

Follow-up Report

Merritt College
12500 Campus Drive
Oakland, CA 94619

A Confidential Report Prepared for the Accrediting Commission
for Community and Junior Colleges

This report represents the findings of the evaluation team that visited

Merritt College
on
April 1-2, 2013

Mr. Michael Claire, Team Chair

Merritt College
Follow-up Report

Visiting Team Members
April 1-2, 2013

Merritt College Visit:

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Peralta Community College District Visit:

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INTRODUCTION AND OVERVIEW

A six-person team visited the Peralta Community College District on April 1, 2013 to assess progress made on Commission recommendations 2, 3, 4, and 5 and Eligibility Requirements 3, 5, 17, and 18 from the visit of April 2012. The visiting team received the *Follow Up Report* prior to the visit, met with the Chancellor, the Vice President of the Board of Trustees, other District Vice Chancellors and District support staff.

In addition, a two-person team visited Merritt College on the second day of the visit and met with the College President, Interim Vice President of Instruction, Vice President of Student Services, Academic Senate President, Classified Senate President, and Associated Students president.

The purpose of the visit was to verify that the *Follow-up Report* prepared by the college was accurate, through examination of evidence; to determine if sustained, continuous, and positive improvements had been made at the institution; and that the institution had addressed the recommendations made by the comprehensive evaluation team, resolved the deficiencies, and now meets the Eligibility Requirements, Accreditation Standards, and Commission policies.

During the visit the visiting team validated through conversations and documentation the progress made for each Commission recommendation. The team found these meetings to be very helpful and informative in validating the college's progress in meeting the Commission's recommendations.

RESPONSES TO THE COMMISSION'S RECOMMENDATIONS

The following recommendations were the basis for conversations, interviews and review of data. The intent was to determine if the College had addressed the recommendations resulting from earlier visits. The recommendations addressed in this visit expand the focus on the district's progress in the area of improving management systems, financial accountability and controls. In addition, the team conducted interviews and examined evidence to determine to what extent the financial actions of the District have impacted the colleges and their capacity to offer quality student learning programs and services.

Team members also visited each college in the Peralta Community College District. Interviews with college stakeholders were conducted to verify whether or not the perception on the part of the District's progress as described by the District was also supported by the colleges. The team also wanted to determine the process by which members of Merritt College were informed about the District responses to the recommendations and if Merritt College had a formal role in providing input on the District's response to the recommendations. The college's perspective on the District's ability to support its institutional effectiveness is vital to measuring progress on the recommendations.

RESPONSES TO SPECIFIC RECOMMENDATIONS

Recommendation 2

In accordance with Standard III.D.2.a, c, and g and Eligibility Requirement #18, the District needs to resolve outstanding audit findings identified in the Department of Education letter dated May 20, 2011 referring to Audit Control Number (CAN) 09-2009-10795. That letter identifies the findings for each of the four colleges as those findings relate to Department of Education areas of funded programs including Title IV and Financial Aid. Additionally, the District should resolve all audit findings in the Vavrinek, Trine, Day, & Co. LLP, Certified Public Accountants' audit reports for years 2008, 2009, and future audit report issued after the date of this recommendation.

Although the District has resolved a significant number of the audit findings from prior audits, a number of audit findings remain unresolved. The remaining audit findings need to be resolved by March 15, 2013.

Observations and Analysis

The entire team met with Vice Chancellor of Finance, the Vice Chancellor of Educational Services and Student Services. They reviewed the status of the Corrective Action Matrix that the District is using to track the audit findings. The number of audit findings has been reduced from 53 as of 6/30/2009 to eight as of 6/30/2012. Of those eight, only four are from the prior year. The remaining 49 findings have been cleared. The following summarizes that status of the eight audit findings:

2012-1 Time and Effort Reporting. (Prior year 2011-14) The District has implemented a procedure for both collecting the time reports and for following up on the reports that were not submitted promptly. The District provided evidence that the reports are current through 2nd quarter, 2012-13. This audit finding has been addressed.

2012-2 Procurement, Suspension and Debarment. (Prior year 2011-15) The District had implemented procedures to assure that contractors were verified to not be on the federal list, but had not included change orders. Procedures have been amended to include all contractors regardless of amount of the contract. This audit finding has been addressed.

2012-3 Financial Reporting. This audit finding was for one program. The program staff have been trained and the existing procedures have been reinforced. This audit finding has been addressed.

2012-4 Equipment Management. (Prior year 2011-17) The District has implemented procedures to track and tag all equipment purchased with federal funds. This audit finding has been addressed.

2012-5 Students Actively Enrolled. (Prior year 2011-20) The District and colleges have implemented procedures to ensure that class rosters are submitted by faculty for all course sections and that those rosters that are missing as of the end of census week are requested, repeatedly if necessary, from the faculty member. Late rosters are manually entered into the system. As of the end of census week in Spring, 2013, there were 700 out of 2300 rosters missing. As of one month later, only 130 were missing. The colleges will continue to follow up with the missing rosters. This audit finding has been addressed.

2012-6 Concurrent Enrollment. The District has a procedure requiring high school students to complete a separate concurrent enrollment form for each term of attendance. The College Admissions and Records offices maintain the forms for one semester and then forwards the forms to the District Office. Any student who attempts to enroll online but lists him or herself as a high school student will be blocked from enrolling until the College has granted approval manually online. This audit finding has been addressed.

2012-7 Residency Determination for Credit Courses. The District has established a procedure to email all students who put a “2” on their CCCApply application, indicating permanent residency. The email informs the students that they have been placed in a non-resident status until they provide additional information to the Admissions and Records office. The process is a manual process, but adequately addresses the issue. As of this Spring, the District established an electronic process for placing a hold on these students and sending them the email. This audit finding has been addressed.

2012-8 CalWORKs Reporting. This audit finding was for one program. The program staff have been trained and the existing procedures have been reinforced. This audit finding has been addressed.

Conclusion

The District has addressed all prior year audit findings from 2008-09 through 2010-11 as well as the four new audit findings for 2011-12. It is clear that the District has developed a robust process for addressing audit findings in a prompt and serious manner.

Recommendation

The District has met Standard III.D.2.a, c, and g and Eligibility Requirement #18.

Recommendation 3

While evidence identifies progress, the District has not achieved compliance with Standard III.D and Eligibility Requirement # 17. Specifically, the District has not achieved long-term fiscal stability related to resolution of collective bargaining agreements on compensation and post-retirement benefits. Therefore, in order to meet the Standards and the Eligibility Requirements, the District must assess its fiscal capacity and stability and implement actions to resolve deficiencies.

The District has secured modifications to the collective bargaining contracts resulting in a soft cap on retiree benefits. The District must demonstrate its ability to maintain its fiscal stability over the long term (beyond three years) and assess the impact of the new revenue achieved through the passage of the parcel tax.

Observations and Analysis

The team met with District administration. It is clear that the District administration as well as the board is working as a team with the focus on financial stability.

The District has:

- Negotiated benefit caps with all three collective bargaining groups. This change has assisted in the drop of the OPEB liability from \$221M in 2011 to \$183M in 2013.
- Carefully planned for hiring additional tenure track faculty while shifting adjunct faculty costs to Measure B, the parcel tax that was passed in June 2012. This fiscal strategy will allow the district the flexibility to reduce sections and costs in the future should state funding not increase as hoped.
- Created a new Budget Allocation Model that allocates funds to the colleges based on their share of the District's funded FTES averaged over three years. This creates an incentive for the colleges to actively manage their enrollment.
- Managed the allocation of increased funding from the passage of Proposition 30 and the Measure B Parcel Tax to meet the terms of the ballot measures. The District has developed a fiscal strategy that keeps ongoing expenses out of Proposition 30 and Measure B, which are one-time funds. This strategy allows the District to scale its level of operations to its level of funding once Measure B and Proposition 30 funds sunset.
- Addressed the OPEB liability by refinancing the debt and creating a benefit charge to address the future liability of current employees. This liability will continue to be managed, as the District plans to refinance the remaining debt by 2015, create an irrevocable trust and increase the self-charge to 15%.

Conclusion

The District has tackled its significant budget problems seriously and intently, with the result that the District is in healthy financial condition with superior fiscal management.

Recommendation

The District has achieved compliance with Standard III.D and Eligibility Requirement #17.

Recommendation 4

While evidence identifies progress, the District has not achieved compliance with Standard IV.B and Eligibility Requirement # 3. Specifically, the District has not completed the evaluation of Board policies to the end of maintaining policies that are appropriate to policy governance and excluding policies that inappropriately reflect administrative operations. Therefore, in order to meet Standards and Eligibility Requirements, the District must evaluate all Board policies and implement actions to resolve deficiencies.

The District has revised a significant number of its Board Policies. This project needs to be completed so that all policies are reviewed and revised as necessary by March 15, 2013.

Observations and Analysis

The Board adopted a method for review of its policies that employs the structure and advice from the California Community College League. This review process included the elimination of unneeded rules, the realignment of rules to delete elements of a procedural nature, and the addition of new rules in areas that were lacking. The Board has completed one full review of its policies and has made the commitment, with the aid of the CCLC update process, to conduct regular and ongoing updates. The Board has also incorporated the policy review process into its annual retreat agenda.

The Vice President of the Board has confirmed this practice and the district administration has assigned staff dedicated to providing the necessary support to keep the review process going forward. The Board has also declared its intention to complete a full review on a four-year cycle, consistent with the length of Board terms. The Board is ready to allow the administrators to manage and the Board will stay focused on policy.

The Board and the Chancellor have also conducted orientation sessions with the one newly elected trustee so that she can learn her role and responsibilities. The District also plans to use the Chancellor's cabinet meetings (which include all presidents and vice chancellors) to continue this work.

The Board has found that the review process has helped them focus on policies, eliminate their involvement in procedures and clarify the chancellor's role. This enables the Board to support the Chancellor in his job instead of intervening in the operations of the District. This also helps the Board focus on matters of policy.

Conclusion

The Board and the District's administration have joined in this mutually beneficial activity and have made commitment to continue regular review on Board policies.

Recommendation

The District has completed the review task and has met this recommendation.

Recommendation 5

While evidence identifies progress, the District/Colleges have not achieved compliance with Standard III.D and Eligibility Requirements # 5 and # 17. Specifically, the District/Colleges do not demonstrate the fiscal capacity to adequately support quality student learning programs and services. Therefore, in order to meet Standards and Eligibility Requirements, the District/Colleges must evaluate the impact of financial decisions on the educational quality and implement actions to resolve any deficiencies.

In reviewing the reports, the Commission noted that Merritt College has not fully evaluated the impact of recent District financial decisions on the College's ability to sustain educational programs and services. While the College did describe the principles and practices around fiscal decisions at the District and the Colleges, it was unclear to the Commission what specific impact the reductions or changes had and what the future impact of those reductions and changes would be. The College's response should include an analysis of staff sufficiency and the quality of educational services before and after budget reductions with sufficient detail and evidence to evaluate the impact of these reductions on the overall educational quality of the college. The college should describe how it intends to deal with any resulting negative impact.

Observations and Analysis

Merritt College's *Follow-Up Report* provides a comprehensive description of the impact of the recent budget reductions, as well as an analysis of staff sufficiency and the quality of educational programs and services both before and after the budget reductions. The College has analyzed the impact of budget reductions from a variety of perspectives including staff sufficiency, academic programs, and enrollment.

Most importantly, the College has provided detailed evidence on student academic performance, which includes measures such as total degree and certificate awards; fall to spring retention rates; student course drop rates; course completion rates; and total transfers to California Public Universities. The College has tracked these measures from Fall 2008 to Fall 2012 and has also compared this data to baseline measures, which are a compilation of data from Fall 2001 to Fall 2006.

The data clearly demonstrate that there has not been a significant change in student achievement measures since the budget reductions have occurred. Merritt does show a decline of total awards in the 2011-12 year. According to College personnel the decline is due to the decision to reduce the certificate of proficiency awards and encourage students to pursue higher unit-value awards. All other award categories have shown

stability over the period from Fall 2008 to Fall 2012. All other academic performance measures have shown little variability, and in fact, some measures have improved over baseline measures.

The College made numerous reductions in personnel across all categories. Furthermore, some tenured faculty were relocated to other Peralta Community College District campuses. The district's goal was to balance the full-time faculty ratios across the District to ensure that faculty resources were available where most needed.

The College also reduced adjunct faculty, which in turn reduced available sections and resulted in a decrease of full-time equivalent students (FTES). The District's Budget Allocation Model (BAM) allocates fiscal resources based on relative enrollment. The BAM ensures that each college is sizing its schedule to meet over-arching District enrollment management strategies. While the reduction in FTES is unfortunate, it was necessary since the District's total FTES cap was reduced as a result of the state budget crisis. The California Community Colleges received workload reductions over the last several years; both the District and the College's response demonstrate an integrated and fiscally sound enrollment management strategy. Merritt has consistently met its total FTES and its FTES/FTE targets over the last several years.

Although anecdotal, the president of the Associated Students stated that while more schedule choices would have been desirable, students were able to complete their educational goals with some thoughtful educational planning. This statement is supported by the data that the College has provided. The College should be commended for its commitment to continue to provide access to students by offering high-demand courses, maintaining high enrollment efficiency levels, and collaborating with sister colleges in scheduling certain courses.

The College reduced the administration by eliminating the two instructional deans and a student services dean. Merritt uses a department chair model and the additional workload created by these vacancies was absorbed by the Vice President of Instruction, the Vice President of Student services, as well as the department chairs. The College recognized that this particular arrangement would not be sustainable for the long-term. Thus, the College has reinstated these administrative positions now that the financial picture has improved.

In addition, the College eliminated its researcher position. Although institutional research is now centralized at the District, it provides a level of support to the College that supports current College decision making and long-range planning. The *Follow-Up Report* demonstrates through the data and evidence presented in the Report that there is capacity for meeting the research needs of the College. The data provided in the *Follow-Up Report* provided convincing evidence that the College is able to engage in effective planning in order to provide sufficient staffing to maintain its educational programs and services.

In discussion with the visiting team, senior administrators indicated they recognize the importance of a strong institutional research component and in order to maintain this under the current budgetary constraints, they will maintain strong communication with the District researcher(s) and they themselves have learned to be effective "data managers" by using the District's query tool.

The District's goal is to provide two researchers who will serve the colleges, with each of the two researchers responsible for two of the District's colleges. Merritt senior administration acknowledged that they will rely on more reports generated by the District research staff as they move forward with long-range planning.

Classified staffing levels were also reduced. In some cases classified staff positions will be reinstated, in other cases positions will not be reinstated. Finally, it is conceivable that new positions will be created that better reflect the current needs of the College.

The financial condition of the District and the College has improved. As a result the College is carefully reviewing its staffing needs by using its Integrated Planning and Budget Model (IPB), which is directly linked to the District's Planning and Budgeting Model. Merritt's model relies heavily on program review as a means to identify resource requests, including personnel. Merritt has a robust integrated planning and budgeting system and plans to revise the system so that priorities can be ranked according to standard rubrics.

Conclusion

The College has demonstrated its ability to sustain educational programs and services. The College has provided evidence that affirms that student achievement has not been compromised. The team believes that the College has met the Commission's request for a thorough analysis of the impact of the budget reductions as well as staff sufficiency.

Although initial budget cuts were across the board, the College maintained core programs and services for its students. Now that the College has time to plan strategically, it will assess students' goals and needs in order to achieve the correct balance of instructional programs. The College's senior administration also recognizes the need to plan collaboratively with the other three colleges in the District in order to achieve the correct, sustainable balance of programs and services at each of the colleges. These discussions will be ongoing.

Further, the College utilized student focus groups and surveys to assess the needs of its students along with the data from the student enrollment management tool. Supporting the decision-making process and long-range planning is an evident well-functioning participatory governance climate. Faculty, staff, and student leadership indicated support for the participatory governance process, which allows for disagreement but also for reaching a consensus that supports the College's sense of community, frequently described as a "family."

The College has reinstated dean-level positions that had been eliminated during the early budget reductions and is also currently involved in filling interim administrative positions with permanent hires. The College will rely on its Integrated Planning and Budgeting model to identify other high-priority staffing needs. The *Follow-Up Report* and the site visit interviews indicate that the District and the College have developed and executed strategies that promote fiscal stability. As a result, the College is now ready to move forward with strategic planning to ensure continued quality of its programs and services.

Recommendation

The College fully meets Commission Recommendation 5, meets Standard III.D and complies with Eligibility Requirements #5 and #17. Furthermore, the College has fully responded to the Commission's request to provide a detailed analysis of the impact of the budget reductions and staff sufficiency on the overall educational quality of the college.