

# **SPECIAL REPORT ON RECOMMENDATION 6**

*From the ACCJC Evaluation Team Recommendation made on  
the basis of the April 19, 2012 site visit*

Submitted by  
Victor Valley College



18422 Bear Valley Road, Victorville, CA 92395

Submitted to  
Accrediting Commission for Community and Junior Colleges  
Western Association of Schools and Colleges

March 17, 2014


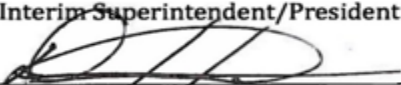
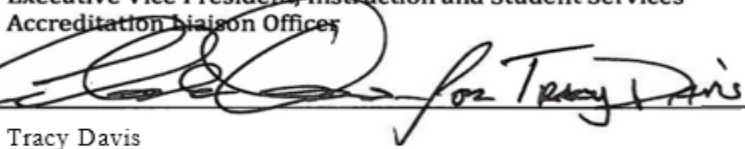
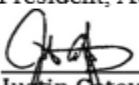

## Table of Contents

|   |          |
|---|----------|
| <b><i>Certification of Special Report.....</i></b>                                      | <b>3</b> |
| <b><i>Statement on Report Preparation .....</i></b>                                     | <b>4</b> |
| <b><i>Responses to Team Recommendation 6 and the Commission Action Letter .....</i></b> | <b>5</b> |
| <b>Team Recommendation 6: Long-Term Fiscal Plans .....</b>                              | <b>5</b> |
| Special Financial Report Plan .....   | 5        |
| Corrective Actions Taken .....  | 6        |
| The College’s Plan to Resolve the Deficit .....   | 6        |
| List of Supporting Evidence .....   | 7        |

## Certification of Special Report

We certify that this Special Report accurately reflects the nature and substance of the College with respect to the Commission recommendations it has been asked to address, and that there was broad participation in the preparation of this Report

Signed:

|   |                         |
|---|-------------------------|
| <br>_____<br>Peter Allan<br>Interim Superintendent/President                                     | <u>3/6/14</u><br>Date   |
| <br>_____<br>Dennis Henderson<br>President, Board of Trustees                                    | <u>3/11/14</u><br>Date  |
| _____<br>Executive Vice President, Instruction and Student Services<br>Accreditation Liaison Officer  | <u>3/6/14</u><br>Date   |
| <br>_____<br>Tracy Davis<br>President, Academic Senate   | <u>3/7/14</u><br>Date   |
| <br>_____<br>Justin Gatewood<br>President, California School Employees Association Chapter 584 | <u>3/10/14</u><br>Date  |
| <br>_____<br>Evelyn Blanco<br>President, Associated Student Body                               | <u>03/12/14</u><br>Date |

## **Statement on Report Preparation**

Upon receipt of the February 7, 2014 Action Letter from the Commission, the interim College President immediately engaged the college community regarding the financial challenges faced by Victor Valley College. The College President and the Cabinet met on many occasions to discuss possible revenue enhancement strategies and cost serving measures. In addition, the College President sent to the College community a list of potential revenue items and expense reduction proposal.

The report is a product of teamwork and the following individuals contributed greatly to the subsistence of the report.

## **Responses to Team Recommendation 6 and the Commission Action Letter**

### **Team Recommendation 6: Long-Term Fiscal Plans**

*In order to meet the Standards, the College should develop long-term fiscal plans that support student learning programs and services that will not rely on using unrestricted reserves to cover deficits. Additionally, the College should provide timely, accurate and comprehensive financial data and budget projections for review and discussion throughout the institution. (III.D, III.D.1.a, III.D.1.c, III.D.2.b, III.D.2.c, Eligibility Requirement 17)*

#### **From the Financial Panel Review by the ACCJC**

*The panel's recommendation is: "In order to do this the college will need to alter their collective bargaining agreements to restore some flexibility in spending as well as reduce the rate of increases of benefits and other personnel spending."*

#### **From the Commission Action Letter of February 7, 2014**

*The College must "Demonstrate that the college has developed a long range financial plan that addressed the projected financial deficits. Standard III.D.1 requires the institution to plan for short and long term liabilities. The commission notes that this requirement is the same as Recommendation 6 in the 2011 Comprehensive visit Evaluation Team Report.*

### **Special Financial Report Plan**

Indeed, it is worth noting that the College has consistently maintained a positive ending balance and has begun each year with substantial reserves. This fact has been consistently noted on the College's Annual Fiscal Reports. As noted by the Commission in its February 7, 2014 Action Letter, the College has adequate financial reserves to provide for several years of budget deficits. The success of any fiscal plan depends on the willingness of the constituents to understand the issue and to be willing to work together to resolve the issue. Victor Valley College faculty, staff and administrators fully recognize this fact and they accept the reality that a balanced budget is achieved only when operating revenues equal operating expenses at the end of a fiscal year.

#### **Response from Team Report 11/23/13**

The college has addressed this recommendation; it has a plan to address the structural deficit through negotiations. The team notes, however, its concern that the success of this strategy relies on the employee bargaining groups developing an understanding of the College's long term deficits and agree to concessions.

### **Response from the Financial Panel review by the ACCJC**

The panel's recommendation is: "In order to do this the college will need to alter their collective bargaining agreements to restore some flexibility in spending as well as reduce the rate of increases of benefits and other personnel spending."

### **Corrective Actions Taken**

In response to this recombination, the College has taken a series of additional actions to the Follow-Up Report Recommendation 6 submitted to the Commission on October 15, 2013 to reduce expenditures, increase revenue and bring equilibrium between annual operating revenues and expenses by 2016. The plan as outlined below has been distributed to all employees of the District, and discussed at length by the Accreditation Steering Committee at its February 28<sup>th</sup> meeting. In its meeting on March 11, 2014, the Board of Trustees for Victor Valley College proposed additional measures that will help the College achieve long term financial stability (BOT Agenda).

Furthermore, the College has begun the following actions in order to address the budgetary impact of benefits and other personnel expenses:

1. As of 6/30/13 there was a \$ 5.6 million deficit (Expenses exceed revenues)
2. As of 6/30/14 there will be an additional \$700K of expenses
  - a. Health Insurance increases: \$ 500,000
  - b. Steps/Longevity: \$ 200,000

The total short fall of revenue to expenses for 2014 is \$ 6.3 million.

### **The College's Plan to Resolve the Deficit**

1. Estimated Revenue production:
  - a. Interest from the Guaranteed Investment Contract: \$ 2.0million for 2014-5 and subsequent years. During the 10 years between now and 2025, the District will establish a sinking fund by directing a portion of future growth funds to reducing annual contribution from GIC interest from \$ 2 million to \$ 1 million.
  - b. Recovery of Mandated Costs: \$ 250,000
  - c. State Funded COLA: \$ 711,000
  - d. Growth funds: \$ 300,000

Total increase in revenue production: \$ 3.25 million

2. Negotiate reductions in expenses:
  - a. Negotiations with the Faculty (start date March 13,2014):
    - i. Negotiate a reduction in the compensation paid for the Summer Session by December 2014: Savings \$ 1.0 million
  - b. Negotiations with classified and management (In progress):
    - i. Reduce Instructional Assistant Schedule from 12 months to 10 months by July 1<sup>st</sup>, 2014: Savings \$ 164,000
  - c. Reductions attributable to manager (completed):
    - i. In August 2013 the Board of Trustees approved a change to the management salary schedules to be extended by 2 years on the front end.
  - d. Targeted reductions applicable to all employees:
    - i. Negotiate a cap and employee contribution to the benefit plan by December 2014 Expected saving as a result of Administrators, Staff and Faculty reducing and contributing to their benefit package: \$ 1.0 million

Total Targeted Expense reductions attributable to cost cutting: \$ 2.914 Million

Total of expense reductions and revenue enhancements: \$ 6.146 million.

### **List of Supporting Evidence**

- SR-1. [Board Resolution #12-07 - Board of Trustee direction to the President/Superintendent to the eliminate the deficit \(July 2012\)](#)
- SR-2. [FCMAT Fiscal Review, April 3,2013](#)
- SR-3. [Board of Trustee approval of District and CTA sunshine items](#)
- SR-4. [Evidence of dates for negotiations](#)
- SR-5. [Sunshine list in BOT minutes](#)
- SR-6. [E-mail correspondence to campus community for the Victor Valley College Plan for Resolving the Budget Deficit](#)
- SR-7. [State budget update correspondence from the Chief Financial Officer to the College stakeholders](#)

SR-8. [Cabinet meeting notes](#)

SR-9. [Accreditation Steering Committee meeting minutes 2/28/14, 3/7/14](#)

SR-10. Include all other evidence Items from Rec 6

- a. [From Midterm Report](#)
- b. [From Follow-Up Report #4](#)