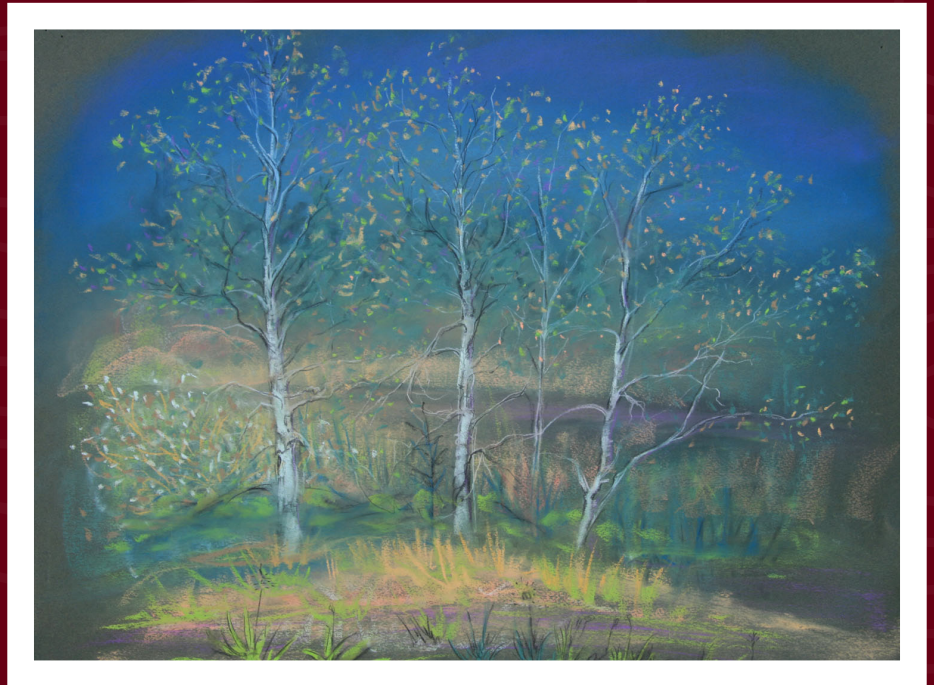


# CR COLLEGE OF THE REDWOODS



## FOLLOW-UP REPORT CERTIFICATION

**SUBMITTED BY:**  
COLLEGE OF THE REDWOODS  
7351 TOMPKINS HILL ROAD  
EUREKA, CA 95501

**SUBMITTED TO:**  
ACCREDITING COMMISSION FOR  
COMMUNITY AND JUNIOR COLLEGES,  
WESTERN ASSOCIATION OF  
SCHOOLS AND COLLEGES

**MARCH 1, 2019** ■

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## **Report Preparation**

### **Response to the Commission Action Letter**

The Accrediting Commission for the Community and Junior Colleges (ACCJC) issued institutional action on College of the Redwoods in January 2018. The ACCJC reaffirmed accreditation for seven years and required a Follow-Up Report due no later than March 1, 2019. The College received a letter from ACCJC on January 26, 2018 affirming this decision that included a college compliance recommendation that needed to be addressed in a Follow-Up Report. The letter also included the ACCJC visiting team report and findings.

Following the reaffirmation letter, the College immediately began to address the recommendations. The President/Superintendent and the Accreditation Liaison Officer (ALO) convened the Accreditation Oversight Committee and the Academic Senate Co-Presidents on January 31, 2018 to discuss the ACCJC recommendations. A general timeline was decided upon at that meeting leading to actions resulting in the implementation of the following preparation of the Follow-Up Report.

- January 2018 – Communication with the College of the Redwoods Board of Trustees regarding ACCJC findings and timeline for Follow-Up Report
- June 2018 – Chief Executive Officer, ALO, Chief Business Officer and the Lead accreditation writer determine evidence necessary to address recommendation and commence documenting of evidence and initial report writing
- October 2018 – Board of Trustees provided an update with a draft Analysis and Evaluation to be included in the Follow-Up Report
- November 2018 – Academic Senate reviewed draft of the Follow-Up Report and provided feedback with CBO present to answer questions
- December 2018 – California Schools Employee Association (CSEA), and Management Council reviewed Follow-up Report and provide feedback
- December 2018 – Board of Trustees presented the actions to address each ACCJC recommendation, including Recommendation 7
- January 2019 – Expanded Cabinet reviewed draft of the Follow-Up Report following revisions based on input from constituent groups and additional budget information
- January 2019 – The Accreditation Oversight Committee was convened to review the draft report following constituent input before sending it back to the Board of Trustees for review
- January 2019– Board of Trustees reviews draft of the Follow-Up Report and provides feedback
- February 2019 – Final Follow-Up Report reviewed by the Board of Trustees

## Response and resolution to Recommendation

Recommendation #7 (Compliance): In order to meet the standards, the team recommends that the college adopt budgets that match ongoing revenues and expenditures in the unrestricted general fund without the need to make significant draws on one-time resources or transfers from other funds. (III.D.1, III.D.11)

ACCJC Standards to Address:

III.D.1 - Financial resources are sufficient to support and sustain student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. (ER 18)

III.D.11 - The level of financial resources provides a reasonable expectation of both short- term and long-term financial solvency. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations.

The College received this compliance recommendation from the Commission on January 26, 2018 but realized earlier, based on the exit comments from the visiting team that it needed to act on these Standards. To that end, it immediately acted to address the Commission’s concerns. On December 5, 2017, the College engaged the services of Dr. Albert Harrison, who was part of the Collaborative Brain Trust consulting group, to serve as the temporary Chief Business Officer (CBO) for the district following the resignation of the previous CBO on December 1, 2017 ([Rec 7.a](#)).

Dr. Harrison is a retired CBO with over 38 years of California community college experience in a variety of positions that include: Interim President of the College of Marin from June to December 2010, Vice President of College Operations for the College of Marin from 2004 through 2013, Chancellor of the Peralta Community College District from 1995 to 1999, Vice Chancellor of Financial Services for Peralta Colleges from 1984 to 1995, and a Professor for Alameda Community College from 1999 through 2004. He is also a practicing Certified Public Accountant and is the sole owner of a CPA firm located in Berkeley, California.

The College charged Dr. Harrison with a general scope of work that included reviewing the current general fund, auxiliary and categorical budgets, budget policies, processes and procedures, and providing the College with best practices for aligning budget processes with planning. His analysis led to a series of recommendations ([Rec 7.b](#)) for revisions to key documents and processes and the development of strategies for implementing recommendations to address the Commission’s concerns.

In addition, Dr. Harrison’s work assisted the College in addressing the findings of a March 2017 Fiscal Crisis Management and Assistance Team (FCMAT) report generated at the request of the

President/Superintendent in January 2017. Recommendation 7 in the External Evaluation Team Report focused on this FCMAT report, noting that the FCMAT report cites the college using large “intra fund transfers in.”

Dr. Harrison was invaluable in helping the College meet and exceed the accreditation Standards related to budgeting and improve the overall institution-wide level of trust in the budget planning process. Shortly before Dr. Harrison’s arrival, Ms. Julia Morrison had assumed the Controller position. Dr. Harrison worked closely with Ms. Morrison through the budget development process, mentoring her and passing on as much of his knowledge as possible. By end of Dr. Harrison’s term at the College in April 2018, Ms. Morrison had assumed the position of CBO.

Many examples illustrate the College’s compliance with this Recommendation. On September 5, 2017, the Board of Trustees approved the “2017-18 Final Budget,” that includes a “transfer in” to the unrestricted general fund of \$388,000 ([Rec 7.c](#)). The source of the “transfer in” was capital outlay and STRS/PERS set asides established in 2015-16 using unrestricted general funds. This transfer in to cover a retroactive FY 16-17 2% salary increase for all employees was planned – the transfer was not made in an ad hoc manner to bring the unrestricted general fund into balance. By June 30, 2018 all remaining set aside funds were transferred into the unrestricted general fund to cover the higher than estimated 2% increase and to support the other post-employment benefit (OPEB) fund. This also resulted in a higher ending fund balance, which puts the College in a better position given multi-year forecasts. The College, however, recognized that it is not fiscally sustainable to continue to balance the unrestricted general fund in this manner, even if it planned for these kinds of transfers. To that end, on March 20, 2018, the Board of Trustees received the “Preliminary Budget Development 2018-19” report ([Rec 7.d](#)).

The College developed two scenarios in the 2018-19 Preliminary Budget for budget planning: a “hold harmless” scenario and another one based on the “Student-Focused Formula proposed in the Governor’s proposed Budget.” Under both scenarios, the College created budgets that do not require draws from one-time resources or transfers from other funds in order to bring the unrestricted general fund into balance ([Rec 7.e](#)). On September 4, 2018 the Board of Trustees approved the 2018-19 “Final Budget” and reviewed the three-year budget forecast through 2021. Expenditures match ongoing revenues, there are no transfers-in from other funds, and the ending fund balance is expected to be 6.3% ([Rec 7.f](#), [Rec 7.g](#)).

Moreover, the long-term budget forecast (2018-2021) in the 2018-19 Preliminary Budget has eliminated the necessity for any transfers into the unrestricted general fund (there is a consistent, planned “transfer out” of 460,762 each forecasted year). In June 2018, after the governor’s “May revise,” District CBO Morrison presented the “Tentative Budget” to the Board of Trustees ([Rec 7.h](#)). Based on the governor’s action, this budget includes only the “hold harmless” scenario that was presented in the “Preliminary Budget” in March. On p. 11 of that document, the “TRANSFER IN (OUT)” section illustrates that the College has prepared a budget that does not

require transfers into the unrestricted general fund in order to balance, ensures that expenditures match on-going revenues, and increase the ending fund balance to 7.9%.

Budgeting according to a long-term budget forecast has allowed the College to use conservative estimates of expected revenue and less conservative estimates of increased benefit costs, including benefit cost increases of 8% in 2019-20 and 12% for 2020-2021, step increases for all College staff, and PERS and STRS increases. The projection reveals a deficit in the unrestricted general fund for the 2020-2021 year. This kind of budget forecasting is allowing the College to make gradual adjustments over the course of the next few years in order to bring the 2020-2021 unrestricted general fund budget into balance. The College's efforts in this regard are discussed below.

In order to prevent the necessity to utilize unplanned "transfers in" to the unrestricted general fund to bring it into balance, and to meet the forecasted 2020-21 deficit, the College has implemented several new initiatives. On March 12, 2018, while still in the Controller position, Julia Morrison sent an email communiqué to Director of Human Resources Wendy Bates, President Keith Flamer, and Accounting Manager Ericka Barber explaining the updated "Position Inventory" ([Rec 7.i](#) and [Rec 7.j](#)). In the email, Ms. Morrison explains: "The Position Inventory will become a useful tool to meet this expected outcome [Recommendation 7 compliance], as well as the expected outcome related to producing a three-year budget forecast that assumes realistic expectations. Assumptions can be utilized and incorporated into the database to increase salaries and benefits for multiple year projections."

On March 17, 2018, the College implemented a "hiring freeze for all general funds, categorical and grant funded positions except for those that are identified as mission critical" and froze "all general and categorically funded operational expenses" in order "to make certain they are mission critical and aligned with appropriate revenue" to ensure that transfers into the unrestricted general fund would not be necessary in order to bring that into balance ([Rec 7.k](#)). At the same time the College, through its Enrollment Management Committee, began to develop strategies that would "most likely...increase enrollments" and outlined these in a memo to the president. These include an incentive for faculty to develop and expand the College's online course offerings, increased course offerings inside Pelican Bay State Prison, improving the quality of support for students when they apply to and enroll at the College, and the development of improved marketing materials for the College's transfer degrees and career technical education programs ([Rec 7.l](#)).

The College has also taken steps to ensure that the Business Services office has adequate staffing to run its operations as efficiently and accurately as possible, and that the entire College community understands the entire budgeting process and the importance of maintaining a balanced budget in their area. A new Budget Technician started on May 1, 2018, a new Accounts Payable Clerk started June 1, 2018, and a new Administrative Assistant for the CBO began on August 20, 2018.

After a failed search for the new Controller on July 25, 2018, it was decided to try to recruit and hire a Principal Accountant instead. Once the new Administrative Assistant and Principal Accountant are in place, the workload of the Business Services Office will be re-evaluated. If it is determined that hiring a second budget technician is still necessary (as Dr. Harrison recommended), then the College will begin recruiting for that position ([Rec 7.b](#)). The Business Office has communicated continuously with departments at the College regarding their budgets. In accordance with the College's "Quality Improvement Plan" that was part of the *Institutional Self-Evaluation Report* to the Commission ([Rec 7.m](#), [Rec 7.n](#), and [Rec 7.o](#)), the College has convened a Budget Planning Revision Task Force charged with using the interest-based decision-making process to review and revise the function and scope of the College's existing Budget Planning Committee.

The College has engaged in other meaningful efforts to increase its revenue so it can balance its general fund without resorting to one-time resources or transfers in. For example, the Enrollment Management Committee has reviewed the 2017-2020 Enrollment Management Plan ([Rec 7.p](#)) with an eye toward actions that are likely to increase enrollments, especially those projected by the new funding formula. The focus has been primarily twofold, with expansion of online course offerings and the development of a full degree program at Pelican Bay State Prison at the forefront. In 2018, the College received an "Innovation Award" for its Pelican Bay initiative and used that to hire a full-time, non-tenure-track faculty member in English to allow incarcerated students the opportunity to complete the English 1A degree requirement ([Rec 7.q](#)).

In an effort to be as transparent as possible about its budgeting process and to solicit ideas from the entire College community about how to increase revenues and decrease expenditures, the district held several "Budget Open Forums" on the Eureka main campus and at its Del Norte location. At these meetings, the CBO discussed the budget assumptions, the 2018-19 Final Budget, and the three-year forecast in order to facilitate a college-wide discussion on preventative actions that can be taken now to ensure that the unrestricted general fund will remain in balance, such as improving efficiencies, offering retirement incentives, and engaging in initiatives to maximize revenues under the new student-centered funding formula ([Rec 7.r](#), [Rec 7.s](#)).

The multi-year forecasts are continually updated as more current information becomes available about the new Student Centered Funding Formula (SCFF) for Community Colleges, benefit rates, and faculty and staff resignations. A revised multi-year forecast was presented at the December 11, 2018 Audit and Finance Committee meeting. The revised forecast extended to 2021-22, and included SCFF revenue scenarios with and without a COLA increase, as well as flat and increasing FTES, supplemental, and student success counts. Salary and benefit expenses included known and anticipated resignations and retirements ([Rec 7.t](#)) and ([Rec. 7.u](#)).

Following the Governor's January Budget Report a draft 2019-20 Preliminary Budget and forecast through 2021-22 was developed and presented to the Board of Trustees at the February



5, 2019 meeting ([Rec.7.v](#)). The budget shows that the college is not drawing on one-time funds to balance the budget, and the projected reserve funds in the forecast stay above 5%.

## **Analysis and Evaluation**

The College adopts budgets that match ongoing revenues and expenditures in the unrestricted general fund without the need to make significant draws on one-time resources or transfers from other funds. After a review of College budgeting practices, procedures that have been implemented, and measures that have been taken since the Commission made this Recommendation, the College meets the conditions of the Recommendation. The College has shown a commitment to processes leading to sufficient resources that allow for budgets that match ongoing revenues and expenditures.

The consultation work of Dr. Albert Harrison proved most valuable in creating systems for budget development and forecasting that prevent the need to transfer, on a planned or unplanned basis, revenue into the unrestricted general fund in order to bring it into balance. Moreover, the CBO has taken steps to create a system that will enable the College to run accurate assessments of the impacts of changes to salaries and benefits on future unrestricted general fund budgets. As a result of this more accurate modeling and lack of a reliance on transfers into the unrestricted general fund, the College was able to recognize a potential budget deficiency several years in the future, so it can take proactive action in the present to ensure that the budget will balance and “transfers in” will be unnecessary. The College has created mechanisms so that adopted budgets will always match ongoing revenues and expenditures and so that significant draws on one-time resources and transfers in will not be used to balance the unrestricted general fund.

## **Evidence Appendix**

- Rec 7.a [Contract with Albert Harrison](#)
- Rec 7.b [Tracking of Dr. Harrison’s Final Report](#)
- Rec 7.c [2017-18 Final Budget](#)
- Rec 7.d [2018-19 Preliminary Budget](#)
- Rec 7.e [2018-19 Preliminary Budget Scenarios](#)
- Rec 7.f [2018-2019 Final Budget](#)
- Rec 7.g [2018-2019 Final Budget Board Agenda](#)
- Rec 7.h [2018-19 Tentative Budget](#)
- Rec 7.i [Email to W. Bates Re: Review of Position Inventory](#)
- Rec 7.j [18-19 Projected Position Inventory Spreadsheet](#)
- Rec 7.k [Email from Snow-Flamer Re: Spending Freeze](#)
- Rec 7.l [Enrollment Management Strategies](#)
- Rec 7.m [Budget Open Forum Follow-up Email](#)
- Rec 7.n [FY Transition Notice](#)
- Rec 7.o [Tracking of 2018 Recommendation 7](#)



- Rec 7.p [2017-2020 Enrollment Management Plan](#)
- Rec 7.q [Innovation Award Recipient Notice](#)
- Rec 7.r [2018-19 Budget Open Forum FAQs](#)
- Rec 7.s [Student Centered Funding Formula Discussion](#)
- Rec 7.t [Revised Multi Year Forecast w 17-18 Actuals and 18-19 Adjustments](#)
- Rec 7.u [Revised Multi Year Forecast w 17-18 Actuals, 18-19 Adjustments, and Vision increases](#)
- Rec 7.v [2019-20 Draft Preliminary Budget](#)