District has established a constructive and collaborative working relationship with the State Chancellor's Office in all matters of financial reporting and student progress. This is a significant change from the last visit where this relationship was viewed with some suspicion.

The culmination of the district's effort to address its governance and fiscal issues is presented in the Corrective Action Matrix, dated September 30, 2010. This document systematically addresses, on a point by point basis, every issue from the Grand Jury investigation, accreditation recommendations, and audit findings. The matrix is a "blueprint" for success, and if the district continues to use it as a guide, there is no question that the district will correct its situation.

There are two issues which are critical to the district's full recovery. The first is the OPEB bond liability; and the second is the nearly \$12 million in budget cuts for the 2010-11 year. The interest payments on the OPEB bond accelerate each year to a high of \$18.6 million in 2015. There are also variable payments every five weeks that are currently in the \$150,000 range. Unless the district restructures the payment schedule, the financial burden will bankrupt the district. The new bond financial advisor, KNN Group, is scheduled to present different options to the district in December 2010. In order to maintain at least a 5% reserve, the district aggressively budgeted nearly \$12 million in cuts. It remains to be seen if the district can successfully achieve this goal.

It appears that the District has invested significant effort in the resolution of the recommendations from both 2009 and 2010; however, there is still significant effort required to bring these issues to final resolution.

The significant unknown for the District at this point has to do with their immediate and long term financial viability. The OPEB issue and the resolution of that issue is waiting to be solved. In January 2011 the new consulting firm, KNN, will provide the District and Board with options to consider as they attempt to resolve this matter. It was clear from all the interviews with the FCMAT representative, the new Vice Chancellor of Finance and Administration, Board Members, and the Chancellor that while they make progress and comply with the recommendations made by prior teams, the overarching concern is the solution to the OPEB matter.

Any recommendation by KNN will cause organizational discomfort in a time when the state has few resources to assist the district with a solution; however, the attitude that the staff presents in the face of this daunting problem is a positive one of confidence. A can do attitude that they will address this issue head on and resolve it to the satisfaction of the community and students will serve them well.

New Recommendations

Recommendation 1: The team recommends that the 2010 Recommendation 5 be revised to include the following language: The team additionally recommends that the Board of Trustees continue to redefine the appropriate roles of the Board and its relationship to the Chancellor. The Board of Trustees should also refine and change the roles and charges of the Board Committees so that they also reflect an appropriate policy role for the Board. (IV. B.1, 3)

Recommendation 2: The team recommends that the district continue to monitor its progress toward meeting the issues listed in the Corrective Action Matrix. In particular, the district needs a plan to address the OPEB bond and to be evaluated on keeping to its 2010-11 budget. (III.D.1, 2, 3)

Recommendation 3: The team recommends that the Board of Trustees develop and implement a plan to review all Board policies so that the policies reflect only policy language and that the operational processes for these policies be reflected in a system of administrative regulations. (IV.B.1.e, IV.B.3)

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